2007 REFERENCE DOCUMENT

DELIVERING THE ESSENTIALS OF LIFE

REFERENCE DOCUMENT 2007

INCORPORATION BY REFERENCE:

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

- with regard to the fiscal year ended December, 31, 2006: management report, consolidated financial statements and related Statutory Auditors' reports, as set out on pages 117-130, 196-307, 308 and 309, respectively, of the English version of the Reference Document filed with the AMF on April 4, 2007;
- with regard to the fiscal year ended December 31, 2005: management report, consolidated financial statements and related Statutory Auditors' reports, as set out on pages 89-101, 154-280 and 281-282, respectively, of the English version of the Reference Document filed with the AMF on April 11, 2006.

The information included in these two reference documents, other than that referred to above, is replaced or updated, where applicable, by the information contained in this Reference Document. Both of these reference documents are accessible under the conditions described in Section 24 "Documents accessible to the public" of this Reference Document.

This Reference Document contains forward-looking information in Sections 6.1 "Principal activities", 12 "Information on trends" and 9.7 "Outlook for 2008". This information does not constitute historical data and there is no assurance that such forward-looking facts, data or objectives will occur or be met in the future. Such information is subject to external factors, such as those described in Section 4 "Risk management".

Unless expressly stated to the contrary, the market data included in this Reference Document is based on internal estimates made by SUEZ using publicly available information

The original French version of this Reference Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on March 18, 2008, in accordance with the provisions of Article 212-13 of the General Regulations of the AMF.
It may be used in support of a financial transaction if it is supplemented by an offering memorandum approved by the AMF.

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1 PARTIES RESPONSIBLE FOR THE REFERENCE DOCUMENT

PARTY RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION IN THE REFERENCE DOCUMENT

Mr. Gérard Mestrallet, Chairman and Chief Executive Officer

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this reference document is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report on pages 117 to 130 presents a fair review of the development and performance of the business and financial position of the company and all the undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors stating that they have audited the information contained in this reference document about the financial position and accounts and that they have read this document in its entirety.

Chairman and Chief Executive Officer

Gérard Mestrallet

STATUTORY AUDITORS

2.1 NAMES AND ADDRESSES

2.1.1 PRINCIPAL STATUTORY AUDITORS

- **Ernst & Young et Autres**

Represented by **Mr. Pascal Macioce et Ms. Nicole Maurin**

41, rue Ybry, 92576 Neuilly-sur-Seine Cedex

Appointed on June 22, 1983, its term of office was most recently renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 for a period of six years and will expire at the close of the 2013 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2012.

- **Deloitte & Associés**

Represented by **Mr. Jean-Paul Picard and Mr. Pascal Pincemin**

185, avenue Charles-de-Gaulle, BP 136, 92203 Neuilly-sur-Seine

Appointed on May 28, 1999, its term of office was most recently renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 13, 2005 for a period of six years and will expire at the close of the 2011 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2010.

2.1.2 DEPUTY STATUTORY AUDITORS

- **AUDITEX**

Faubourg de l'Arche – 11, allée de l'Arche, 92037 Paris La Défense

Appointed on May 4, 2007 by the Ordinary and Extraordinary Shareholders' Meeting of the same date, its term of office will expire at the close of the Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2012, at the same time as the expiration of the term of office of Ernst & Young et Autres.

- **BEAS**

7-9, villa Houssay, 92200 Neuilly-sur-Seine

Appointed on May 28, 1999, its term of office was most recently renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 13, 2005 for a period of six years and will expire at the close of the 2011 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2010.

2.2 RESIGNATION/NON-RENEWAL OF APPOINTMENT

Shareholders were not asked to renew the term of Deputy Statuary Auditor of Mr. Francis Gidoin at the Shareholders' Meeting of May 4, 2007.

At the above-mentioned Shareholders' Meeting, the Board of Directors of SUEZ asked shareholders to approve the appointment of Auditex as the deputy Statutory Auditor for Ernst & Young et Autres. The term of office of Auditex will expire at the same time as that of Ernst & Young et Autres, i.e., at the close of the Shareholders' Meeting held to approve the financial statements for fiscal year ending December 31, 2012.

SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

Financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last four reporting periods (ended December 2004, 2005, 2006 and 2007) and have been prepared in accordance with the European Regulation (EC) 1606/2002 on International Accounting Standards (IFRS) dated July 19, 2002 as published by the International Accouting Standards Board (IASB) and adopted for use in the European Union at that date.

Until December 31, 2004, SUEZ's consolidated financial statements were prepared in accordance with French GAAP.

The schedules below set out the key figures reported by SUEZ for the three years ended December 31, 2004, 2003 and 2002, prepared in accordance with French GAAP. The key figures reported by SUEZ for the years ended December 31, 2007, 2006, 2005 and 2004 are presented in accordance with IFRS:

KEY FIGURES

In millions of euros	2007	2006	2005	IFRS 2004
1. Revenues	**47,475.4**	**44,289.2**	**41,488.9**	**38,057.7**
of which revenues generated outside France	35,542.9	33,480.3	31,769.2	29,481.1
2. Income				
- Gross operating income	7,964.7	7,083.3	6,508.2	5,932.4
- Current operating income	5,175.4	4,496.5	3,902.2	3,736.7
- Net income Group share	3,923.5	3,606.3	2,512.7	1,696.4
3. Cash flows				
Cash flow from (used in) operating activities	6,016.6	5,172.2	5,825.5	4,970.1
o/w cash generated from operations before income tax and working capital requirements	7,266.6	6,383.5	5,750.9	5,680.8
Cash flow from (used in) investing activities	(4,681.2)	(365.9)	(8,992.0)	124.0
Cash flow from (used in) financing activities	(2,517.5)	(6,938.1)	6,488.3	(8,083.4)
4. Balance sheet				
Shareholders' equity	22,192.8	19,503.8	16,255.9	7,773.8
Total equity	24,860.9	22,563.8	18,823.2	12,828.2
Total assets	79,127.2	73,434.6	80,443.1	60,292.3
5. Share data (in euros)				
- Average number of shares outstanding (a)	1,286,926,215	1,261,287,823	1,053,241,249	995,133,046
- Number of shares at year-end	1,307,043,522	1,277,444,403	1,270,756,255	1,020,465,386
- Earnings/(loss) per share (a)	3.09	2.86	2.39	1.70
- Dividend distributed	1.36	1.20	1.00	0.79
6. Total average workforce	**192,821**	**186,198**	**208,891**	**217,180**
- Fully consolidated companies	146,350	138,678	157,918	160,966
- Proportionately consolidated companies	37,592	38,567	41,673	50,614
- Equity-accounted companies	8,879	8,953	9,300	5,600

(a) Earnings per share is calculated based on the average number of shares outstanding, net of treasury shares.
2007 dividend: as recommended.

			French GAAP
In millions of euros	**2004**	**2003**	**2002**
1. Revenues	**40,739.4**	**39,621.8**	**46,089.8**
of which revenues generated outside France	31,278.7	29,871.3	36,119.5
Pro forma trading revenues (excluding energy trading)	40,739.4	39,621.8	40,783.9
of which revenues generated outside France	31,278.7	29,871.3	31,241.6
2. Income			
- Gross operating income	6,198.2	6,010.9	7,253.7
- Operating income	3,601.3	3,204.9	3,707.6
- Net income/(loss) Group share	1,804.4	(2,165.2)	(862.5)
3. Cash flows			
Cash generated from operating activities	4,376.5	4,495.6	4,826.5
of which gross cash flow	4,486.6	3,726.9	4,856.7
Cash generated from (used in) investing activities	(281.6)	3,607.9	(3,200.9)
Cash generated from (used in) financing activities	(7,084.1)	(6,190.0)	1,719.8
4. Balance sheet			
Shareholders' equity	7,922.5	6,895.7	10,577.5
Total equity	12,693.0	11,742.9	15,768.2
Total assets	62,981.9	69,950.2	84,151.3
5. Share data (in euros)			
- Average number of shares outstanding (a)	995,133,046	993,508,578	991,270,887
- Number of shares at year-end	1,020,465,386	1,007,679,806	1,007,422,403
- Earnings/(loss) per share (a)	1.81	(2.18)	(0.87)
- Dividend distributed	0.80	0.71	0.71
6. Total average workforce	**217,180**	**233,009**	**241,607**
- Fully consolidated companies	160,966	173,368	189,062
- Proportionately consolidated companies	50,614	49,694	26,680
- Equity-accounted companies	5,600	9,947	25,865

(a) Earnings per share is calculated based on the average number of shares outstanding, net of treasury shares.

4 RISK FACTORS

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4.1 RISK MANAGEMENT

At the recommendation of the Executive Committee, in 2004 the Group adopted a policy of integrated management of business risks (Enterprise Risk Management or ERM) which includes all the techniques for risk assessment and management already existing within the Group. The purpose of this policy is to provide a complete overview of the portfolio of risks by using common methods and tools throughout all divisions and support departments, which are also responsible for operationally implementing risk management systems adapted to their specific activities (principle of subsidiarity). The ERM setup, its recent changes, and the corresponding governance have been presented for this year, 2007, to the members of the SUEZ Audit Committee, and have been organized within a general policy of risk management for the Group's risks, a document approved by the Executive Committee in June 2007.

The coordination of this integrated approach is the responsibility of the Chief Risk Officer (CRO), a position that reports directly to the Group Chairman. The Chief Risk Officer oversees the ERM process, along with Internal Audit and Insurance. A network of Risk Officers is in place in the various Group divisions and covers all business units in order to deploy these methods and tools. This network is led by the Group Risk Officer who, along with the four functional directors (Audit and Internal Control, Compliance, Insurance, Management Control), forms part of the Risk Advisory Committee, which meets quarterly with a view to exchanging best practices and provide recommendations to management.

A risk mapping process for the entire Group has also been in place for several years. Risks are identified, classified by category (strategic, financial, operational, hazard), assessed (in terms of significance and likelihood), and quantified insofar as possible; the means of addressing the risks is reviewed through a process which results in action plans at various levels of the business. There is no automatic exclusion based on the nature of the risks identified and the business divisions covered within the scope of analysis of this risk mapping. In order to improve the quality and depth of the exercise, a program of training in the risk assessment techniques was set up for the «risk» officers in the Group's business units.

This process allows the Group to build an annual summary of major risks, based on the risk identification work performed in the business units and on the work performed in the divisions to map major risks. The process is directed centrally by the Group Risk Officer and in the divisions by the network of Risk Officers. It includes steps to select significant individual risks and, if relevant, to aggregate homogeneous risks. Certain cross-risks are subject to specific governance and may be assumed, treated, and followed by a specific operating or functional line (in this regard, see the examples mentioned in Chapter 2.3 of the Report from the Chairman on internal control).

Specifically based on the results of these risk mapping works are the annual planning of the Group's internal audits, the report on major risks to the Group's executive bodies, and the risk factors as disclosed to investors in this document.

Through its ongoing integration into the key processes of the business, the ERM structure has become part of the company's internal control system and is accordingly evaluated by the Audit Department on a regular basis.

A report to the Executive Committee on the Group's principal risks was compiled in 2007. A similar report is planned for 2008, as well as a report to the Audit Committee.

4.2 INDUSTRIAL RISKS AND RISKS ASSOCIATED WITH THE LEGAL, REGULATORY, ECONOMIC, COMMERCIAL AND CONTRACTUAL ENVIRONMENT

REGULATORY RISKS

A great many aspects of the Group's businesses, particularly the production, transmission and distribution of electricity, the transport and distribution of natural gas and liquefied natural gas (LNG), water management, the operation and maintenance of nuclear plants, waste collection and treatment, are subject to stringent regulations at the European, national and local levels (competition, licenses, permits, authorizations, etc.). Regulatory changes may affect the prices, margins, investments, operations, systems and, therefore, the strategy and profitability of the Group. Recent example of such regulatory changes can be found, particularly in Section 6.1.1.5.4, for the energy business (including the liberalization and deregulation of the gas and power sectors in Europe, including a risk of a freeze or cap on rates), and in Section 6.1.1.6.5 for the environmental business (including European regulations on environmental responsibility, transboundary waste exchange, etc.). Despite the monitoring systems that have been set up, it is impossible to predict all regulatory changes, but the Group, by operating its principal businesses in different countries equipped with their own regulatory systems, diversifies this risk. In addition, some changes in regulations, in contrast, bring new market opportunities for the Group's businesses.

The Group's businesses are also subject to a large number of laws and regulations concerning respect for the environment, health protection, and safety standards. Those texts govern air quality, waste water, the quality of drinking water, the treatment of hazardous and household waste, the management of nuclear facilities and LNG terminals, and soil contamination. A change in regulations and more stringent regulations could generate additional costs or investments for the Group, which the Group cannot guarantee that it will be able to cover with sufficient revenues. Following such changed or stricter regulations, the Group may have to cease an activity, without any assurance that it will be able to offset the cost generated by ending the activity. Moreover, continued performance of its businesses assumes that it will obtain or renew various permits and licenses from the regulatory authorities, which implies an often long, unpredictable procedure. It is possible that such permits or licenses will not be obtained or will be obtained late, despite the payment of substantial sums. Finally, the regulations imply investments and operating expenditures not only by the Group, but also by its customers, particularly the local government concessionaires, primarily because of compliance obligations. Failure by a customer to meet its obligations can injure the operator, harming its reputation and its capacity for growth. Beyond contractual precautions negotiated on a case by case basis, the Group works to limit all these risks, particularly within an active environmental policy (see Section 6.6.1.1, «Environmental Policy») and by managing a comprehensive insurance program (see Section 4.6, «Insurance»).

The competent regulatory agencies have broad prerogatives and powers in the area of energy and environmental services, which cover issues related to ethics, money laundering, respect for personal privacy, data protection, and the fight against corruption. In addition, it is difficult to predict the effective date or the form of new regulations or enforcement measures. A change in the current energy and environmental protection regulations could have a significant impact on the businesses of the Group, and on its products and services and the value of its assets. If the Group does not succeed, or appears not to succeed, in satisfactorily complying with such changes or enforcement measures, its reputation could be affected, and the Group could be exposed to additional legal risks. This could result in an increase in the amount and number of claims and applications for indemnification filed against the Group and expose the Group to compulsory enforcement measures, fines and penalties. Despite the Group's efforts to comply with the applicable regulations, there are still a large number of risks, resulting primarily from the lack of precision in certain regulations, or the fact that the regulatory agencies may modify their instructions for implementation and that courts may reverse themselves. The regulatory agencies and legal bodies have the power to initiate administrative or legal proceedings against the Group which could, in particular, result in the suspension or revocation of one or more permits or licenses held by the Group, or in injunctions to cease or desist from certain activities or services, or fines, civil penalties, criminal convictions or disciplinary sanctions, which would materially and negatively impact the businesses and financial position of the Group.

For further information on regulations relating to business lines, see Sections 6.1.1.5.4 and 6.1.1.6.5.

COMPETITIVE RISKS

Most of the Group's businesses are subject to strong competitive pressure from major international operators and from «niche» players in certain markets. (See Section 6.2. «Principal markets».)

In the energy sectors, the deregulation of the electricity and gas markets, both in Europe and the United States, has opened the door to new competitors, introduced volatility in market prices and called into question long-term contracts. It may also open up to competition concessions held by certain operators. In recent years, we have seen a trend toward the concentration of the major energy players in Europe. The increase in the competitive pressures is also perceptible in the Group's operations in Latin America and Asia. This could have a significant negative effect on selling prices, margins and the market share of the Group's businesses.

In the Environmental sectors (Water and Waste Services), SUEZ's activities are also subject to strong competitive pressures from both local and international operators, resulting in pressure on selling prices to industrial and municipal customers, as well as a risk of non-renewal of major contracts as they expire. We are currently observing a trend toward the consolidation of the market players in Waste Services in Europe, particularly in the United Kingdom, Germany, and the Benelux countries. Added to this are new forms of competition that have appeared recently: aggressive funds investment strategy, involvement of certain public sector operators, attempts at the remunicipalization of services by local administrations, etc.

ECONOMIC ENVIRONMENT RISKS

Certain of the Group's businesses, particularly the services to industrial customers, are sensitive to economic cycles. Any slowdown in the economy, particularly in the developed countries, creates a negative impact on industrial investments and, therefore, negatively influences the demand for the installation services and engineering offered by the service entities of the Group. This fluctuating demand results in substantial variations in the activity levels of these businesses which, despite their efforts to control variable costs, cannot systematically offset the impact of the decline in their revenues in certain periods. It should, however, be noted that this risk does not impact the energy and multi-technical services businesses, which profit from the growing trend among industrial customers to outsource those services.

In Western Europe, these businesses providing services to industrial customers may be temporarily sensitive to the offshoring of operations to low-wage countries. Likewise, in the energy-intensive sectors, major customers which are heavy power users (metallurgy, chemicals) may move their production to regions where energy costs are lower than in Western Europe. Conversely, economic development in these other countries represents an opportunity for strong growth.

These risks tied closely both to the economic environment and to relocation, remain relatively low for the Group given the diversity of the countries where it operates and its portfolio of industrial customers.

Similarly, changes in raw materials prices, particularly for petroleum products, which are subject to abrupt increases, may have a significant impact on the costs of production supplies for some of the Group's activities. Although most contracts contain cost indexing clauses, it is possible that the indexing formula is imperfect or that there is a lag factor so that the coverage would not be complete. The profitability of these operations could, therefore, be affected, most often temporarily. Measures for hedging this risk exist: tools for managing risks related to raw materials used by the Group are explained in Section 4.4 below.

PARTNERSHIP RISKS

The Group develops its operations in partnership with local public municipalities or with private local operators.

These partnerships constitute one of the means for SUEZ to share the economic and financial risk inherent in certain major projects, by limiting its capital employed, and ensuring that it adapts better to the specific context of the local markets. In addition, such partnerships may be required by the local regulatory environment. The partial loss of operational control is often the price that must be paid to reduce the exposure in capital employed, but this situation is managed contractually on a case-by-case basis.

However, a change in the project, the local political and economic context, or even in the economic position of a partner, may lead to the end of that partnership, particularly through the exercise of put or call options among the partners, a request to dissolve a joint venture by one of the partners, or the exercise of a right of first refusal.

Such situations may also lead the Group to decide to increase its financial commitments to certain projects or, in the case of conflicts with a partner or partners, to seek solutions in the competent courts or arbitration bodies.

EMERGING MARKET RISKS

Although the Group's activities are primarily concentrated in Europe and North America, which together represented 88.7% of consolidated revenues and 83.9% of capital employed in 2007, the Group is also active in global markets, notably in emerging countries such as Brazil and China.

The Group's activities in these countries carry a number of potential risks that are higher than those in developed countries, particularly volatility in the GDP, economic and governmental instability, regulatory changes or flawed application of regulations, nationalization or expropriation of privately held assets, recovery difficulties, social upheaval, significant fluctuations in interest and exchange rates, taxes or related withholding levied by governments and local authorities, currency control measures, and other disadvantageous actions or restrictions imposed by governments.

The Group manages these risks within partnerships or contractual negotiations adapted to each location. It makes its choice of locations in emerging countries by applying a selective strategy on the basis of an in-depth analysis of the country risks.

The year 2006 saw SUEZ Environment's final withdrawal from Argentina (specifically, termination of the Aguas de Santa Fe and the Aguas Argentinas concessions). As described in Sections 6.1.1.6.2 and 20.5, the Group resorted to international arbitration (ICSID) for the penalties associated with these two terminations. In addition, the gas crisis in Argentina and the prolonged absence of deliveries of Argentine gas to the Group's electrical power plants in Chile have had a negative impact on the profitability of these activities over the past three years.

DEPENDENCE ON CUSTOMERS OR SUPPLIERS

Whether in the energy or the environmental sector, the Group's subsidiaries have signed contracts, particularly with public authorities, the performance of which may depend on a few, or even just one, customer.

This is the case, for example, for the water management agreements and certain power production and electricity sales activities with medium and long-term power purchase agreements, as well as household waste incinerator management.

The refusal or the inability of a customer to meet its contractual commitments, particularly in the area of rate adjustments, may compromise the economic balance of the contracts and the profitability of any investments made by the operator. If the co-contracting parties fail to meet their obligations, despite contractual provisions for this purpose, full indemnification cannot always be obtained, which could impact the Group's revenues and results. The Group has encountered such situations in the past, particularly in Argentina.

In the same way, the Group's companies may depend, in managing water treatment plans, thermal power plants or waste treatment units, on a limited number of suppliers for their supplies of water, household waste, various fuels and equipment. For example, the market for turbines and foundry parts for electrical power plants is, by nature, oligopolistic and will be particularly tight in the coming years.

Any interruption in supplies, any supply delay or any failure to comply with the technical performance warranty for a piece of equipment, even those caused by the contract default of a supplier, could impact the profitability of a project, particularly in the area of electricity production, with the arrival of new high-yield gas turbines, despite the protective contractual measures set up.

The variety of the Group's businesses and their diverse geographic locations result in a broad range of situations (payments terms for customers or suppliers, the use or non-use of sub-contractors, etc.) and types of customers (industries, local municipalities and individuals). The

Group believes that there is no relationship with a supplier, customer or subcontractor, the termination of which could have a significant impact of the financial position and earnings of the Group. In particular, given the mix in its energy supply providers and its geographic diversification, the Group is not dependent on a single source of energy or on a single supplier country for the pursuit of its activities.

RISKS ASSOCIATED WITH HUMAN RESOURCES

The Group operates its various businesses through a broad range of experts from among its staff of technicians and managers. Demographic aging in Europe affects SUEZ in general and several of its technical businesses in particular, particularly the nuclear business. To avoid the loss of key skills, the Group must anticipate labor scarcity in certain areas. To do this, in 2007 SUEZ management launched an action plan based on a major recruitment campaign and tools promoting employee loyalty and employability (see Sections 6.6.2.1 and 6.6.2.3 in this regard).

Moreover, the Group's growth by means of a series of mergers and acquisitions has contributed to the emergence of harmonized demands by representative works councils. Collective bargaining could henceforth focus on negotiation platforms common to the entire Group, despite sometimes differing needs in the field, because of the characteristics of each business and each region of implementation. The implementation of compensation mechanisms common to all SUEZ employees could be placed on the agenda, implying significant additional costs. Otherwise, the failure of negotiations in this regard could result in staff resentment/dissatisfaction, as well as have a financial impact on SUEZ. Aware of this situation, in 2007 Management expanded its process of information and consultation with staff representatives, and also signed ambitious, group-wide, collective agreements on subjects as basic as the employability of employees, workforce diversity, and a profit-sharing mechanism (see the introduction to Section 6.6.2 and Section 6.6.2.6).

RISKS RELATING TO OCCUPATIONAL ILLNESSES

The Group carefully works to stay in compliance with all legal and regulatory provisions governing health and safety at its various sites, and takes the measures necessary to ensure the health and safety of its employees, and the employees of sub-contractors. It may, however, be exposed to cases of occupational illnesses, which could result in court actions against the Group and result in the payment of damages.

The principal exposures to this risk concern:

- activities involving work on facilities located in the hot zone of nuclear plants due to the risk of ionizing radiation;
- activities involving work on pipes or technical facilities which are insulated against heat or cold, or located in insulated areas of buildings which present an asbestos related risk;
- activities involving work on refrigeration, air conditioning or hot water network installations with the risk of Legionnaire's disease.

The problems related to ionizing radiation, asbestos, or Legionnaire's disease are carefully monitored in all Divisions. To our knowledge, the estimated current or future costs related to these problems are not likely to have a significant unfavorable impact on the Group's financial position.

RISKS ON RETIREMENT COMMITMENTS

The Group has commitments on pensions and other post-employment benefits for its employees. Where these commitments arise from defined benefit plans, provisions are made in the accounts (see Note 20 to the consolidated financial statements, Section 20) and their financing is partially covered through pension funds and insurance companies.

The risks related to the management of those plans pertain to both the amounts of the commitments and the growth rate of their asset coverage.

The amounts of the commitments are calculated on the basis of estimates made using certain assumptions, including inflation, wage increases, mortality, employee turnover, retirement age, and benefits provided by legal plans.

These assumptions could, in the future, have to be adjusted, which could increase the Group's current commitments for pensions and, therefore, mean an increase in the amount of the corresponding provisions and, in certain cases, the payment of additional contributions. Specifically, changes in national laws may result in the emergence of new mandatory adjustments, for example in terms of discrimination among subsidiaries. This could have an unfavorable impact on the Group's balance sheet and financial earnings.

In addition, the valuation of the commitments is based on a discount rate related to market interest rates, a decline in which could cause a substantial increase in the discounted value of the commitments which would not necessarily be offset by an equivalent increase in the asset coverage. Considering the current level of these discount rates, it seems unlikely that a significant drop would occur.

For several years, the Group's policy has been to replace, to the extent possible, and where the social context and regulatory and tax constraints so permit, defined-benefit plans with defined-contribution plans, which are more transparent and for which costs are easier to control. This trend continued in 2006 and will continue, leading to a progressive reduction in the risks born by the Group.

In 2007, defined-benefit retirement plans in the Belgian gas-electricity sector (closed to new entrants for several years) have been converted to step rate formulas and a portion of the target population has elected to switch to on defined-contributions plans.

Assets for hedging retirement plans are exposed to market risks. Risk taking in the policy of investing these assets is moderate and well diversified so that a major correction in the stock markets, for example, would not have a disproportionate impact on the Group's financial position, particularly relative to the market value of SUEZ.

4.3 LEGAL RISKS

The Group faces legal risks in the conduct of all its businesses in its global markets. The legal risks arising from the legal and regulatory context, the partnerships in place, and the contracts entered into with customers and suppliers are discussed in Section 4.2. The significant disputes and arbitration to which the Group is a party are described in Section 20.5. In addition, the participation of the Group's Legal Departments in implementing internal control objectives within the Group is discussed in the Chairman of the Board of Directors' Report on internal control.

4.4 MARKET RISKS

COMMODITY MARKETS RISK

In conducting its business, the Group trades in commodities markets, particularly, in the markets for gas, electricity and various oil products, either to obtain short- and long-term supplies or to optimize and secure its energy production and sale chain. The Group also trades on the European greenhouse gas emissions rights market (for details on this specific market, see Section 4.5. Environmental risks related to climate change).

In the energy sector, the Group also uses derivative products, either to offer price hedging instruments to its customers or as part of its proprietary hedging.

Therefore, the Group is exposed to changes in the prices of these commodities, a risk which it manages by using forward firm or optional derivative products on organized or over the counter markets.

The exposure to energy trading is measured and managed on a daily basis in accordance with the limits and management policy defined by Management. The mechanism to control the risks related to this trading activity includes a team specialized in controlling market and credit risks (the Middle Office, assisted by the Back Office for the accounting), a dedicated Risk Committee, strict internal control guidelines (segregation of duties, separation of tasks, verification of information such as price curves, etc.), and a set of formal policies to track and control market and credit risks.

Market risks are assessed primarily based on the «Value at Risk» (VAR) method, which quantifies the maximum amount of the risk associated with the given holding period of a position and confidence level.

As of December 31, 2007, the «Value at Risk» of the commodity portfolio managed for trading activities (maximum risk for a 24-hour period with a confidence level of 95%) was €4.34 million. The average of daily VARs was €4.6 million in 2007, compared with €5.8 million in 2006. In conclusion, the maximum VAR observed in 2007 was €9.01 million, while the minimum VAR was €2.12 million.

With regard to counterparty risk to the business, credit limits are set based on multiple criteria, including the financial rating of counterparties. Counterparty risk is limited by obtaining letters of credit, guarantees, collateral, and netting agreements if appropriate.

FINANCIAL RISKS

The Group, through its Finance Committee, sets financial policies, particularly for managing financial risks.

Financial risks (liquidity, rates, foreign exchange, and counterparty) are managed globally by specialized financial teams at the central level, or in the operational entities. They all ultimately report to the Group Chief Financial Officer.

In order to monitor changes in financial risks and ensure the quality of the financial information, the Group has set up management reporting, based on data that is systematically reconciled with the data coming from the consolidation reporting. This reporting covers all the companies of the Group and provides a very detailed understanding of the financial commitments. This reporting is quarterly, and is distributed to the Group Chief Financial Officer and to the Division Financial Officers. It ensures systematic tracking of the risks.

LIQUIDITY RISK

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

- centralization of external financing;
- diversification of financing sources between the banking market and the capital markets;
- balanced repayment profile of financial debt.

The centralization of financing needs and cash flow surpluses for the Group is provided by its financing vehicles (long-term and short-term) and its cash pooling vehicles.

The centralization of short-term needs and surpluses is organized through dedicated financial vehicles. These vehicles are centralised in Paris and in the Grand Duchy of Luxembourg (SUEZ Finance SA, Tractebel Cash Management Services, Electrabel Finance Treasury & Management) for the European countries, and in Houston, Texas (SUEZ Finance LP) for North America. These vehicles centralize almost all of the cash needs and available surpluses of the controlled companies. In 2006, the Group implemented an automated European cash pooling system that increases and systematizes cash centralization. In 2007, almost the entire managed perimeter was connected. The few remaining manual cash pools will be automated in 2008.

Access to the long-term capital markets is primarily concentrated in GIE SUEZ Alliance and Electrabel, which carry or guarantee 75% of the Group's bond debt, 100% of the commercial paper issued, and 89% of the lines of credit (including the lines carried by the SUEZ parent company).

The Group diversifies its permanent capital resources by completing, as applicable, public or private bond issues in the framework of its Euro Medium Term Notes program and by issuing commercial paper (*billets de trésorerie)* in France and in Belgium, and Commercial Paper in the United States.

As of December 31, 2007, bank resources (excluding bank overdrafts, amortized costs and the effect of derivatives) represented 43% of gross debt, with the balance financed by the capital markets (including €9,308 million in bonds, representing 46% of gross debt). Outstanding short-term paper (*billets de trésorerie* and commercial paper) represented 11% of gross debt and totaled €2,179 million at December 31, 2007 (refer to Note 14.2 to the financial statements). These programs are used in a cyclical or structural fashion to finance the Group's short-term requirements because of their attractive cost and their liquidity. All of the outstanding amounts are backed by confirmed bank credit facilities so that the Group would be able to continue to finance itself in the event that access to this financing source were to dry up.

Liquidity is based on maintaining cash equivalents and confirmed credit facilities. The Group has confirmed credit facilities appropriate to its size with appropriate debt maturity schedules. The amount of these confirmed credit facilities represented €10,762 million as of December 31, 2007, of which €1,706 million was drawn down. 89% of the total lines of credit and 91% of the lines not drawn are centralized. None of these lines contains a default clause tied to financial ratios or ratings.

Cash (net of bank overdrafts) totaled €6,540 million as of December 31, 2007. Surpluses applied by central offices are managed within a single-policy framework. The management objective to maintain the liquidity of the portfolio while ensuring a return greater than a risk-free fund. Given the volatility of mutual fund yields following the US mortgage loan crisis, virtually all surpluses as of December 31, 2007 have been invested in time bank deposits.

Cash surpluses not being able to be centralized (minority presence) are invested in selected instruments on a case-by-case basis as a function of local financial market constraints and the financial soundness of counterparties.

FOREIGN EXCHANGE RISK

Because of the geographic diversification of its activities, the Group is exposed to the currency translation risk, which means that its balance sheet and income statement are sensitive to fluctuations in exchange parities at the time of the consolidation of the accounts of its foreign subsidiaries outside the Euro zone. The interests held by the Group in the United States, Brazil, Thailand, and the United Kingdom generate most of the currency risks (see Note 3.2).

For investments in currencies not included in the euro zone, the hedging policy consists of creating liabilities denominated in the same currency as the cash flows generated by these assets.

Of the hedging instruments used, debt in foreign currencies is the most natural hedge, but the Group also used currency derivatives that synthetically recreate debt in currencies: cross currency swaps, exchange rate swaps, and exchange rate options.

This policy cannot, however, be implemented if the cost of hedging (specifically the interest rate of the reference currency) is too high. This is the case for Brazil where, because of a rate differential that is too high and the local revenue indexing mechanism, the Group opts for catastrophic coverage, i.e. insurance against a major depreciation in the currency (risk of sudden jump).

The market context is reviewed monthly for the US dollar and pound sterling. It is monitored, as often as needed, by reviews of emerging countries in order to anticipate any sudden devaluations. The hedging ratio of assets is reviewed periodically as a function of market context and each time an asset is added or removed. Any substantial change in the hedging ratio is first approved by the Group Chief Financial Officer.

Liabilities denominated in foreign currencies represent 43% of the Group's net debt, excluding amortized costs and the derivative effect (refer to Note 15.1.3).

A change in currency exchange rates vs. the euro affects results only with regard to liabilities denominated in another currency, than the reporting currency of companies bearing these liabilities their balance sheet, to the extent that these liabilities have not been documented as net investment hedges. In fine, the impact of an unfavorable, uniform change of 10% in the Euro exchange rate has an immaterial effect on results.

For financial liabilities (debts and derivatives) classified for net investment hedging, a uniform unfavorable change of 10% in the Euro exchange rate has an equity impact of €172 million. This change is offset by an opposite effect on foreign currencies assets.

The Group is also exposed, but to a lesser extent, to transaction risk. This risk is concentrated on transactions involving energy commodities (commited energy sales or purchase), where commodities flows are usually settled in US dollars and Sterling pounds. The cash flows are generally hedged by forward currency contracts.

The transactional currency risk is managed by dedicated teams. These specialized teams measure exposure on an ongoing basis and call upon the competence center (headquarters team also responsible for translational risks management) in order to define and implement hedging instruments for these risks (see Note 15.1.3).

INTEREST RATE RISK

The principal exposures to interest rates for the Group are the result of financing in euros and US Dollars, which represented 82% of the net debt as of December 31, 2007.

The Group's objective is to reduce its financing cost by limiting the impact of changes in interest rates on its income statement.

The Group's policy is to diversify the reference rates on the net debt among fixed rate, variable rate, and protected or «*capped*» variable rate. The Group's objective is to have a balanced distribution among the different medium-term reference rates (five years). The distribution may fluctuate around the balance depending on the market context.

In order to manage the interest rate structure for its net debt, the Group uses hedging instruments, primarily rate swaps and options.

The positions are centrally managed. Rate positions are reviewed quarterly and at the time of any new financing. Any substantial change in the rate structure must receive prior approval from Management.

The cost of the Group's debt is sensitive to rate changes for all debt indexed to variable rates. The cost of the Group's debt is also affected by the changes in market value of financial instruments not documented as hedges under IAS 39. As of this date, none of the options hedges contracted by the Group are recognized as hedges under IAS 39, even though they offer an economic hedge (refer to Note 6.2).

As of December 31, 2007, the Group had a portfolio of optional hedges (caps) that protect it against an increase in the euro, dollar and sterling short rates. Almost all of the optional euro, dollar sterling hedges (€3.1 billion) were activated in order to fix the cost of the debt, as the euro, US dollar and sterling short term rates were higher than the capped levels. However, the value of this portfolio of optional hedges appreciates when the short and long rates increase together and depreciate inversely (refer to Note 15.1.3).

As of December 31, 2007, after taking into account the financial instruments, approximately 51% of the Group's gross debt was at a variable rate and 49% was at a fixed rate. Since almost all of the Group's surplus is invested short-term, as of December 31, 2007, 78% of the net debt was at a fixed rate and 22% at a variable rate. The result of this distribution is to sharply limit the sensitivity to rate increases.

A 1% increase in short-term interest rates (uniform across all currencies) on the balance of net variable-rate debt, and the variable-rate portions of derivatives, would lead to an increase of net interest expenses by €28 million. A decline of 1% in short-term interest rates would result in a drop of €55 million in net interest expenses. The asymmetry of the impact is linked to the impact of the caps portfolio.

A 1% increase in interest rates (identical for all currencies) would generate a gain of €153 million on the income statement, associated with the change in fair-market value of derivatives undocumented or classified for net investment hedging. Conversely, a drop of 1% in interest rates would generate a loss of €81 million. The asymmetry of the impact is associated with the caps portfolio, reason for which the loss is limited to the MtM value posted to the balance sheet.

A uniform change of 1%, in interest rates, upwards or downwards (identical for all currencies), would generate a gain or loss of €59 million in shareholders' equity, associated with the change in the fair market value of derivatives documented as cash flow hedges.

COUNTERPARTY RISK

Cash surpluses are invested and financial instruments are traded with leading international banks. The Group's counterparties are diversified and selected on the basis of ratings provided by rating agencies and the Group's knowledge of the counterparties (refer to Note 15.1.1).

Due to the nature of its activities and its financial organization, SUEZ Group has limited exposure to the instability of the financial markets following the SubPrime crisis in the United States. The Group's cash investments are, to the extent possible, centralized and under strict control for, among other things, volatility and financial counterparty risk. Over the past two years, the amount of such investments has also been greatly reduced as a result of the increased circulation of cash among the Group's entities which has led to equally reducing the exposure to the risks inherent to cash surplus investments. The Group's centralized cash is invested in short-term instruments and with top-rated counterparties. The other outside investments have also undergone reviews and do not present risks related to the American SubPrime market.

STOCK PRICE RISK

As of December 31, 2007, the Group holds a number of stakes in public traded companies (see Note 14.1.1 to the consolidated financial statements), the value of which fluctuates on the basis of the trends in the world's stock markets. An overall decline of 10% in the value of these securities would have an impact of about €236 million on the income or shareholders' equity of the Group, depending on whether the decline is considered significant and extended. The Group's portfolio of listed and unlisted stocks is managed with a specific investment policy and is regularly reported to management.

4.5 ENVIRONMENTAL RISKS

RISKS RELATING TO THE MANAGEMENT OF FACILITIES

Facilities the Group owns or manages for third parties—manufacturers or local governments—are subject to risks affecting the health of consumers, shoreline residents, employees, and sub-contractors, as well as risks of damage to the natural environment (air, water, soils) and any protected species and habitats.

In conducting its businesses, the Group handles, and even generates dangerous products and byproducts. This is the case for fissile materials, fuels, and certain water treatment chemicals.

In waste management, the gaseous emissions to be considered are greenhouse gases, gases that stimulate air acidification, toxic gases and dust. Some of our facilities are involved in treating specific manufacturing or hospital wastes that may be toxic.

In the water segment, the potential atmospheric pollutants are primarily chlorine or gaseous byproducts resulting from accidental emissions of water treatment products. Operations to purify waste water and treat waste products may also generate odor problems.

These activities, absent adequate facilities management, may, in addition to nuisances (noise, odors), cause various kinds of pollution. This pollution may involve surface waters (watercourses) as well as subterranean waters (water tables): leaching of poorly controlled discharges, diffusion of heavy metals into the environment, watery waste from incineration facility smoke processing systems, discharges of untreated waste water (raw waste water), discharges not conforming to standards in terms of organic load, nitrogen, and phosphorus, as well as non-conforming discharges of rain water.

It may also involve soil pollution in cases of accidental spills resulting from the storage of dangerous products or liquids or leaks in processes involving dangerous liquids, as well as the storage and uncontrolled spreading of treatment sludge.

These health and environmental risks are subject to strict and precise national and international regulations.

These evolving regulations themselves essentially constitute a risk with regard to evaluating the company's vulnerability in terms of both health and environmental liability, as well as environmental liabilities. This vulnerability is to be assessed for sites currently being operated as well as for older facilities (such as closed discharges or decommissioned gas plants) within a specifically European context that strengthens the public's information. Thus, a regulation dated January 18, 2006 (EC 166/2006) creating a European registry of gas and liquid emissions into the air, water, and soil (European Pollutant Release and Transfer Register, E-PRTR) has increased the number of pollutants in question and the scope of activities already subject to the previous EPER registry resulting from Commission Decision 2000/479/EC. The great majority of the Group's activities in Europe are covered by this European regulation, even if capacity thresholds are defined by sub-line, limiting the number of facilities and sites covered by this detailed mapping.

Control of all the risks mentioned above is achieved through various mechanisms. The various controls by the public authorities guarantee good management by the Group or contribute to identifying cases of non-conformance that might result in an industrial or environmental risk. Failure to comply with the standards, evidencing certain shortcomings, may result in contractual financial penalties or criminal and/or administrative fines (see Section 6.6.1.4). Certain events, particularly random accidents, are covered in whole or in part by insurance systems (refer to Section 4.6, "Insurance").

For the portion of risk born by the operator, internal management processes are implemented at the division level or specifically at the level of the subsidiaries in order to identify these operational risks, classify them in order of importance, and preventively control them. Internal controls to seek cases of non-compliance are performed on a regular basis. In terms of legal issues, laws subject to active monitoring and contracts that cover the Group's operations systematically clarify the sharing of responsibilities in terms of risk management and the financial responsibilities that may result from it. When sites previously managed by third parties are acquired, the Group is protected by contractual clauses and the customary, detailed audits in this area. The risks and expenses related to post-operating oversight of the discharges managed by the Group are the subject of financial guarantees and specific provisions (refer to Section 6.6.1.4 "*Active prevention of environmental risks*»).

RISKS RELATED TO THE OPERATION OF NUCLEAR POWER PLANTS

The Group owns and operates two nuclear power plants in Belgium at Doel and Tihange. These sites, which have been operating since 1975, have never had any incidents resulting in a danger for the workers, sub-contractors, general population or the environment.

The personnel responsible for the operational activity on the sites hold special certifications obtained at the end of a specific program of both theoretical and practical training, including simulator exercises.

Compliance with safety rules and the conditions of the facilities is subject to inspections by an independent agency (AVN) and by a government agency responsible for nuclear safety (AFCN).

The operators of nuclear plants share expertise at an international level and submit to audits (World Association of Nuclear Operators (WANO) and the International Atomic Energy Agency (IAEA)) in order to maintain a high degree of safety. An important event in 2007, a team of 15 experts from the International Atomic Energy Agency (IAEA) audited in detail the safety procedures and systems of the Tihange plant. This audit, known as an OSART (Operational Safety Review Team), resulted in a positive verdict as to the safety levels of the Tihange plant. This evaluation by an independent international authority confirmed the priority given at our nuclear plants to safety. All nuclear sites are ISO 14001 certified and audited by EMAS (Eco-Management and Audit Scheme). The Group regularly monitors and reduces the volume of low and medium level waste produced during operation. All nuclear waste management is under the responsibility of the Belgian public agency ONDRAF (National Agency for Radioactive Waste and Enriched Fissile Materials); this is also true for the vitrified waste coming from the spent fuel reprocessing programs operated at the Cogema site in The Hague. Spent nuclear fuel is stored on the power production sites pending a political decision on the choice of the fuel cycle downstream process (recycling or not).

The costs pertaining to the management of spent fuel are included in the costs of electricity production from nuclear sources, and provisions are made for these costs (refer to Note 19 of the notes to the consolidated financial statements). In addition, other provisions for the shutdown of facilities are allocated (refer to Note 19 of the notes to the consolidated financial statements). The Law of April 11, 2003, clearly defines the rules for using and monitoring the amounts provisioned for the Belgian plants.

If the provisions of the Belgian law on the progressive withdrawal from nuclear energy for the purpose of electrical production, adopted in January 2003, are effectively applied, this could result in a loss of revenues proportional to the length of the discounted technical life of the plants as of the date of the first effective closing (2015).

RISKS RELATED TO THE OPERATION OF SEVESO («HIGH THRESHOLD») SITES

Within the boundaries of the European Union, the Group manages six «high threshold» Seveso classified sites in Belgium, Hungary, the Netherlands, and Germany. For the environmental business lines, SITA Remediation (Teris) operates the Herne plant in German (processing of special industrial waste). In the energy sector, Fluxys and Fluxys LNG (SEE) manage the sites at Zeebrugge (liquefied natural gas terminal), and Loenhout (underground storage of natural gas), and Electrabel operates the Gelderland and Dunamenti sites.

Teris, Electrabel and Fluxys conduct a policy to prevent major accidents that guarantees a high level of protection of people and the environment for its facilities. This risk prevention policy is described in Section 6.6.1.4 *Active prevention of environmental risks*.

If the requirements of the Seveso directive were extended outside Europe, two sites of the SUEZ Energy International Division would be affected: SUEZ-LNG-NA, a liquefied gas terminal in the United States, and Litoral Gas, a propane storage unit in Argentina.

The financial consequences of the civil liability that might be incurred by operators are covered by the Group's insurance (refer to Section 4.6 Insurance).

RISKS RELATED TO CLIMATE CHANGE

The Group is engaged in activities covered by national, international, and Community programs against climate change implemented within the framework of the application of the Kyoto Protocol.

In Europe, the market for trading greenhouse gas emissions rights (EU ETS[1]) became a reality on January 1, 2005. As of this date, it is the only multinational market in the world that imposes industrial objectives for reducing carbon dioxide. Short-term risks specifically include:

- the disclosure of the emissions audit results obtained at an untimely moment;
- national allocation plans for the second reduction period (2008-2012) that were negotiated and approved in 2007;
- the availability of European quotas: during the approval (subject to conditions) of the first 12 plans, the quantity requested was reduced by an average of about 7%;
- access to the emissions credits coming from the market for clean development mechanisms and joint implementation (the so-called «projects» market).

Moreover, the review of the EU ETS directive in its field of application, among others, may have a direct impact on the Group through the integration of new sectors or new gases, or an indirect impact according to market reactions with regard to these new sectors (refer to Section 6.6.1.3 (b) *Climate change*).

In the longer term, one of the major risks identified in the EU ETS market is the renewal of the national allocation plans every five years beginning in 2008. This renewal opens the possibility of adjustments in the volume of quotas allocated and the method of allocation itself (including opting for a sale by auction). This situation does not allow manufacturers to clearly envision their long-term obligations.

The change in prices on the quota market depends on numerous factors, including not only the shortage created, but also the availability of the means for businesses to reduce their emissions (including means that rely heavily on external factors such as rainfall levels for hydroelectricity). Changes in prices for petroleum and, therefore, of natural gas, in relation to coal has a major impact on the changes in the level of CO_2 emissions and, thus, when the market is sufficiently liquid, on the price of the quotas.

A total of 182 SUEZ facilities are currently covered by the EU ETS directive.

For SES, 77 facilities are covered by the EU ETS directive in 2007, 65 of them in France (primarily heating networks and outsourced combustion facilities for manufacturing sites).

For Electrabel Belgium, 29 facilities are covered by the EU ETS directive (including one 50/50 joint venture with RWE). The request for temporary exclusion of the nuclear power plant backup facilities has been approved. For SEE outside Belgium, 23 sites were involved.

1. *European Union Emission Trading Scheme, introduced in Directive 2003/87/EC.*

In 2007, Fluxys had a site covered by the EU ETS. At the request of the Belgian government, supported by the regional authorities, the facilities located in Flanders have been temporarily excluded from the EU ETS for the period 2005-2007.

Outside Europe, no specific information allows any prediction of the difficulties or additional costs in the near future. However, it is still possible that a government will decide to adopt stringent measures in this area.

In the United States, a change in the «climate» policies is taking place at the state level, which complicates the overall view of the risk. For this reason, SUEZ Energy North America (SENA) closely follows developments in the regulatory framework in each of the states in which the Group engages in business activities that could be affected by restrictive measures in this area. The implementation of the «Regional Greenhouse Gas Initiative» (RGGI) continues and the State of New York has introduced a proposal for implementation, implying among other measures the auction of 100% of the emissions rights. The RGGI, which applies only to the electrical sector, will have impacts on the SENA facilities located in various states in the Northeastern United States. Following the changes in the American political landscape after the elections, the implementation of more ambitious policies to fight climate change could take place.

In energy services, control of energy demand is a service we provide to customers; optimization of greenhouse gas emissions therefore forms an integral part of our business line.

Finally, the Group is working to limit «climate» risks through active monitoring and diversification of its energy portfolio, which does not exclude maintaining, upgrading or even increasing the «coal» facilities when economic and political circumstances justify it.

In the medium term, efforts are converging to strengthen low carbon energy sources (natural gas, renewable energy) in the global energy mix, improve the capture of biogas from waste storage sites, and consider the energy produced by the incineration of waste discharges and anaerobic sludge treatment facilities as renewable energy.

In the long term, the Group is focusing on diversifying its energy sources and is now developing a demonstration program to capture and isolate coal emissions in order to make it possible to maintain its coal facilities in a context of tougher carbon emission restrictions.

4.6 INSURANCE

The Insurance Department animates our internal network of specialists, the *SUEZ Worldwide Insurance Network*, or SWIN, which provides its expertise to the divisions/business units and the Corporate in this specialized area where sharing of experiences contributes to more efficiency.

Our policy of transferring “hazard” risks to the insurance market is applied to the traditional areas of insurance: the protection of property (material damage and business interruption), the protection of individuals (employee benefits), third party recourse (civil liability) and the area of automobile insurance.

In each of these areas:

- the transfer of severity risks to the insurance market continues as often as possible, with the development of transversal programs in areas that are considered strategic; and
- the optimization of the financing of hazard risks of low, or moderate amplitude, is largely based on self-insurance plans, either directly through deductibles and retentions or indirectly through the use of consolidated reinsurance captive tools, the commitments of which range from €500,000 to €25,000,000 per loss , which represents on a cumulative basis, one Estimated Maximum Loss of less than 1% of the Group’s 2007 revenues.

A global dashboard of the Group’s Insurance Charges is prepared annually during the 2nd quarter following the related year. So, the annual premium volumes (excluding taxes) for technical year 2006, and relating to the main risks transfer program implemented by the Group in areas of (A) Assets Protection (Material Damage and Business interruption) and (B) Third Party Claims (Liability) amount respectively to 0.25% and 0.11% of the Group’s 2006 Revenues.

MATERIAL DAMAGE AND BUSINESS INTERRUPTION

The protection of SUEZ assets follows generally accepted principles for property damage and business interruption insurances and extends to assets owned and leased by, or entrusted to, SUEZ.

The facilities are covered by programs contracted by the operational companies at the level of the Divisions and/or Business Units and/or Entities.

The main programs provide for coverages based sometimes on total reported value but more often on maximum limits anyone loss varying between €120 million and close to US$2 billion.

In order to cover their assets, the Environmental businesses favor a layered solution in two successive lines, one designed to cover medium-size sites and another which is reserved for the most important operating sites.

The Energy businesses, whose generation centers constitute a major asset, have opted for a regional approach, which takes advantage of the capacity available in markets specialized in function of the nature of the equipment. In addition to the typical coverages for fire and explosion, generation facilities may subscribe risk extensions in the field of machinery breakdown according to the nature of the equipment, for example gas turbines or boilers, etc…

The nuclear plants operated by Electrabel in Doel and Tihange are covered in material damage by the mutual insurance company, *Nuclear Electric Insurance Limited*, or NEIL/ONEIL.

Business interruption insurance is subscribed on a case-by-case basis in function of the risk analysis performed at the appropriate level, which may be the production unit itself or set of units belonging to the same division of activities, located in the same geographic zone.

Construction projects are covered by "Erection All Risks" programs, subscribed to by the project owner, project manager or lead company.

EMPLOYEE BENEFITS

In accordance with legislation in effect and with business agreements, employee benefits programs covering against risk of accidents and medical expenses are developed at the level of the operational entities.These programs may be financed by retention, depending on the capacity of the operational entity, or by transfer to the insurance market.

CIVIL LIABILITY

We subscribe civil liability insurance under the following categories:

General civil liability

In excess of the underlying coverage pertaining to each division or business unit, which normally amounts to €50 million, we have a worldwide excess liability program which, subject to certain exclusions and sub-limits imposed by the market, provides a total capacity of €500 million, all indemnities combined.

Maritime liability

Our global general liability program is placed in the non-maritime market and excludes from its scope specific types of risks such as, for example, maritime risks, which are covered by specialized markets.

An important part of our activities necessitates the use of ships for the transport of liquefied natural gas and sometimes also for coal. The liability that could be incurred as a charterer or owner of ships is covered by appropriate policies.

Nuclear liability

In its role as operator of nuclear plants in Doel and Tihange, Belgium, Electrabel's nuclear operator's liability is regulated by the Paris and Brussels conventions. These conventions have established an original system, derogatory from common law, inspired by the desire to provide compensation to victims and to encourage solidarity among European countries.

The Nuclear liability falls exclusively on the operator of the facility where the nuclear accident occurs. In exchange for this strict liability, the amount of compensation is capped up to a maximum amount per accident and is limited in time to 10 years. Beyond the maximum amount, an additional indemnification mechanism has been established by the governments signatory to the conventions.

The Belgian national law of ratification requires the operator to provide a financial guarantee or subscribe to civil liability insurance and Electrabel's insurance program conforms to this obligation.

Environmental Damage civil liability

We are covered for environmental damage risks within the framework of our global worldwide liability program.

However, environmental damage risks are subject to a special approach because of special conditions imposed by the international reinsurance market, which generally limits coverage for sudden and accidental damages.

As an exception to this principle, the Environment businesses use the coverage from the specialized pool through a reinsurance plan. It has available a package whose capacities are limited in amount and geographically, but which carries extensions of guarantees such as depollution costs and the coverage of events occurring slowly and gradually.

4.7 SECURITY AND CRISIS MANAGEMENT

In fiscal year 2007, one of the most worrisome aspects of the security environment lay in the increasing global gap in the emergence of transnational risks, including the following: terrorism, armed conflicts, pandemics, or climate change and the inadequacy of measures envisioned to address them. The lack of financial resources and political stakes even further threaten already fragile states that contribute—well beyond their borders—through latent conflicts, to the displacement of populations and rampant criminality, leading to the destabilization of broad geographic regions.

At the same time, the legal framework has also evolved toward greater rigor and is now characterized by the emergence of new provisions recorded in the Defense Code with the Law of December 12, 2005, and its implementing decree of February 23, 2006. This law requires operators of critical infrastructures to participate in the fight against all types of threat, particularly terrorism. In addition, the Law for Financial Security requires, in the sectors where SUEZ is active (energy and environment), to prepare business continuity plans for critical activities to make it possible for them to maintain operation of a facility, even if such operation is «diminished» after a disaster.

Finally, court recognition and sanction of a «security of result» obligation in favor of the victims of an attack was recently applied by the courts in 2004 in the «DCN» ruling, to a workplace accident. This type of event is no longer considered in and of itself as an event of force majeure that exonerates the employer from liability when the employer knows (or should know) the type of threat to which its employees are exposed in a high-risk zone, and if it does not adopt adequate prevention measures.

Businesses whose development is based largely on the globalization of their activities and the mobility of their personnel are thus encouraged to protect themselves against threats to their employees, neighboring populations, and operations.

To this end, SUEZ decided in 2004 to develop the resources necessary to meet these new obligations and anticipate the major crises which the Group may have to confront, by creating the Corporate Security Department, which is placed directly under the authority of the Group Secretary. This department operates through a network: the *SUEZ Global Security Network (SGSN)* starting from the center and then extending to the branches, and subsequently to the operational subsidiaries located throughout the world.

The missions entrusted to this department relate primarily to:

Employee safety

There should be coordination and centralization of safety measures for expatriate and seconded employees in mission for the Group, to deal with the emergence of threats of all types to which they may be exposed.

This mission also includes monitoring practices for sending employees on business trips and preventive measures to be implemented in the event of potentially dangerous demonstrations.

To complete this mission, the SGSN may rely on specialized external suppliers in both the health and security sectors. It has also developed close ties with competent Government entities, specifically the Ministries of Foreign Affairs and Defense. Finally, the SGSN participates actively in the works performed by recognized inter-professional bodies such as, for example, the CINDEX or the CDSE (*Club des Directeurs Sécurité des Entreprises*).

It was to this end that on December 5, 2007, SUEZ participated in the seminar organized by the CDSE on the topic «Mobility and Security: A New Business Challenge.»

Finally, and for preventive reasons, a permanent «country watch list» has been instituted with the establishment of an Intranet site specifically dedicated to expatriate and employees in mission. A classification of regions at risk, the drafting of timely studies and local audits, and the issuance of warning messages to the entities in question completes this program.

Security of facilities

The issue here is to ensure prevention and the protection of the Group's assets in light of the emergence of new threats that can result in human and material losses through their destruction, but also and indirect losses from the theft of information through possible confidentiality breaches. This mission is based on the performance of security audits and the implementation of standards (particularly for critical facilities).

With a view to reforming the Defense Code and notifying operators of the National Security Directives (NSD), the SGSN has developed a methodology to analyze vulnerabilities and protect sensitive sites. This original methodology, prepared with the collaboration of specialists from elite bodies of the National Guard, is in the process of being deployed at operating units in France, but is also intended to be applied to the group's operating units worldwide.

The work carried out by the SGSN in this area was praised by the French High Committee for Civil Defense after an official competition. On May 31, 2007, at a ceremony organized in the Senate, SUEZ received the award of the category «*critical infrastructure operator*».

Finally, the subsidiaries have been made aware of the importance of developing operational continuity plans to deal with the occurrence of unconventional situations such as, for example, the conditions that would result from a global flu pandemic. To this end, SUEZ will participate in the exercise scheduled by the National Defense Secretariat in early 2008.

Crisis management

The SGSN may also be configured as a crisis unit. In this case, it would receive the support of the Communications and Human Resources Departments and help from specialized outside service providers.

The crisis unit would take action primarily in the event of an attack on individuals or assets, and in the event of natural, industrial, and even political, catastrophic events.

To this end, for example, and in this latter case, in July 2006 SUEZ personnel were evacuated from Lebanon under conditions consistent with our commitments as a corporation responsible for its employees.

Crisis management software specifically adapted for SUEZ is in the process of evaluation, and should be deployed in fiscal year 2008.

5 INFORMATION ON THE COMPANY

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5

5.1 HISTORY AND GROWTH OF THE COMPANY

5.1.1 CORPORATE NAME AND NAME OF ISSUER

SUEZ

5.1.2 REGISTRATION

Commercial Register: Paris 542 062 559 APE code: 7010Z

5.1.3 INCORPORATION

The Company was incorporated on February 23, 1880, and extended in 1941 for a period of 99 years. The term of the Company will end on December 31, 2040 unless wound-up or extended.

5.1.4 CORPORATE HEADQUARTERS/LEGAL FORM

Corporate headquarters: 16, rue de la Ville L'Evêque 75008 Paris – France

Telephone: +33 (0)1 40 06 64 00

SUEZ is a *société anonyme* (French corporation) with a Board of Directors. SUEZ is subject to the provisions of Book II of the French Commercial Code (*Code de commerce*), applicable to commercial companies, as well as to all other provisions of French law applicable to commercial companies. It is governed by current and future laws and regulations, applicable to corporations, and by its bylaws.

5.1.5 SIGNIFICANT EVENTS

History of the creation of SUEZ

SUEZ is the result of a merger between Compagnie de SUEZ and Lyonnaise des Eaux, which took place in June 1997. At the time, Compagnie de SUEZ, which had built and operated the SUEZ Canal until it was nationalized by the Egyptian government in 1956, was still a holding company with diversified equity investments in Belgium and France, mainly in the financial services and energy sectors. Lyonnaise des Eaux was a diversified company involved in water and waste management and treatment as well as construction, communications and the management of technical facilities.

In accordance with announcements made in 1997 at the time of the merger, SUEZ gradually ceased to be a conglomerate, becoming an international industrial and services group. Today, SUEZ designs sustainable and innovative solutions for the management of public utilities as a partner of public authorities, businesses and individuals. It sees its mission as responding to essential needs in electricity, gas, energy services, water and waste management.

Please refer to Section 6.1.1.3 below for the significant events of 2007.

5.2 INVESTMENTS

5.2.1 PRINCIPAL INVESTMENTS

In 2007, the Group's investments in property, plant and equipment and intangible assets totaled €3,129.7 million (see cash flow statements, Section 20). Cash flows used in investing activities are explained in paragraph 9.4.2 of the Management Report.

5.2.2 MAJOR INVESTMENTS IN PROGRESS

The Group's objective for 2008 is to exceed the levels of investment undertaken in 2007.

These investments will respect the Group's financial discipline (maintaining an "A" rating for medium-term debt and observing strict in-house investment criteria) and will focus principally on renewable and conventional power generating capacity, mainly in Europe, Latin America, and North America.

5.2.3 MAJOR INVESTMENTS PLANNED BY THE ISSUER

See Section 6.1.1.4 below.

6 OVERVIEW OF ACTIVITIES

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6

6.1 PRINCIPAL ACTIVITIES

6.1.1 TYPES OF OPERATIONS

6.1.1.1 Description of Group activities

SUEZ provides services that respond to the basic needs of its diverse customer base.

SUEZ responds to the needs of local governments, individuals, and businesses, all of whom are facing new demands due to population growth, urbanization, improved standards of living, and environmental protection. The Group's subsidiaries respond to this challenge every day at the local level, with partnerships based on performance, innovation, and the exchange of ideas. Their technical and managerial expertise enables them to control energy consumption, limit the release of greenhouse gases, preserve natural resources, and give access to sanitation services, while providing ongoing control of risks that could affect the health and safety of local populations.

SUEZ has a special talent for conceiving, designing, implementing, and managing systems and networks in each of its businesses that best meet the needs of its customers: businesses, local governments, and individuals. SUEZ strives to bring them the innovative and customized solutions they expect.

Accordingly, the Group's growth «relies on» the skills and experience of its staff. This is demonstrated by the many recommendations that they receive, a diverse services offering based on its extensive know-how, and on the financial and geographical flexibility resulting from recurring cash flows and its international network.

In both its energy and environment sectors of activity, SUEZ holds first tier market positions:

- in the Energy sector, SUEZ is a major participant, with a reputation for expertise in various segments of the value chain, from electricity generation to energy trading and support activities, transport and marketing of electricity and natural gas, management of transport and distribution networks, services including construction and operation on the sites of cogeneration units, technical management of facilities owned by customers, optimization of systems, and engineering activities;
- in the Environment sector, SUEZ is a major participant in water-related services. It designs and manages the production and distribution of systems for drinking water and the treatment of wastewater, performs engineering activities, and supplies industrial companies with a wide range of services. SUEZ is also a world-class player in waste management for municipal customers and businesses. Its capabilities cover the entire value chain: collection, sorting and recycling, incineration, landfill – and the majority of categories of waste, both hazardous and non-hazardous.

SUEZ believes that its diversified customer base is a permanent source of repeat business with the potential for organic growth above the Gross Domestic Product in a context of increasing requirements in terms of sustainable development and ongoing deregulation of the energy and environmental markets.

SUEZ provides services to two main customer segments:

Municipalities and individual customers

Changes in public policies, national regulations, and increasing urbanization are determining factors for the market potential for the Group over the long term.

Demands from the private sector are growing as markets deregulate, public authorities become aware of the limitations of their resources and specialized knowledge, and environmental regulations regarding waste services become stronger. These demands on the private sector may take the form of privatizations, concessions, or operating and maintenance contracts. The same situation holds true for many communities and international institutions that are striving for greater efficiency, in the form of prices more in tune with economic realities, a superior level of service, and an increase in the population served.

SUEZ believes that these markets have tremendous potential for long-term development. In the energy sector, continued deregulation in Europe will result in making all residential customers eligible from July 1, 2007, which opens up opportunities for business development. In addition, major investments in the energy infrastructure (electricity production, gas and electric grids, LNG terminals) will be necessary in the years to come in order to keep pace with demand and replace the oldest units.

In the environmental sector, the business of turning the management of water-related services, waste collection and treatment over to the private sector is still largely limited to Europe and the United States. The extremely high and restrictive environmental standards in Europe sustain growing demand for comprehensive, sophisticated, and reliable services. On the international front, the long-term requirements are enormous, but the guiding principles for public/private partnerships have not yet been worked out.

As indicated in the Camdessus report[1], the private sector can play a role in the resolution of this international problem only if solutions are found that avoid excessive risk-taking to the detriment of operators and ensure that public authorities are in a position to honor their contractual commitments, especially those relating to charges.

Business customer base

Customers in the industrial and service sectors often seek customized solutions, which the Group is well equipped to offer in its areas of specialization.

SUEZ offers all of the following:

- basic products and services (electricity, gas, water and waste management);
- a wide range of specialized services, which include the treatment of hazardous industrial waste, the design and supply of water treatment, electrical, and mechanical facilities, and HVAC expertise;
- management services for industrial, commercial, and service facilities, ranging from maintenance to complex outsourcing activities.

SUEZ believes that the market for providing services to businesses will continue to grow in the coming years; the rate of this growth will be correlated with the soundness of national economies. The development of activities that businesses delegate to their service providers shows several strong, marked trends:

- the increasing trend from simple services (maintenance) to more complex services (facilities management, complete waste management);
- the necessity for the service provider to commit itself to achieving the desired result and not just taking due care;
- the sharing, and even the transfer, of all or part of the industrial risk (outsourcing);
- opportunities related to the continued opening of new energy markets.

SUEZ offers both multi-site (thanks to its international presence) and single-service or multi-service contracts, depending on the customer's requirements. In this case, the contracts may, for example, include the supply of ultra-purified water (Ondeo), electricity, gas, and heat (SUEZ Energy Europe and SUEZ Energy International), waste incineration and treatment (SITA), the provision of industrial services (Fabricom), facilities management, or onsite management of energy production (Elyo).

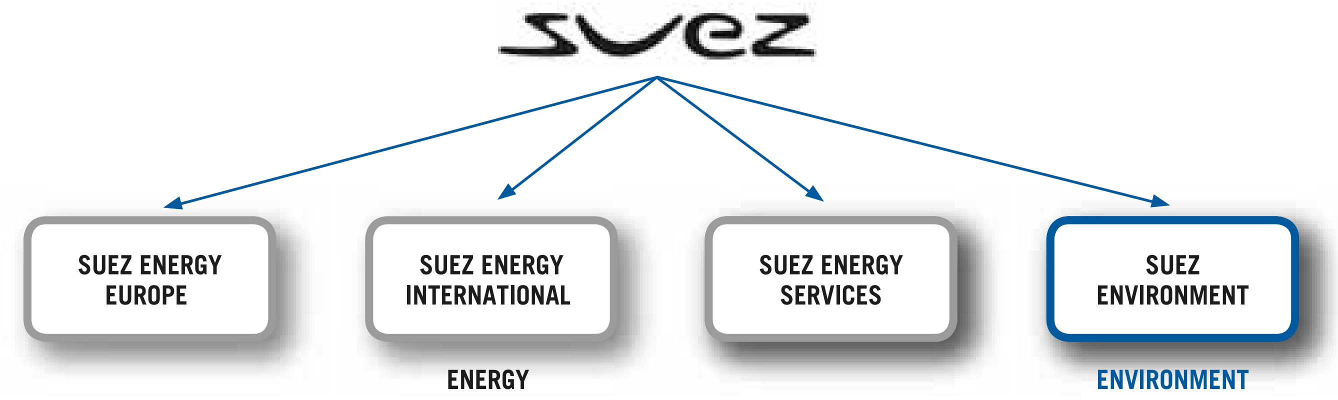
6.1.1.2 Organization of the SUEZ Group

The organization of SUEZ is grouped around four operational divisions in its two sectors of activity – energy and environment:

- the SUEZ Energy Europe (SEE) division includes all gas and electricity activities in Europe;
- the SUEZ Energy International (SEI) division is in charge of SUEZ gas and electricity activities outside Europe;
- the SUEZ Energy Services (SES) division handles all SUEZ multi-technical services activities, particularly energy efficiency;
- the SUEZ Environment division incorporates all Group activities in Water and Waste Management.

See also Section 25, which presents a list of the principal companies in each operational division:

1. Report of the international task force on the financing of world infrastructures for access to water, March 2003.



6.1.1.3 The year 2007 was marked by continuing implementation of the Group's profitable development strategy and preparation for the merger with Gaz de France

In 2003, SUEZ implemented a plan to improve profitability and strengthen its financial balances, and in 2004, it completed its shift in focus to two fields – energy and the environment – and began to implement a strategy of profitable organic growth centered on its two core businesses.

In 2005, we continued the integration of SUEZ through the success of the combined public offer on its Electrabel subsidiary. As a result, the stake owned by SUEZ in the equity of Electrabel rose from 50.1% to 98.62%, before finally reaching 100% after the takeover bid was completed from June 26 to July 9, 2007.

In 2006, SUEZ continued to apply its strategy of profitable organic growth throughout all its business activities while the principle of the merger between SUEZ and Gaz de France was approved by the Board of Directors of both companies and by the French, Belgian, and EC authorities.

With investments totaling €6.1 billion in 2007, compared to 3.8 billion the previous year, SUEZ continued and intensified its profitable growth strategy throughout all its businesses:

- SUEZ Energy Europe continued to grow, with revenues increasing organically by 5.8%. This growth was the result of a strong increase in sales, especially in France and Germany, and a general increase in electricity prices throughout Europe;
- SUEZ Energy International recorded an 11.2% organic increase in its revenues. This was the result of our dynamic sales efforts in all our areas of development, especially in the Americas and the Middle East, which took place against a backdrop of increasing energy demand and prices;
- SUEZ Energy Services, which recorded an organic growth in revenues of 5.3%, had a particularly high level of development in France in its facilities and performance activities, high levels of performance in services in Belgium, and further high development in the UK and Spain;
- lastly, SUEZ Environment had an organic increase in its revenues of 5.1%, which took place due to its Waste Management activities in France and the UK, Water France, and Agbar, as well as its activities outside of Europe, especially China.

In 2007, preparations continued for the merger between SUEZ and Gaz de France as the, Conseil Constitutionnel had made the possibility of privatizing Gaz de France contingent on the full opening up of the French natural gas market to private investment, which became effective on July 1:

- on September 2, the Boards of Directors of both companies approved a merger plan adjusted to shift the focus of the future group GDF SUEZ to energy-related businesses while providing strong roots to the environmental business;
- this new plan was presented to the European Commission, which agreed to extend the authorization to carry out the operation granted by it in 2006;
- talks were resumed with trade union representatives of both companies to hear their opinions. The SUEZ works council issued its opinion on November 29, 2007; the opinion of SUEZ Environnement was issued on December 10, 2007; and the SUEZ European Dialogue Body issued its opinion on January 7, 2008;
- while the new plan calls for SUEZ Environment to be listed on the stock market, with GDF SUEZ retaining 35% of the stock in SUEZ Environment, an agreement has been prepared among the principal SUEZ shareholders aimed at bolstering the stability of future equity in SUEZ Environment;
- lastly, major in-house work has continued between the «teams» of SUEZ and Gaz de France on various projects dealing with the merger process itself and the consolidation of the two groups, particularly as regards future synergies and organization.

6.1.1.4 Strategic priorities for 2008

SUEZ enjoys the advantage of an excellent industrial outlook. The competitive position enjoyed by SUEZ in its business lines, its experience and its technological leadership are major drivers of growth in changing markets (especially as regards concentration among major operators, energy market regulatory mechanisms, and new water treatment technologies).

In this context, SUEZ plans to continue policies aimed at increasing operating profitability and generating cash in all the sectors in which it operates and to devote additional resources to its industrial development. The Group has set a goal to increase its investments in 2008 compared to 2007. These investments will be made by the Group while it continues to observe financial discipline (and maintain over the medium term both Category A ratings and investment criteria). These investments will be made for the most part in electrical production capacities, from renewable and classic forms of energy, primarily in Europe, Latin America, and North America.

More specifically, the Group has set a target of raising its electricity production capacity worldwide to 75,000 MW by the year 2012. In particular, SUEZ plans to boost its energy production from renewable sources (hydraulic, solar, biomass, and wind energy). Depending on the needs of the relevant national authorities, it also plans to participate in the construction of third-generation nuclear power plants in and outside of Europe, with the intention of owning and operating those capacities, which are expected to be commissioned between 2015 and 2020. The Group will also continue to expand into natural gas and liquefied natural gas (LNG) by capitalizing on its strong positions.

In the environment sector, the Group is aiming for dynamic development with growth in profitable self-financed revenues for both its water and waste management businesses.

Lastly, SUEZ plans to take advantage of growth opportunities offered in the area of energy services while making certain to position SUEZ Energy Services in those industry niches that offer the best returns.

With these priorities in mind, the principal development strategies for the various divisions are as follows:

SUEZ Energy Europe

SUEZ is aiming for dynamic expansion in Europe while maintaining its market share in the Benelux countries. This business expansion will be backed by the continuing development of a range of energy solutions balanced over the long-term (nuclear power, gas, coal, renewable energy.) with emphasis on competitive-cost solutions with low CO_2 emissions. In this context, SUEZ plans to make the most of the Group's expertise in nuclear and natural gas.

SUEZ Energy International

Outside of Europe, SUEZ plans to balance its activities in terms of geographic location (Latin America, especially Brazil, the Middle East, Southeast Asia, especially Thailand, and the United States), in terms of types of energy (natural gas/LNG/electricity), and in terms of contractual arrangements ("merchant"/direct contracts and PPA), taking advantage of major needs related to economic growth in the countries where SEI is active.

SUEZ Energy Services

SUEZ plans to boost its position as a European leader in multi-technical services by pursuing growth in its domestic markets (France, the Benelux countries) and dynamic development in neighboring countries by taking advantage of the opportunities offered by high-growth market segments (energy efficiency, healthcare, transportation, and mobility, outsourcing, in nuclear power in particular) and commercial and technical synergies with the other SUEZ business lines. SUEZ also aims to assist its industrial customers with their international operations.

This growth will be pursued in keeping with SUEZ's objectives of reaching the best levels of profitability in its industry.

SUEZ Environment

The Group aims to carve out a position as an integrated company that operates throughout the value chain in the principal European markets and to be a top-tier company for complex systems and technologies.

On an international scale, the Group is dedicated to further developing its already strong positions in the United States, China, and Australia and to taking advantage of promising development activities in other regions of the world (such as the Mediterranean Basin, the Gulf states, etc.).

In addition, in 2008, the Group will continue working towards the merger between SUEZ and Gaz de France, a project that will help to enhance its substantial industrial prospects even more.

6.1.1.5 Transactions in the Energy sector

6.1.1.5.1 Organizational structure and key figures

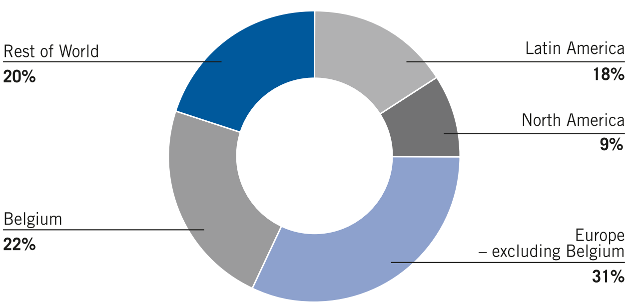
in million of euros	Fiscal year ended 12/31/2007	Fiscal year ended 12/31/2006
Revenues	35,453	32,850
Gross operating income	6,041	5,217
Capital employed	26,619	24,236
Number of employees	86,513	81,707

SUEZ's activities in the energy sector encompass the whole value chain (apart from gas exploration and production). Such diversity makes it possible for Electrabel, Distrigaz, Fluxys, SUEZ Energy International, and SUEZ Energy Services to develop tailor-made solutions that correspond to the many requirements of companies and local communities.

Production capacity

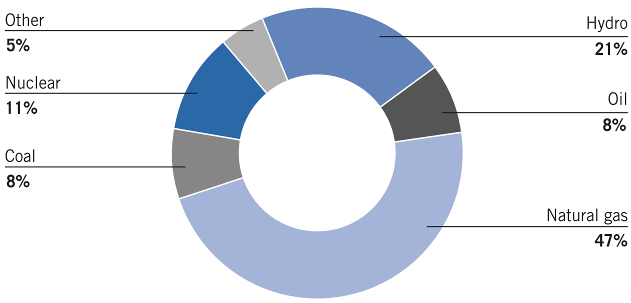
SUEZ owns and is developing a flexible and efficient production capacity in its key markets: Europe, North America, South America, the Middle East, and Asia. The Group's capacity, both installed and under construction, at December 31, 2007, was 64,206 MW[2] (excluding development).

INSTALLED CAPACITY AND CAPACITY UNDER CONSTRUCTION



Natural gas is the fuel most used by the production units managed by the Group (contracted capacities included), with 47% of managed capacity, versus 8% for fuel oil and 8% for coal. Hydraulic power represents 21%, nuclear power 11%, and other sources 5%.

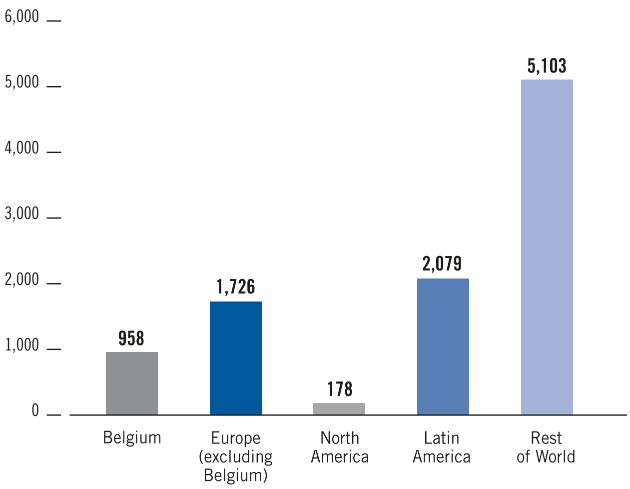
MANAGED CAPACITY BY FUEL TYPE



SUEZ believes that this structure guarantees robust competitiveness in terms of both return from power plants and environmental impact. In fact, production capacity includes mostly efficient technologies and lower-pollution fuels, as opposed to other fossil fuels such as coal. The Group is continuing its efforts in this area, and it also participates in research to improve the performance of coal power plants and lessen the environmental impact of this technology.

2. *MW always stands for net power unless specified otherwise; it corresponds to gross power less self-consumption by the power plant. Installed capacity corresponds to 100% of the power of the plants included in the scope of consolidation (equity affiliates and fully and proportionately consolidated companies).*

PROJECTS UNDER CONSTRUCTION/ACQUISITION BY REGION (IN MW)



The total power of projects under construction/acquisition[3] amounted to 10,045 MW as of December 31, 2007. In view of the projected commissioning schedules, SUEZ is planning to increase its rated power by 1,767 MW in 2008 by 5,400 MW in 2009, by 2,068 MW in 2010, and by 810 MW after 2010.

For projects under construction, the Group used 41% gas technologies, renewable technologies (5% wind and 15% hydro), and 35% classical thermal solutions.

Energy trading and optimization (portfolio management and trading)

The Group's energy activities conform to its general business model of stabilizing and optimizing margins between production assets, long-term supply contracts, and sales through the centralized function of portfolio management. In addition, the Group is developing energy trading activity in Europe on behalf of itself and its customer base.

At the European level, Electrabel is one of the pioneers in energy trading. Its years of experience enable it to offer innovative products and services by combining the physical supply of electricity and natural gas, access to networks, and financial instruments. It optimizes its global energy margin on markets (fuel purchases, optimization of electricity produced, and providing sales). Electrabel is active in all energy markets in Europe, from Scandinavia to Spain and from the Benelux countries to Poland, in gas, fuel, coal, electricity, and emissions rights.

On the Belgian market, Elia, APX, and Powernext created the Belgian Belpex exchange, for the purpose of coupling the day-ahead markets in electricity in France, Belgium, and the Netherlands.

In the United States, the energy trading activities carried out by the companies of SUEZ Energy International are now focused on Central Portfolio Management (CPM). This activity involves integrated risk management related to the wholesale prices of staple products for the entire asset portfolio involved in electricity production, LNG, and retail electricity contracts of SUEZ Energy North America. As part of its CPM activities, SENA also takes limited positions through proprietary trading, with a maximum VaR of USD 5 million and a stop loss of USD 20 million, and only for products and positions related to its operational activities. SUEZ Energy International manages its trading activities in the USA through SUEZ Energy Marketing NA, while Electrabel and Distrigas assume this function in Europe for SUEZ Energy Europe (SEE).

The Group's presence on the electricity and natural gas markets and in services is covered by three operating divisions:

SUEZ Energy Europe

Development of the Group's electricity and gas activities in Europe is entrusted to the SUEZ Energy Europe (SEE) division. Its purpose is to maximize all synergies present within it to the benefit of its customers.

For electricity and gas activities in Europe, the major companies that comprise SEE are the following:

- **Electrabel** (100% ownership as at December 31, 2007), European provider of global and customized energy solutions (production, trading, sales, distribution networks);
- **Distrigas and Fluxys**, derived from the split of activities from the former Distrigaz between the trading and transmission of gas.

At December 31, 2007 the Group's ownership share is:

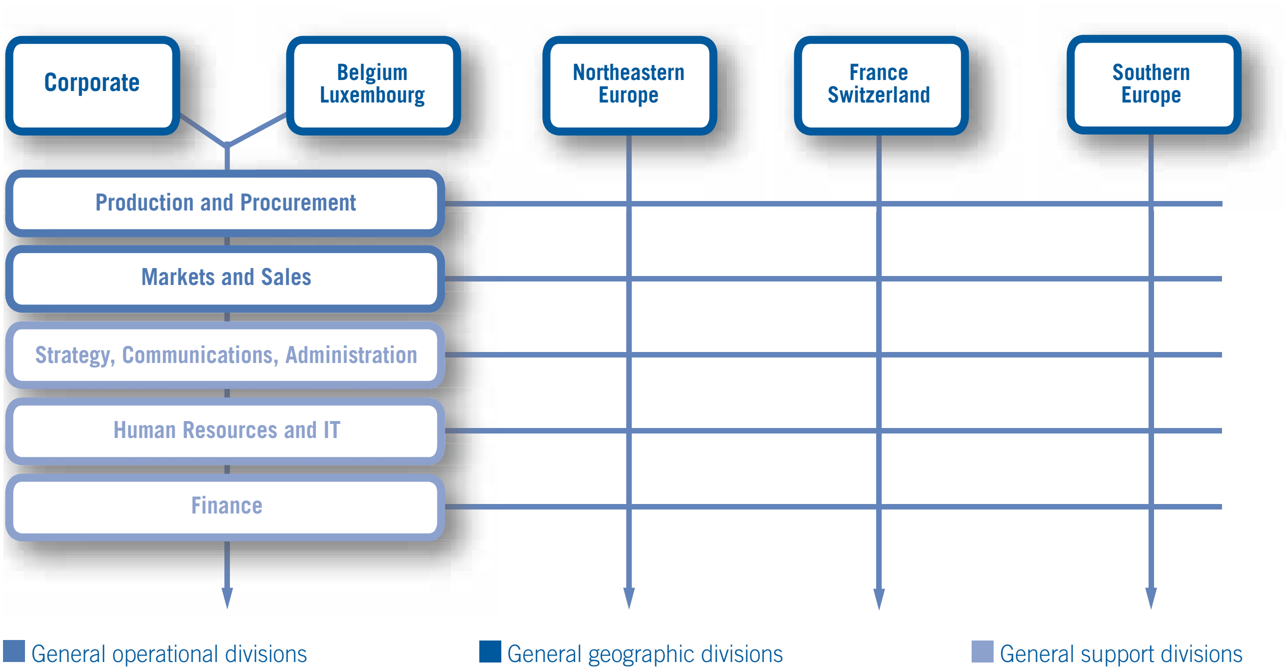
- 57.24% in Distrigas;
- 57.25% in Fluxys.

Distrigas and Fluxys are listed on Euronext Brussels.

Electrabel is organized around an integrated General Management structure, which in turn is made up of geographical (Belgium-Luxembourg or "Belux", Northeastern Europe, France-Switzerland, and Southern Europe), operational (business lines: production, markets and sales) and functional (so-called support services) divisions.

3. *Projects under construction/acquisition are those approved by SUEZ that the company is contractually bound to construct or acquire. They are different from projects under development, as the latter are identified projects and under study, but have not been approved.*

A MATRIX-BASED ORGANIZATION



On July 19, 2007, the Electrabel Board of Directors approved the buyout of SUEZ-TRACTEBEL. Electrabel took over the SUEZ stake in SUEZ-TRACTEBEL (99.97%). The main business lines engaged in by SUEZ-TRACTEBEL are listed below:

- Electricity and natural gas activities outside Europe (SUEZ Energy International);
- Strategic interests in Fluxys (57.25%) and in Distrigas (57.24%), the natural gas activities of SUEZ Energy Europe;
- Tractebel Engineering: consulting firm specializing in electricity, gas and infrastructures;
- Financial interests including a stake in Cosutrel (the Group's coordination center).

Altogether, SEE activities represent approximately €17.61 billion of revenues in 2007 and a total workforce of 15,030 people.

SUEZ Energy International

SUEZ Energie International (SEI) is responsible for the Group's energy activities and services in markets outside the European Union. Electricity and natural gas are core businesses of SEI, which is active in the area of electricity production, trading, marketing and sales of electricity and gas, and operations related to liquefied natural gas (LNG), as well as the management of natural gas transmission and distribution grids.

SEI is organized into four regional entities that are coordinated by a central organization located in Brussels.

The four regions are as follows:

- North America, where SUEZ Energy North America, a wholly-owned subsidiary of SEI based in Houston, manages all the Group's electricity and gas activities in the United States, Canada, and Mexico, including LNG regasification facilities;
- South America, where SUEZ Energy Latin America, which is located in Florianopolis (Brazil) and which is a wholly-owned subsidiary of SEI, manages all the Group's gas and electric activities in Brazil, Chile, Peru, Panama and Argentina;
- Middle East, Asia and Africa, where SUEZ Energy Asia, a wholly-owned subsidiary of SEI based in Bangkok, manages all of the Group's electricity, gas, and sea water desalinization activities in Thailand, Laos, Turkey, and the countries of the Gulf Cooperation Council;
- LNG, a sector in which SUEZ Global LNG, a wholly-owned subsidiary of SEI located in London and Luxembourg, is responsible for LNG supply operations, for coordinating the shipping and management of holdings in gas liquefaction projects worldwide.

SUEZ ENERGY INTERNATIONAL

SUEZ Energy North America

UNITED STATES – CANADA
- LNG delivery and regasification
- Energy retail sales and services
- Electricity production
- Cogeneration

MEXICO
- Electricity production
- Steam production and distribution
- Gas distribution

SUEZ Energy South America

ARGENTINA
- Gas transmission and distribution
- Consulting services in the area of electricity and gas

BRAZIL
- Electricity production & sales & marketing

CHILE
- Electricity production and transmission
- Gas transmission and distribution

PERU
- Electricity production and transmission
- Gas transmission and distribution

PANAMA

SUEZ Energy Middle East Asia & Africa

ABU DHABI
- Electricity production & water desalinization

BAHRAIN
- Electricity production & water desalinization

OMAN
- Electricity production & water desalinization
- Electricity transmission

SAUDI ARABIA
- Electricity production & water desalinization

TURKEY
- Electricity production

THAILAND-LAOS
- Production and distribution of electricity
- Steam production and distribution
- Retail gas sales and shipping
- Associated energy services

CHINA
- Electricity production

SUEZ GLOBAL LNG

UNITED KINGDOM and LUXEMBOURG
- LNG trading
- LNG shipping
- Long-term LNG supplies
- Expanding liquefaction interests

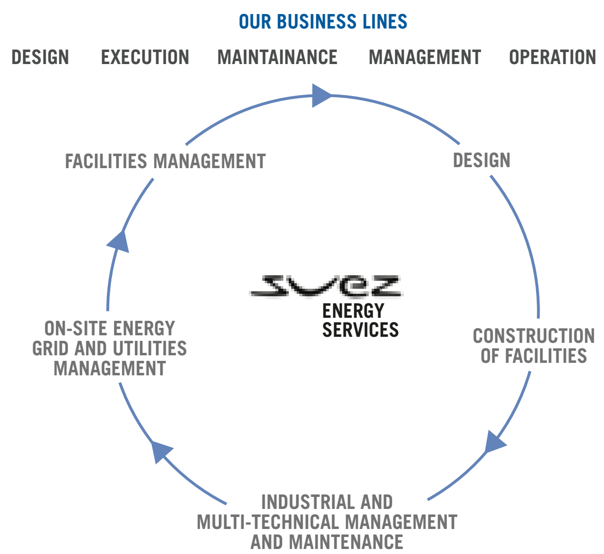
TRINIDAD & TOBAGO
- LNG liquefaction

Altogether, SEI activities represented nearly 6.58 billion euros of revenues in 2007 for a total workforce of 4,088 people.

SUEZ Energy Services

A European leader in multi-technical services, SUEZ Energy Services offers its industrial and service segment, local government, public administration, and infrastructure customers global solutions that include the design, development, and maintenance of equipment energy and utilities management, and long-term multi-technical management. With a presence on all parts of the value chain of technical services, SUEZ Energy Services places its multiple skills at the disposal of its clients and accompanies them throughout the life cycle of their installations and their sites. The services provided by SUEZ Energy Services enable its customers to optimize their assets, better manage their costs, and focus on their core businesses.

COMPREHENSIVE SOLUTIONS THROUGHOUT THE LIFE CYCLE OF OUR CUSTOMERS' FACILITIES AND SITES



Energy and environmental efficiency are at the heart of the SES core businesses and operations. Although energy-intensive industrial plants such as steel, cement, and petrochemical facilities were among the first to start looking for solutions that are both efficient and profitable to control energy costs, this concern now extends to all sectors: infrastructures, local governments, the service sector, and industry.

In addition to these economic concerns, there are also environmental and regulatory constraints, such as the gradual introduction of white or energy-saving certificates throughout the EU, which was already occurring in Italy, the United Kingdom, and France, and the European directive regarding energy efficiency, which is particularly ambitious with regard to the energy savings that are to be made by 2015. In this context, it is vital to choose a partner such as SES that has the capacity to take charge of the entire issue and propose an offer tailored to the specific needs of clients.

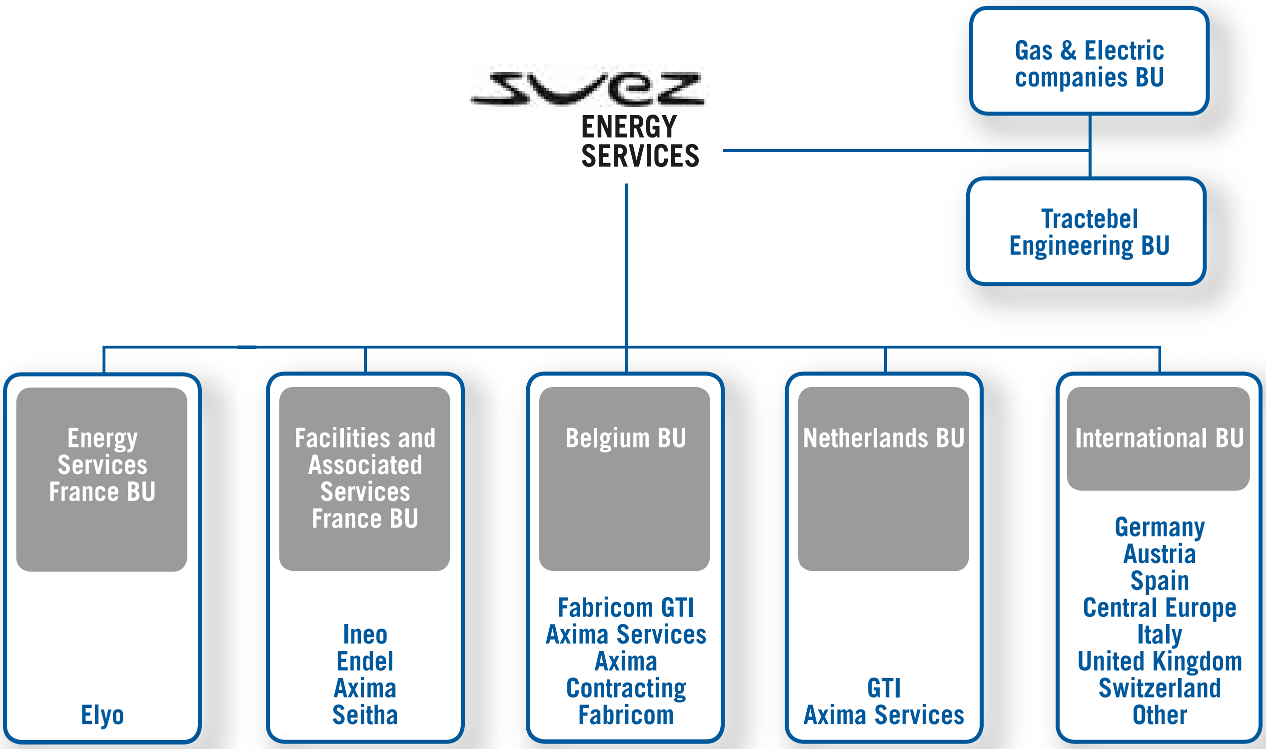
The SES offering may include techniques such as cogeneration that have a high energy return, and it may also include the use of renewable energies such as biomass, geothermal energy, or solar energy.

In addition, SES companies are ideally placed, in terms of technical expertise, project management, contract relations, and geographic networking to meet the major challenges faced by a number of industrial and service sector customers:

- refocusing on the core business and the desire to outsource with a search for complete and integrated multi-technical solutions in both the private and the public sector;
- implementation of energy-efficient solutions, which are especially relevant in a context of high energy prices over the long term;
- modernization of healthcare institutions, which will require facilities and multi-technical operations services in the long term;
- paying increasing attention to mobility and safety with, as a consequence, major requirements for the upgrading of rail, road, and urban transport infrastructures;
- new forms of contracts that allow indexing based on the performance or sharing of savings made.

SUEZ Energy Services is now a fully-fledged division within SUEZ, alongside SUEZ Energy Europe, SUEZ Energy International, and SUEZ Environment. SUEZ Energy Services relies on a clear, transparent organizational structure that incorporates additional businesses, in accordance with the rules that apply to each of them: engineering, facilities and associated services, services to energy, and technical management. The entities that comprise SUEZ Energy Services are now organized by country in a structure that consists of seven BUs (Business Units).

SUEZ ENERGY SERVICES: BUSINESS ORGANIZATION BY COUNTRY



The organizational structure chosen is, for the most part, geographical and takes into account the proximity of the service activity. Each BU is placed under the authority of a single manager who answers for its results directly to the division's general management. The division's management is deliberately decentralized to ensure that decisions are made as close to the ground as possible.

Commercial and technical cooperation between the SES entities and other SUEZ entities is encouraged in order to achieve optimal efficiency in terms of sales and costs.

SUEZ Energy Services offerings cover the whole value chain for technical services:

- engineering-design;
- development of electrical, mechanical, and environmental engineering facilities; systems integration; large projects;
- multi-technical management and industrial maintenance;
- management of energy systems and utilities on site;
- facilities management.

In addition, the Electricity and Gas Companies specialize in the production and distribution of electricity in Monaco and in the Pacific (New Caledonia, French Polynesia, Vanuatu, Wallis and Futuna Islands). They are also partners in the development of these territories because they provide international quality services and the support of a major Group.

SES activities represented approximately €11.3 billion of revenues for 2007.

It has 67,395 employees in more than 30 countries, most of which are in Europe, where the Division's activities are conducted on no fewer than 1,000 sites.

6.1.1.5.2 Business strategy and growth

In Europe, SUEZ's energy strategy focuses primarily on profitable organic growth that depends on our strong domestic positioning and targeted developments in electricity and gas.

On an international scale, SUEZ's primary goal is to exploit its industrial expertise and encourage dynamic expansion based on its 5 key high-growth-potential positions (USA, Brazil, Thailand, the Gulf region, and LNG).

SUEZ Energy Europe

- Develop activities in France from positions acquired in electricity and gas that rely on SUEZ's existing sites in the environment and services businesses.
- Defend and consolidate its position as a leader in the Benelux market.
- Ensure stable growth in the markets of historic operators (France, Germany, Italy, Iberian Peninsula).
- Develop growth portfolio in Central, Eastern, and Southeastern Europe.

SUEZ Energy International

- Priority given to organic growth around primary focal points of SUEZ Energy International (United States, Brazil, Chile, Peru, Panama, Thailand, LNG, and the Gulf Cooperation Council) and when opportunities arise in other countries where strong growth in demand is predicted.
- Focus on sales and marketing activities that target business and industrial customers.
- Maintains a stable portfolio likely to offer an optimal risk-return ratio.

SUEZ Energy Services

With revenues of over €11.3 billion, SUEZ Energy Services is currently the top participant in the European services market. It carries out its activities using well-known commercial brand names: Axima, Axima Services, Elyo, Endel, Fabricom GTI, GTI, Ineo, Seitha, and Tractebel Engineering. The division is number one in France, Belgium, and the Netherlands. It occupies a strong position in neighboring countries such as the United Kingdom, Germany, Italy, Spain, Switzerland and Austria, and has begun to create bases for development in other countries, such as Portugal and Greece, as well as in Central Europe.

In this context, the strategic priorities of SUEZ Energy Services are as follows:

- continue to improve profitability of SUEZ Energy Services by streamlining the current activities portfolio, harnessing internal synergies, and developing cross-functional offerings;
- strengthen its position as European leader in multi-technical services by emphasizing sales dynamics and the development of innovative offerings: energy and environmental efficiency, Public-Private Partnerships, new services, etc.;
- strengthen the Services component in the management and maintenance businesses and concentrate on the high-value-added segments of facilities businesses, which require a systems integration capacity or expertise in facilities engineering;
- implement profitable growth drivers: targeted acquisitions, development in new geographical areas, or new activities.

6.1.1.5.3 Energy – 2007 month-by-month highlights

SUEZ Energy Europe

January-December 2007

- Belgium – at the Amercoeur power plant, Electrabel starts work on repowering Unit 1 into a modern CCGT plant of some 400 MW. A similar event occurred at the new unit at Sidmar (305 MW). In Ruien, the upgrading work on the plant is nearing completion.
- Italy – Electrabel's production facilities increase with the Roselectra CCGT plant (386 MW), the Leini CCGT plant (386 MW), and the Vado Ligure plant that was repowered (total power of some 760 MW).
- Europe – In Portugal, Electrabel's wind energy power increases by more than 250 MW. The company signs with Spanish windmill manufacturer Gamesa Energia the transfer of ownership of the new wind farms Serra do Ralo (32 MW), Mourisca (38 MW), and Nave (38 MW). In Portugal, Italy, France and in Belgium, even more wind farms are coming online.

- The year 2007 proves to be a pivotal year for the LNG terminal of Fluxys LNG in Zeebrugge. The terminal is celebrating its 20th year in existence and the arrival of its one thousandth methane tanker. During that period, some 70 billion cubic meters of natural gas were injected into the grid from the terminal. The expansion work now being done on the Terminal will double its capacity in 2008, to 9 billion cubic meters of natural gas per year.

January 2007

- Belgium – Electrabel completes the final migration of customer data to the new NRP (New Retail Platform) tool. These data concern nearly 1.7 million customers in Wallonia and Brussels, where the market has been completely open since January 1, 2007. As a result, the company is responding to the new rules of the deregulated market.
- Fluxys starts construction of a compression station in Zelzate. It is expected to be commissioned in 2008. This will make it possible to increase the capacity of the network to meet the total growth expected in natural gas consumption in Belgium. Starting in 2010-2011, the facilities will also be used for new flows from the Dutch grid.
- Continuing its expansion into the German market, which it began in 2006, Distrigas signs a new supply contract with a local distributor ("*Stadtwerke*") in the vicinity of Aachen.

February 2007

- Belgium – The Doel 1 nuclear power plant, which was commissioned in 1974, produces its 100 millionth megawatt hour. Meanwhile the Tihange 2 plant posts an availability rate of nearly 100% in 2007.
- Europe – Electrabel obtains excellent results in its specialties and in its priority markets in terms of hedging risk. Risk Magazine, a leader in this area, ranks the company number one for electricity in Belgium, the Netherlands, and France and for the natural gas TTF (Title Transfer Facility).
- Belgium – Lanxess Rubber (in Zwijndrecht, near Antwerp) chooses Electrabel as a partner for the construction of a 42 MW cogeneration plant. Commissioning of the new facility, which will have an energy yield of nearly 90%, is planned for 2008.

March 2007

- Belgium – Distrigas receives its first shipment of LNG from Qatar under the 20 year contract signed with Qatari producer RasGas II. This contract calls for supplying Distrigas with 2.75 billion m^3 of natural gas annually. The Qatari LNG will improve the geographical diversification of Distrigas supply portfolio.
- Fluxys starts construction of two new control stations in Zeebrugge. This investment will enable Fluxys to expand the ZEE Platform Service in early 2008. With the expanded ZEE Platform Service, users can trade their natural gas with no restrictions on capacity between all the entry points of the Zeebrugge area, including the LNG terminal.

April 2007

- Fluxys launches a market consultation to assess interest in additional reservations for long-term transit capacity between Belgium and France. This consultation shows definite interest on the part of the market: As of July 31, no fewer than 39 network users have confirmed non-binding interest in a total request for capacities that could be described as substantial. Binding contracts are expected to be concluded during the first half of 2008. Given the administrative constraints and the necessary investments, the new capacities should be available in late 2012.
- Fluxys begins work to increase the storage capacity in Loenhout by 15% – to reach a live volume of 700 million cubic meters and to increase injection and emission capacities. Work on the expansion is slated for completion in the spring of 2010.

May 2007

- Belgium – Electrabel signs a memorandum of agreement for the takeover of its Wallonese cable distribution business by TECTEO GROUP as part of its strategy of focusing on its future growth and essential business in the European energy sector.
- Distrigas again beefs up its on-line services on its Customer Extranet site. With the new Distrigas Profile Viewer application, they can now follow and manage their natural gas consumption.
- The Netherlands – Germany – Electrabel decides to invest in five new power plants: two gas steam-turbine power plants (at the Flevo site) and one coal/biomass plant (on the Meuse plain in Rotterdam) in the Netherlands and two coal-fired plants in Germany. It will be possible to bring them online between 2009 and 2012.
- Germany – Independent experts rank Electrabel among the 50 most customer-oriented service companies.
- Belgium – International experts with the International Atomic Energy Agency study the operating safety of the Tihange nuclear power plant and compare it to the best practices applied worldwide. Tihange is Belgium's first power plant subject to review by this type of Operational Safety Review Team (OSART). The results are positive. OSART recognizes nuclear power plant safety as a high priority for Electrabel.

June 2007

- Belgium – Electrabel announces an increase in the prices it charges for natural gas and electricity following the increase in fuel prices on the international energy markets. The company warns its customers personally by letter and agrees with respect to gas consumer customers to limit the effect of the price increase in the annual bill.
- France – Distrigas and three other European energy companies win a call for tenders that gives it a share of the capacity at the Fos Cavaou terminal in Marseille. Under this agreement, Distrigas will be able to unload LNG there between 2008 and 2011, which will help to spur the growth of its business activities in southern France.

July 2007

- France – SHEM (Société Hydroélectrique du Midi) obtains the TÜV EE certificate awarded by the independent European agency TÜV-SÜD. The certificate guarantees that 100% of production comes from renewable sources.
- Belgium – Electrabel takes over SUEZ's stake in SUEZ-TRACTEBEL (99.97%). This deal helps to streamline the energy business and is a step towards further improvement in the Group's organizational structure. Aside from the organizational benefits, this will lead to greater synergy from an operating standpoint, and the Group's negotiating position with respect to gas producers will be enhanced.

August 2007

- Belgium – At a reception in Gent, the senior managers of Distrigas and Dutch natural gas supplier GasTerra celebrate the 40th anniversary of the first natural gas shipments from the Netherlands to Belgium.
- Germany – Distrigas signs two new contracts to supply a major industrial site in northern Germany as well as a cogeneration unit in Berlin.
- Poland – Three years after the launch of biomass co-combustion, the Polaniec power plant produces its first terawatt hour (1 TWh) of green current. Electrabel is the third-largest producer of green electricity in Poland.

September 2007

- Belgium – Degussa Antwerpen, E.ON Kraftwerke, and Electrabel sign an agreement to build and operate cogeneration units. The new 35 MW cogeneration unit at Degussa, which will be commissioned in mid-2010, will be incorporated into the existing 43 MW plant.
- Belgium – Volvo Europa Trucks and Electrabel commission Belgium's first CO_2-free company in Oostakker near Gent. The plant of the Swedish truck manufacturer will produce trucks without emitting any CO_2. The overall package includes URE measures, windmills, biomass combustion, solar energy and AlpEnergie.
- Belgium – On Wednesday, September 12, Distrigas receives its 1,000 th shipment of LNG in Zeebrugge. The 140,000 m^3 of LNG unloaded by Maersk Qatar are the equivalent of the average annual consumption of 35,000 households.

October 2007

- Belgium – Brand new training programs introduced for its own employees and for contractors in an educational project, a copy of the nuclear zone of a nuclear power plant built at its training center. Tihange is already reaching the cap of 1,500 contractors trained in the same kind of project.
- Belgium – the European Commission approves the commitments by Distrigaz on the duration of its sales contracts, thus ending its investigation.
- Belgium – Electrabel launches a new image campaign emphasizing the revaluation of its business lines and its employees' daily commitment to customers.

November 2007

- Belgium – Fluxys, in collaboration with the Flemish Institute of Technology Research (*Institut Flamand de Recherche Technologique*) and the Luxembourg company Société de Reconversion, studies potential underground storage sites in Campine in Limburg. A seismic study is done to map the area deep underground and then determine whether or not it is suitable for storing natural gas.
- Germany – Electrabel chooses Wilhelmshaven as the primary site to build one of the two modern 800 MW coal-fired power plants. Construction will start in 2008 and the plant will be up and running by 2012.
- Europe – According to a study by PricewaterhouseCoopers, of the 22 largest electricity producers active in Europe, Electrabel is among the eight that do better than average in terms of CO_2/kWh emissions by its production facilities.
- Belgium – Taking advantage of opportunities arising on the LNG spot market, Distrigaz acquires a shipment of LNG from Trinidad & Tobago (Caribbean) and transports it to the Zeebrugge terminal.
- Belgium – Electrabel decides to invest in photovoltaic energy for a total of 11 MW for its industrial customers in Flanders. The company signs an initial contract with Honda Belgium to place 6,500 m^2 of photovoltaic cells (880 kW) at the Honda plant in Alost.
- France – Electrabel acquires 50.1% of Compagnie du Vent, one of the leading companies on the market and the largest supplier of wind energy in France. The total output by Compagnie du Vent represents 84 MW in operation and 64 MW under construction. Aside from wind energy, it also works on diversification in biofuels and solar energy.

December 2007

- Belgium – Electrabel signs a partnership agreement with Natagora and Natuurpunt for a period of four years. These environmental organizations will conduct various educational projects in Belgium to make people aware of the need to maintain biodiversity.
- Belgium – Electrabel and Publi-T, the joint holding company for managing the transport of Belgian electricity, agree to the sale of 3% of the shares held by Electrabel in Elia. This will bring down the stake owned by Electrabel to 24.36%, which is less than the blocking minority. SUEZ and Electrabel thus honor the commitments made by them to the Belgian government at the time of the total takeover of Electrabel by SUEZ in 2005.
- Fluxys LNG issues a market consultation to assess the interest in additional capacities at the Zeebrugge LNG terminal. If this consultation reveals a high enough level of interest, these additional capacities may be provided starting in 2015-2016. However, the actual commissioning date may depend on the type and extent of the new investments necessary as well as the procedures for obtaining permits. As of mid-February 2008, no fewer than 15 companies had shown interest in the project.

SUEZ Energy International

January 2007

- SUEZ Energy International takes over the operating management of the Al-Rusail power plant with a capacity of 665 MW purchased by it from the government of Oman in December 2006. The sale and production of electricity are guaranteed by an agreement in effect until 2022.

February 2007

- Gulf Total Tractebel Power Company, which is 20% owned by SUEZ Energy International, announces the expansion of the Taweelah Al electrical power and desalinization plant in Abu Dhabi, which will boost its production capacity from 1,360 to 1,592 MW by May 2009. The project entails a six year extension of the contract as well as the refinancing of the current debt, which amounts to USD 1,102.5 million (€840 million), with maturity of around 22.5 years.

- SUEZ Energy International, in a consortium with its partners Mubadala Development Company and National Trading Company, finalizes the financing of Barka 2, an independent Omani water and power production contract won in December 2006. The deal, which also includes the acquisition of Al-Rusail Power Company, involves the amount of USD 800 million in the form of loans granted by an international and regional banking syndicate.

- SUEZ Energy International purchases a 51% stake in Bahia Las Minas from the British company Ashmore Group, Panama's largest thermal energy production complex with a total installed capacity of 280 MW (gross). The remaining 49% of the stock is held by the Panamanian government.

- SUEZ Energy International delivers its first shipment of 138,000 m^3 of LNG to the Altamira regasification unit just recently commissioned on the northeastern coast of Mexico.

March 2007

- SUEZ Energy International starts construction work on the São Salvador hydroelectric plant (241 MW) in Brazil and signs a 14 year, 206.2 million euro finance agreement with BNDES[4].

- Neptune LNG LLC, a subsidiary of SUEZ Energy North America, receives approval from the US Maritime Administration to build the Neptune Deepwater Port, its offshore LNG terminal off the coast of Gloucester, Massachusetts (USA).

May 2007

- SUEZ Energy Resources NA, a retail energy sales company in the United States, signs a three year electricity supply contract with the University of Chicago. The contract covers all the property of the main campus of the University of Chicago, for a total peak demand of around 60 MW.

- SUEZ Energy International inaugurates the Al Ezzel electrical power plant (954 MW gross) in the Kingdom of Bahrain. The electricity produced by this cutting-edge combined cycle plant represents an investment of USD 500 million and will be sold to the Ministry of Electricity and Water pursuant to a 20 year electricity purchasing agreement.

June 2007

- SUEZ Energy International, along with two local partners, finalizes the limited-recourse financing of the Marafiq project in Saudi Arabia, 60% of which is owned by the consortium. The financing, which is in the amount of USD 3.4 billion, is being contributed by a consortium of 29 banks and will be spread out over five segments. The Marafiq project involves the construction and operation of a 2,750 MW power plant and a sea water desalinization facility with a capacity of 800,000 m^3/day.

- SUEZ Energy International announces the construction of a 150 MW coal-fired electrical power plant in northern Chile. The plant will use fluid bed technology to be able to operate on biomass or other fuels. A 21 year agreement to supply electricity is signed with a subsidiary of CODELCO Norte, the largest producer of copper in the world, for the supply of 150 MW to the new Gaby mine and the Chuquicamata mine, which has been enlarged.

- SUEZ Energy Central America wins a contract for the purchase of 62.25 MW of electricity for a period of six years. The electricity will be produced by a new 87 MW thermal power plant, which is wholly controlled by SUEZ. This contract is awarded three months after SEI enters the Panama market and confirms Panama's position as a toehold for the SUEZ Group in Central America.

- SUEZ Energy International finalizes the sale of its stake in Cálidda to the company Ashmore Energy International.

July 2007

- SUEZ Energy North America acquires Ventus Energy, a Canadian windmill project development company, for a total of CAD 124 million. The installed capacity in operation totals 29 MW, and a further 178 MW are under construction. In addition, the company has a portfolio of 25 projects under way representing 2,000 MW, as well as property rights to some 7 million hectares of land (more than twice the area of Belgium).

  After the acquisition is finalized in September, SUEZ Energy North America creates the new division SUEZ Renewable Energy NA, which will be responsible for managing and developing renewable energy projects in North America.

- Glow Energy signs steam and electricity supply contracts for a 20 year period starting in 2009 with Thai MMA, a petro-chemical company – a joint venture and subsidiary of Siam Cement Group and Mitsubishi Rayon (Japan). The electricity (10 MW) and steam (40 tons per hour) will be delivered to two TMMA plants located in the RIL Industrial Estate and the Map Ta Phut Industrial Estate, produced by a new Glow plant under construction in Map Ta Phut.

4. Banco Nacional de Desenvolvimento Econômico e Social: a Brazilian development bank and federal public company associated with the Ministry of Development, Industry, and External Commerce.

August 2007

- Neptune LNG LLC, a subsidiary of SUEZ Energy North America, receives all the necessary approvals from the local authorities in Massachusetts for the construction of the Neptune Deepwater Port, its offshore LNG terminal off the coast of Gloucester, Massachusetts.
- In Peru, EnerSur inaugurates the second ChilcaUno unit, a gas-fired power plant located some 64 km south of Lima. Thanks to this expansion, EnerSur raises its production capacity by 675 MW to 850 MW and bolsters its position as the country's second largest private electricity producer. EnerSur also announces the construction of a third unit, for which construction will start in 2008.

September 2007

- SUEZ Energy Resources NA signs a contract on the order of 150 MW with the City of Dallas to supply 90% of the city's electricity in 2008. Nearly half the supply will come from renewable energy sources.
- In Mozambique, SUEZ Energy International, the state-owned utility Electricidade de Moçambique, and Intelec sign an agreement to start jointly developing a 1,000 MW gas-fired power plant and a 700 km transmission line connecting it to the high voltage grid existing between Mozambique and South Africa.

October 2007

- At the electricity auction in Brazil, SUEZ Energy International sells an average of 256 MW, representing its share of the energy produced in the 1,087 MW hydroelectric plant under construction in Estreito. SEI obtains an equivalent price of BRL. 126.57 per MWh (indexed) for a 30 year contract, representing an overall cash flow estimated at €3.3 billion.
- SUEZ Energy International and Codelco, the world's leading copper producer, create a 50-50 joint venture, LNG Mejilliones, for the construction of an LNG regasification terminal in Mejilliones, in northern Chile. O&M management will be handed by the Group. Investments total USD 500 million. The terminal will have a capacity of 5.5 million m^3 of gas, enough to produce 1,100 MW of electricity. LNG Mejilliones has already signed contracts for sales of natural gas (equivalent to base power of 450 MW of electricity) starting in late 2009, with four main customers, all of which rank among the major copper mining companies: Codelco, BHPB, Collahuasi and El Abra.
- In the Philippines, SUEZ Energy International acquires a 560 MW gross coal-fired electrical power plant in Calaca, in the province of Batangas. The sale takes place during auctions held by PSALM (Power Sector Assets and Liabilities Management Corp.), a public company supervising the privatization of the electricity assets in the Philippines.
- SUEZ Energy North America acquires the cutting edge 67 MW New Gulf gas-fired power plant in New Gulf, about a hundred km from Houston, Texas.

December 2007

- Glow Energy wins a contract for the construction of a 660 MW coal-fired power plant in the industrial zone of Map Ta Phut. The electricity from the plant will be sold to EGAT (Electricity Generating Authority of Thailand) under a 25 year purchasing agreement. Glow Energy will own 65% of the plant, with the remaining 35% being held by Hemaraj, the leading developer of industrial complexes in Thailand. The plant, for which the construction work will be spread out from mid-2008 to late 2011, represents an investment of €770 million.
- SUEZ Energy International buys from the companies Impregilo and Skanska a 176 MW hydroelectric plant located in Ponte de Pedra, on the Correntes river, for €228.6 million, subject to approval by the appropriate authorities. The concession contract for the plant runs until 2034, with the possibility of extending it for an additional period of 20 years. The electricity produced by the plant shall be sold until 2025 under a purchasing agreement entered into with Cemig, a state-owned distribution company.
- In Panama, SUEZ Energy International announces the launch of renovation work on a 120 MW unit (gross) of Bahía Las Minas, the 280 MW (gross) thermal power plant in which it owns 51%, in order the improve the output and produce cleaner energy. Ten 87 MW (gross) motors will also be installed in two phases (August 2008 and January 2009) at the Bahia Las Minas site in order to meet the urgent demand for energy in Panama. The investments amount to a total of USD 250 million.
- At an auction sale in December, EnerSur wins a contract to supply 485 MW of electricity between January 2008 and December 2012 to Luz del Sur, a distribution company operating in the southern part of Lima. The contract will absorb nearly all the production from the ChilcaUno plant, two units (348 MW) of which are already operational. The third unit will be up and running in April 2009.
- SUEZ Energy International inaugurates the Sohar electricity production (586 MW) and desalinization plant (150,000 m^3/day) in which it owns 55%. The electricity and water produced by this plant is sold to Oman Power and Water Procurement SAOC under a 20 year electricity and water purchasing agreement.

SUEZ Energy Services

The year 2007 was marked by commercial success stories for SUEZ Energy Services. The business won by the entities of the Energy Services Division demonstrates the genuine partnerships we have developed with our customers. In addition, the order book as of the end of 2007 shows an increase in the installation business compared with previous years.

December 2006

- GTI designs, develops, and operates the largest connection network, which has a total of 37 windmills, for Windnet, the Netherlands' first private network specifically devoted to large-scale wind energy farms. The delivery of this contract made GTI the leader of the Dutch market for private electricity networks.

- As part of the construction of the EPR in Flamanville, France, EDF calls on Endel to research, supply, and install the nuclear auxiliary fluid networks. Amount of contract: €70 million.
- Electrabel entrusts Tractebel Engineering with the engineering, provisioning, and construction management (EPCM) for a cogeneration unit that will be installed on the Lanxess site in Antwerp. Amount of contract: €5.5 million.
- The Dutch Ministry of Transportation (Rijkswaterstaat) signs two contracts with GTI for highway traffic maintenance systems for a total amount of €10 million.

January 2007

- GRTgaz assigns to Tractebel Engineering a mission to assist the Project Owner of the new Saint-Avit (Drôme, France) compression and interconnection station for €700,000. Since a 4 year framework agreement was signed in August 2006 with GDF, more than ten missions have been assigned to Tractebel Engineering.
- Infrabel, the company in charge of management, upkeep, upgrading and development of the Belgian railway calls on the skills of Fabricom GTI for the renovation expansion and new equipment for electrical sub-stations and for the laying of catenaries.
- IBM "outsources" the utilities of the Pompignane Industrial and Technological Park in Montpellier, France, for a period of ten years for €33 million. Active at this site since 1994, Elyo is now in charge of the design, execution, operation and maintenance of the production facilities of the utilities of the site. This site hosts data centers.
- The Maritime Division assigns to Ineo the electrical work for its Ile Longue and Guenevenez facilities. Amount of contract: €12 million.
- Elyo Italia has renewed the facilities management contract with the Azienda Ospedaliera hospital in Verona in the amount of €90 million over 9 years.
- One year after winning its first share of the market, Axima Services is selected by ABB for the facilities management of 4 additional buildings in the Benelux countries for a period of 10 years and the sum of €23 million.

February 2007

- Endel renews its multi-technical maintenance contract for the facilities of the CNES space center in Kourou, French Guyana, for a period of five years and the sum of €90 million.

March 2007

- Borealis renews, for a five year period at a cost of €15 million, the Axima Services facilities management contract covering its four production sites as well as its headquarters in Belgium.
- Réseau Ferré de France awards a variety of contracts to Tractebel Engineering for research on the rail line to be designed around the Lyons metropolitan area, including the environmental research related to this project. The new configurations proposed must take into account freight train traffic and high-speed passenger trains, as well as the railway route. They must also adequately serve the train stations, airports, and industrial areas of the region. Amount of the contracts: €1.9 million.

April 2007

- The European Parliament in Strasbourg awards to the group formed by Axima and Elyo a multi-technical maintenance project with total guarantee amounting to €23 million over five years.
- Elyo wins a 160 million-euro contract for the design, construction, financing, and operation for 20 years of the Eole Technical Center, the new Turbomeca plant (Safran Group) under construction in Bordes (Pyrénées-Atlantiques, France). The center will supply energy and industrial fluids to the companies that will move into the new business zone.
- Fabricom GTI receives two new orders totaling more than €10 million in connection with the renovation of the Esso (ExxonMobil) refinery in Antwerp, Belgium.
- C-Power, the company responsible for establishing the first offshore wind farm off the coast of Belgium on the Thorntonbank, assigned to Fabricom GTI, in partnership with Dredging international, the foundation work and the laying of cables for the first six windmills.
- GTI is selected by shipbuilders Shipyard Nieuwbouw and IHC Holland Merwede Krimpen to do the electrical-mechanical installation work for three 132 meter vessels designed to provide maintenance and upkeep on deepwater drilling platforms, for a total of €15 million.

May 2007

- Axima Services wins a 5 year, €45 million contract for facilities management at six Johnson & Johnson sites in Belgium and the Netherlands.
- The maintenance contract for the security facilities at the Brussels National Airport awarded to Fabricom GTI is extended for a period of six years.

June 2007

- Elyo signs three contracts with companies installed on the Villers Saint-Paul platform in France for a total of €130 million and a period of 15 years. These contracts include the supply of utilities (gas, steam, water, and industrial gases) and all services (reception, caretaking, security, etc.), as well as waste water treatment.
- Nerefco awards Fabricom GTI the construction of fourteen prefabricated modules designed for the new Nafta Hydrotreater facility for its Rotterdam refinery. The purpose of this unit is to improve the internal processes within the refinery, optimize current capacity, and process petroleum products from any source without losing in quality. Amount of contract: 27 million.
- Tractebel Engineering is assigned the job of assisting the contractor for the Marafig sea water desalinization plant in Jubail, Saudi Arabia. This is the world's largest combined power production and water desalinization plant (2,750 MW – 800,000 m^3/d). Amount of contract: €8.5 million.

- Statoil awards a €175 million EPCIC (engineering, procurement, construction, installation, and commissioning) contract to Fabricom AS as part of the redevelopment project of the Snorre oil platform in Norway.
- Electrabel assigns to Tractebel Engineering the management of fuel supply contracts to the seven Belgian nuclear units from 2008 to 2015.
- SUEZ Energy Services acquires all equity in Crespo y Blasco, with revenues of more than €420 million. SES becomes a major player in energy installation and services in Spain.

July 2007

- Endel, Axima, and Ineo are selected by the Société d'Enrichissement du Tricastin (Areva) for services amounting to a total of €110 million in connection with the construction of the Georges Besse II plant in France. These services include design and installation in five areas: electricity, skids, utilities network, climate/ventilation control, and refrigeration.
- Fabricom GTI signs a rider to the basic contract signed in 2004 with Sonatrach to modernize 20 compression stations on four gas pipelines in Algeria.
- Total awards to Fabricom Oil & Gas a preventive and curative maintenance contract for its North Sea platforms (Dutch sector). Amount of contract: €10 million per year.
- Axima Services wins a 20 year, €100 million contract for the operation and maintenance of the automated baggage sorting system at the Pierre-Elliott Trudeau Airport in Montreal, Canada.
- Electrificacion del Caroni – EDELCA – signs a €5 million rider to the master contract signed in 2006 with Coyne et Bellier (Tractebel Engineering) for the construction of the Tocoma dam and hydroelectric plant (2,160 MW) and for the renovation of other structures that are part of the Rio Caroni hydroelectric development in Venezuela.
- Aker Yards entrusts Axima with the job of installing heating and cooling systems in connection with the construction of three new cruise ships. To fill these orders, which amount to nearly €80 million, Axima will again use its "Plug & Play" module based on the original pre-assembly principle developed by its staff.
- Elyo's contract for the maintenance of the 24 sites of the Public Housing Office in Limoges, France, is renewed at €30 million for a period of 15 years.
- SUEZ Energy Andino and Tractebel Engineering cooperate on an Owner's Engineer and FEED mission to develop floating storage, docking, and LNG treatment facilities on the site of the Mejillones gas terminal that would make LNG available at a faster rate.

August 2007

- Axima Contracting Wallonie is awarded a contract by GSK to research and construct HVAC facilities as part of the introduction of standards in the labs and production areas of some buildings at its Rixensart site. This contract represents revenues of €9.5 million. As a sub-contractor to Axima Contracting, Ineo is responsible for the electrical work on the HVAC lots.

September 2007

- INEO and Axima are chosen to work on the electricity and air conditioning at the Estuaire Private Hospital in Le Havre for a total of €22.6 million.

October 2007

- The Courts of Justice of Antwerp award Axima Services a €4 million contract over 18 years for the operation and technical management of its thermal facilities.
- Elyo wins one of three batches awarded by the City of Tours in connection with the granting of the first PPP issued in France to modernize municipal thermal equipment. The original solution proposed by Elyo represents total revenues of nearly €7 million over 12 years, not including construction (€1 million).
- Elyo is awarded a €33 million contract for the design and operation of the heating and hot water facilities of the first eco-friendly neighborhood in France, in Limeil-Brévannes (Val-de-Marne) as part of a 33 year public service assignment. The needs will be completely covered from renewable energy with no CO_2 emissions, except for transporting the biomass.
- Elyo Services Ltd signs a €4 million contract over three years for energy management at the BMW production plant located near Birmingham, in the United Kingdom. Elyo Services Ltd will provide heating, cooling, air conditioning, and maintenance and waste water treatment for the 28 buildings located on the 115,000 m^2 site under a long-term contract.
- Endel signs a multi-site contract with EDF for €20 million for the maintenance of the fluid networks of the five 900 MW nuclear power plants (i.e., 18 installments) in connection with operations for the third decennial tour.
- Axima GmbH signs a €10.3 million contract with the Buchen Hospital in Germany to replace existing boilers by a biomass system, thus enabling it to cut its energy costs by 40%.

November 2007

- For €4.3 million, an Electrabel and E.ON joint venture awards Tractebel Engineering an EPCM mission for the construction of a second cogeneration unit (40 MW) on the site of the Degussa chemical plant in Antwerp. To optimize energy savings, the plant will operate using both natural gas and the residual gases that result from Degussa chemical processes. The new unit will prevent the release of 60,000 tons of CO_2 annually.
- As part of a long-term hospital lease, (BEH), Elyo is awarded the maintenance management of the technical facilities in the new medical specialties building of the Nancy University Hospital Center (CHU) in France for 30 years. This contract, which was won by a group, represents revenues of €36 million for Elyo.
- Tractebel Engineering is assigned by Electrabel to three engineering and construction management (EPCM) missions for a total of €70 million as part of the construction of three coal-fired power plants in Germany and the Netherlands.

- Axima and Ineo delivered to Aéroports de Paris (ADP) the air conditioning and electricity installations for the Satellite S3 terminal and its extension at the Roissy Charles-de-Gaulle airport. The works totaled €42 million.

December 2007

- GTI wins a 15 year, €40.5 million contract for the design, execution, and operation of an energy management system in connection with the development of Overhoeks, a 20-hectare area in Amsterdam that will include apartment buildings, offices, and recreational facilities.

Post-balance-sheet events

January 2008

- SUEZ Global LNG has obtained long-term access to the Freeport LNG terminal, through an agreement with ConocoPhilips. This will give SUEZ access to a regasification capacity of 151 TBtu annually (around 3 MMtpa or 40 shipments annually) starting in mid-2010. This agreement will boost SUEZ's regasification position in the Atlantic Basin by adding capacity in the Gulf of Mexico to the existing capacity in New England (at the Everett terminal) and the Zeebrugge terminal in Belgium.

February 2008

- Gaz de France and SUEZ have together acquired a 1,875 MW CCGT power plant located in northeast England. The acquisition was concluded with Goldman Sachs and Cargill which owned 30% and 70% respectively of TEESSIDE POWER LTD. At the conclusion of the transaction, which will be submitted to the appropriate authorities for approval, SUEZ, through its subsidiary ELECTRABEL and Gaz de France will each own 50% of the company.

6.1.1.5.4 Description of activities and their regulatory environment

SUEZ Energy Europe

Production, transport, and distribution of electricity

Regulatory environment

EUROPEAN LEVEL

In January 2007, the European Commission will present new proposals regarding the completion of the domestic energy market that will mainly deal with the separation between network activities and competitive activities, powers of regulators, and coordination between GRTs. These proposals are part of a series of measures which comprise the "the energy package"[5]. Chief among these priorities are the fight against climate change and the completion of the domestic energy market. Some concrete legislative proposals were released in September 2007.

In subsequent stages, these proposals are to be adapted at the European level, transposed (if necessary) into local legislation in the Member States, and fully implemented.

Lastly, for those Member States that had not yet fully opened up their gas and power markets (for example, France and, for electricity, Italy), their markets were fully deregulated effective July 1, 2007.

With regard to CO_2 and in accordance with the Directive establishing a greenhouse gas quota trading system, in 2007, the European Commission approved (with certain amendments) the national quota allocation plans of the different Member States for the period 2008-2012.

BELGIUM

In Belgium, the existing institutional framework had already anticipated most of the measures repeated in the 2003 directives. Accordingly, transport activities had been placed within a separate structure (Elia). Various corporate governance measures had been implemented to ensure the independence of the transport network manager. In 2007 Electrabel reduced its stake in that company to 24.4%, which is less than the blocking minority.

In 2007, various initiatives to improve the liquidity of the electricity production market in Belgium were undertaken. Chief among these were the commitments proposed by the Group to the Belgian federal government in anticipation of the planned merger between SUEZ and Gaz de France. These commitments include, in particular, raising the SPE's share in the Belgian nuclear capacity and the trading of assets with other European producers.

In the wholesale market, a spot market was instituted in November 2006 on the Belpex electricity exchange in conjunction with the APX exchange in the Netherlands and Powernext in France, thereby linking the three markets together.

In terms of supply, the market for Brussels-Capital and Wallonia was deregulated on January 1, 2007, while the Flemish gas and electric market had already been fully deregulated since July 1, 2003.

In terms of transport, a mechanism for the allocation of commercial interconnection capacity was created at the level of the interconnections with France and the Netherlands in the form of auctions and the elimination of special traditional transport contracts.

In terms of distribution, Electrabel cut its interest in Intercommunales to 30% in Flanders. The single operator Eandis, a subsidiary of Intercommunales, carries out the operating activities for distribution in Flanders, as well as the operator Brussels Network Operator (BNO) in Brussels-Capital.

Description of activities

Electrabel is a European producer of electricity and supplier of electricity, natural gas, and energy products and services. Electrabel belongs to the leading group of European power producers.

5. The energy package includes, in particular, the strategic analysis of the EU energy policy, the road map on renewable energy, a report on the implementation of the renewable directive in the electricity sector, the priority interconnection plan, a statement on "sustainable Coal", the Nuclear program indicated for the Community, a report on the implementation of the directive on biofuels, a statement on the announcement of the European strategic energy plan, the report on the domestic energy market and the sector survey.

In Europe, Electrabel's strategy consists of maintaining its leadership position on the Benelux market and developing strong positions in France, Italy, the Iberian peninsula, and Germany by taking advantage of the development opportunities offered by the deregulation of the energy market. Electrabel is developing a growth portfolio in Poland, Hungary, and other Eastern European countries.

Electrabel also trades on the energy markets in Europe and is an energy trading pioneer. Its trading and portfolio management activities enable it to optimize its overall position on energy markets (fuel purchases, operation of power plants, and sales). These activities play a key role in its European strategy. Electrabel is active in all energy markets across Europe, from Scandinavia to Spain and from the Benelux countries to Poland.

In 2007, sales of electricity by Electrabel, including gross sales, amounted to 167.5 TWh. The Benelux countries accounted for 59.4% of sales, 27.7% were in the region of France and Italy and the Iberian Peninsula, and 12.9% in the region of Poland, Germany, and Hungary.

	Sales of electricity 2007		Net electricity installed capacities in MW as of 12/31/2007		Net electricity capacities under construction in MW[a] as of 12/31/2007	
	TWh	%	MW Net	%	MW Net	%
Benelux	99.4	59.4	17,945.8	59.6	1,849.0	68.9
Europe excluding Benelux	68.1	40.6	12,144.6	40.4	835.0	31.1
TOTAL	**167.5**	**100.0**	**30,090.4**	**100.0**	**2,684.0**	**100.0**

(a) *The capacities installed correspond to 100% of the power from power plants within the scope of consolidation (equity method, proportional consolidation, and full consolidation). As a result, the capacities installed do not cover the capacities from Chooz (650 MW) or Tricastin (457.6 MW).*

Gas transport and distribution

Regulatory environment

EUROPEAN LEVEL

Directive 98/30 of June 22, 1998, for common rules for the internal natural gas market was an important step in the deregulation of the European gas market. The principal purpose of this legal text is to ensure the gradual opening of the European natural gas market to competition by offering certain purchasers (eligible customers) the possibility of signing supply contracts with producers or suppliers of their choice and having access to the transport infrastructure for that purpose.

The second EC gas directive, 2003/55 CE, adopted on June 26, 2003, supersedes the abovementioned directive. Its purpose is to accelerate the opening of markets by stipulating that Member States should ensure eligibility as follows:

- as of July 1, 2004, all non-residential customers;
- as of July 1, 2007, all customers.

It specifies certain obligations on the companies designated as managers of the transport distribution network, especially in terms of legal, functional, and accounting separation. The directive also promotes minimal regulation of access to the network (specifying, in this area, an optional dispensation system for new infrastructures).

Concerning the third phase of legislative proposals, on September 19, 2007, the European Commission proposed three kinds of measures to complete the deregulation of the energy market in Europe:

- *Séparation patrimoniale (Ownership unbundling): disassociating network ownership from network operation.* With this measure, the Commission is trying to ensure that a company can no longer be the owner of a transmission network while at the same time engaging in the energy production or distribution business. In other words, no company that is a supplier or producer of energy that is active in the European Union would be able to own or manage a transmission network in any Member State. Ownership unbundling already exists in some Member States, but some countries that already have integrated operators are violently opposed to this solution. However, the Commission has already provided for an alternative: the independent network manager. This option would allow vertically integrated companies, which conduct all activities from production to distribution, to remain owners of the transmission network, provided that the management of those assets (investments and business decisions) is actually carried out by an entirely independent company or agency;
- *Boosting cooperation among transmission system operators (Transmission System Operators, TSO).* The Commission aims to formalize cooperation among national gas and power TSOs by establishing a European network of transmission network operators for gas; this network will be called ENTSOG, European Network of Transmission System Operators for Gas. This European network is primarily responsible for: (1) coordinating and planning the necessary investments at the European level. The transmission operators of the different Member States should work together to establish a ten year investment plan for the European gas network, (2) establish commercial and technical codes defining common rules, particularly in terms of connection and network access, the awarding of capacities, congestion management, interoperability, transparency, and balancing;

- *Creation of a National Regulators' Cooperation Agency.* The Commission suggests creating, in addition to the different national regulators, a European Cooperation Agency for national energy regulators, which would be endowed with decision-making authority. The purpose of this Agency would be to compare the national markets in order to simplify cross-border energy trading. It would be in charge of, among other things, reviewing the tasks performed by ENTSOG and may grant exemptions for cross-border investments.

BELGIUM

In Belgium, this first directive has been incorporated into Belgian law through amendments made to the gas law of 1965, particularly those made in 1999 and 2001. The gas law gives third-party access to natural gas transmission infrastructures on the basis of annual fees that have received the regulator's prior approval. The regulated fees system applies to natural gas transmission services, LNG storage, and LNG terminal use. Pursuant to the gas law, a code of conduct was drawn up in April 2003 which set out the rights and obligations of the transmission company and of the network's users.

In Belgium, this second directive was incorporated into Belgian law through amendments made to the gas law of 1965. The new gas law resulting from this was published in June 2005:

- The law stipulates a procedure to appoint a network manager for the natural gas transmission network and the natural gas storage and LNG terminal facilities. Under the law, Fluxys and Fluxys LNG were appointed managers under the non-definitive system in 2006. On February 21, 2007, a notice appeared in the *Moniteur belge* inviting applicants for manager to file their applications to be appointed as managers under the definitive system. Fluxys filed three applications to be appointed as manager under the definitive system, both for the natural gas transmission network and for the natural gas storage facilities and the LNG terminal facilities. Appointments as managers under the definitive system are valid for a period of 20 years renewable;
- Starting in 2008, the gas law stipulates the transition from an annual fee to a multi year fee system, which should increase the predictability of fees in the long term and stabilize any changes made to them;
- In terms of new LNG shipping and storage projects, the law allows the possibility of charging multi year tariffs including compensation for the capital invested, taking into account the competitive environment;
- The law also provides for applying a regulated pricing system to the cross-border shipping of natural gas. The performance of shipping contracts entered into under the Transit Directive (91/296/EEG) shall continue in accordance with existing conditions on that date under the principle of Sanctity of Contracts, whereas any new shipping contracts for existing capacities shall be governed by a special regulated system to be developed.

In accordance with the principles of the second gas directive, all non-residential customers in Belgium have been eligible since July 1, 2004. Moreover, residential customers in the Flemish Region have also been eligible since July 1, 2004. Residential customers in the Wallonia Region and the Brussels-Capital Region have been eligible since January 1, 2007.

FRANCE

In France, pursuant to the principles of the second gas directive, all non-residential customers have been eligible since July 1, 2004.

Description of activities

The Group is the largest supplier of natural gas in Belgium, through Distrigaz and Electrabel. In Belgium, the transmission network, managed by Fluxys, comprises 3,800 kilometers of ducts, some 80% of which are high-pressure pipelines.

As for electricity, the regional governments would like Electrabel to reduce the level of its holdings in inter-municipal gas distribution structures to a minority interest.

In Belgium, the group has provided gas activities (apart from distribution) since the end of 2001 through two legally distinct groups: Fluxys and Distrigas.

FLUXYS

- Fluxys is the independent operator of the natural gas transmission infrastructure in Belgium. Its principal activity is the operation, maintenance, and development of its integrated natural gas transmission infrastructure and storage facilities in Zeebrugge and Loenhout. The Fluxys network is well interconnected and is ideally located at the heart of the continental mass. It effectively provides access to the main sources of natural gas production in Europe and of the major natural gas-consuming countries in northwestern Europe.

  As part of the regulated access to its infrastructures, Fluxys sells transmission and storage capacities that allow natural gas to consumers in Belgium to be supplied via third parties. Aside from its transmission services, Fluxys offers shipping services. These services cover the cross-border shipping of natural gas. Natural gas transits through the Belgian network to the Netherlands, Germany, France, Spain, Italy, and the United Kingdom. Fluxys is a shareholder in BBL Company, which owns and operates BBL, a 235-kilometer-long pipeline between Balgzand, located to the north of Amsterdam on the Dutch North Sea coast, and Bacton off the British coast (Norfolk). BBL started operations on December 1, 2006.
- Fluxys LNG, a subsidiary of Fluxys, owns and operates the LNG terminal of Zeebrugge and markets terminal capacities and auxiliary services. Fluxys's LNG terminal in Zeebrugge has a current maximum capacity of 4.5 billion m^3 a year. Since it was commissioned in 1987, the terminal has offloaded more than 1,000 LNG tankers. Fluxys LNG uses the cogeneration process to increase the sensible use of energy in electricity production units, and it uses residual heat to regasify LNG. The work now underway to expand the terminal will double its capacity in 2008 to 9 billion cubic meters of natural gas annually.

- Huberator, a subsidiary of Fluxys, is operator of the Zeebrugge hub, the largest international short-term gas market in Europe. Thanks to the services offered by Huberator, customers can rest assured that the gas volumes that they sell or buy are effectively available at the hub for trading and subsequent transport.

DISTRIGAS

Distrigas is a trading company whose principal activity is the purchase and sale of natural gas in Europe. Backed by its natural gas supply customers in the Netherlands, Norway, Qatar, and the spot markets, the activities of Distrigas cover the following areas: sales of natural gas in Belgium and Europe (plus LNG in other markets), hedging activities in natural gas spot markets, marketing of transmission capacities outside Belgium, shipping of LNG. Through its Dutch subsidiary Distrigaz & Co, Distrigas is also active in the area of selling shipping capacity and international transmission capacity. On December 1, 2006, Distrigas assigned to Fluxys the job of managing and marketing in the name of and on behalf of Distrigas, the entire transmission capacity owned by Distrigaz & Co in Belgium.

Currently, to the benefit of deregulated energy markets in Europe, Distrigas is deploying its commercial activities in the Benelux countries, Spain, Germany, and the United Kingdom. In 2007, it extended its sales to the Netherlands and Germany.

In 2007, Distrigas sold nearly 177 TWh of natural gas; 80% of these volumes were sold in Belgium. Sales outside Belgium and trade-offs amounted to 21% of volumes.

TWh	2006	2007	Difference	Breakdown of sales
Resellers	67.9*	62.5	-7.9%	35%
Industry	49.1	49.5	0.8%	28%
Electricity producers	44.8	28.5	-36.4%	16%
Sales in Belgium	**161.8**	**140.5**	**-13.2%**	**79%**
Sales outside Belgium	31.7	31.6	-0.4%	18%
Arbitrage	8.2	4.6	-43.8%	3%
Total sales outside Belgium and arbitrage	**39.9**	**36.2**	**-9.3%**	**21%**
Total sales	**201.7**	**176.7**	**-12.4%**	
Total in billions m³ (1m³(n) = 0.01163 MWh)	**17.3**	**15.2**		

** Including a correction of allocations for previous years.*

SUEZ Energy International

Electricity – Capacities installed and sales

	Sales 2007[(a)]		Net electricity installed capacities in MW[(a)] as of 12/31/2007		Net electricity capacities under construction as of 12/31/2007	
	TWh	%	MW net	%	MW net	%
North America	33.4	26.8	5,617.8	24.8	178.2	2.5
Latin America	55.4	44.5	9,580.6	42.3	2,079.1	28.8
Middle-East and Asia	35.8	28.7	7,434.6	32.8	4,961.2	68.7
TOTAL	**124.6**	**100.0**	**22,633.0**	**100.0**	**7,218.5**	**100.0**

(a) Electricity sales and capacities installed and under construction correspond to 100% of sales and corporate capacities within the scope of consolidation (equity method, proportional consolidation, and full consolidation).

Gas – Sales and customer portfolio

	Sales 2007[(a)]		Customer portfolio	
	bn of m^3	%	Number	%
North America	7.70	61.5	116,150	17.4
Latin America	4.26	34.0	549,401	82.5
Middle-East and Asia	0.56	4.5	207	-
LNG	-	-	2	-
TOTAL	**12.51**	**100.0**	**665,760**	**100.0**

(a) Gas sales (including quantities distributed and shipped on behalf of third parties) correspond to 100% of sales of companies within the scope of consolidation (equity method, proportional consolidation, and full consolidation).

6

North America

In North America, SUEZ Energy North America manages the activities of SEI through various energy companies that form an integrated value chain ranging from LNG importing and regazification to wholesale and retail electricity sales to business and industrial customers. These companies are SUEZ LNG NA, SUEZ Energy Generation NA, SUEZ Energy Marketing NA, SUEZ Energy Resources NA, SUEZ Renewable Energy North America, and SUEZ Energía de México, SA de C.V.

SUEZ LNG NA operates the Everett, Massachusetts regasification facility in which it owns the entire capacity and all associated rights. SUEZ LNG NA also provides LNG to the EcoElectrica complex located in Puerto Rico. The LNG is mainly resold in the form of natural gas to electric utilities, wholesalers, and local retailers. SUEZ LNG NA is now developing the Neptune LNG project, a deep water LNG offloading facility, which will be built in US territorial waters off the coast of Massachusetts. Once the complex is completed, the Neptune tanker vessels, which are specially designed and equipped with on-board regasification equipment, will have offshore mooring facilities and will be able to provide between 11 and 21 million cubic meters of natural gas per day to the New England market. In March 2007, the U.S. Maritime Administration granted the building permit for the deep water port, thereby making Neptune LNG the first offshore LNG project off the East Coast to be approved in this manner.

At the same time, SUEZ Energy North America is developing another LNG project, designed to provide natural gas from Florida through the deep-water LNG port of Calypso. Initially the port of Calypso will use the same technology as Neptune, which requires LNG tankers of a special design. However, the use of more advanced offshore technologies is being studied so as to increase the future capacity of the complex. In November 2007, SENA announced the release of a Draft Environmental Impact Statement (DEIS) for the Calypso project. This initial statement on the environmental effects are a major step forward in the project's official approval process, and for SUEZ, this is a step that brings the company closer to the opportunity of providing Florida with the natural gas supply it needs. Once completed, the facility will be able to provide 23 to 24 million cubic meters of natural gas per day, or 25% of peak demand in Florida.

SUEZ Energy Generation NA owns and/or operates 46 electrical power plants and cogeneration, steam production, and cold-water units. The energy produced by these facilities is sold to distribution and industrial companies under long-term power purchase agreements (PPA – Power Purchase Agreements) or as "merchant capacity" on the wholesale market.

SUEZ Energy Marketing NA has taken on the management of all risks related to raw materials and credit in North America; with this move, it is offering risk hedging services to all the operating entities.

SUEZ Energy Resources NA is licensed to operate in 16 states (Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Texas, Vermont and Virginia) plus the District of Columbia. It is active in 9 of those states (Connecticut, Illinois, Maryland, Maine, Massachusetts, New Jersey, New York, Pennsylvania, Texas, as well as Washington, DC). SUEZ Energy Resources NA continues to expand its customer base both geographically and vertically. In terms of size, the company ranks fifth among North American power distribution companies [Ref: KEMA retail market share, August 2007].

SUEZ Renewable Energy NA is the latest division created by SUEZ Energy North America following the acquisition of Ventus Energy Inc. of Canada during the fourth quarter of 2007. SRENA is responsible in North America for the development and the management of all the Group's activities in the area of renewable energy (wind energy, biomass, hydro-electric). The SRENA portfolio now comprises 15 active units totaling a capacity of 258 MW (equivalent) plus a capacity of 178 MW under construction and around 300 MW of power in the final development phase.

In Mexico, SUEZ Energía de México, SA de C.V. manages three local gas distribution companies on the regulated market as well as three steam-electricity cogeneration projects.

In terms of activities, the business climate in which SUEZ Energy North America operates varies considerably from one state to another depending on the regulatory system, which ranges from full deregulation and fragmentation of the energy sector value chain to complete vertical integration, accompanied by strict regulations. In the case of natural gas, where wholesale markets have been deregulated for some time, SUEZ Energy North America is able to operate under equitable competitive conditions.

With regard to electricity, regional differences are much more noticeable. In regions such as New England, (ISO-NE), Pennsylvania, New Jersey, and Maryland (PJM); New York (NYISO); and Texas (ERCOT), the deregulation of wholesale electricity sectors and retail electricity sales is quite advanced and appears irreversible. In those regions, “spark spreads” (profit margins per MWh for one benchmark combined cycle unit) and the attractiveness of commercial operations have generally produced positive results after the difficult situation experienced by the market after the Enron bankruptcy. In those regions, SUEZ Energy Generation NA and SUEZ Energy Resources NA are both highly active and well placed on the market. In others, like the southeastern and the western United States, deregulation is proceeding much more slowly and is even stagnant, so the outlook is less positive for the commercial sector. SENA is attempting to negotiate PPA agreements with the existing public service companies. In addition, SENA actively participates in the regulatory process by sitting on the Boards of Directors of agencies such as the Electric Power Supply Association (EPSA) any many others.

Latin America

In Latin America, the regulatory environment and the degree of market deregulation vary according to country. In that region, SEI’s presence is concentrated in Brazil and Peru. The company is also active in Chile, Panama, and Argentina.

BRAZIL

In Brazil, in 2001 a ruling was issued on the privatization of the electricity sector; 80% of the production capacity remained the property of the Government while the major part of the distribution segment was transferred to the private sector. A further step forward towards privatization in the county is the much awaited privatization of CESP, an electric utility belonging to the State of Sao Paulo, which has an installed capacity of 7,455 MW, or 8% of Brazil’s total capacity.

From 2003 to 2005, the Brazilian government introduced a new regulatory model for the electricity market. In general, this model gives the federal government a larger role at all levels of the system (regulatory agency, network management and wholesale market). A pooling system was created to have a transparent framework for the signing of long-term contracts. The pool, which operates like a risk-sharing instrument among producers, is a mandatory supply channel for distribution companies.

The model involves auctions (“leilões”) held regularly by the government; concessions for the construction of new production capacities (especially hydro-electric) are awarded to those bidder prepared to offer the lowest rates.

Concretely speaking, the auctions are held in several phases. Thus the distinction is made between “old” (existing capacities) and “new” (new developments and expansions of existing sites) energy, with the latter being awarded longer term contracts.

Private and public producers have participated actively in the new energy auctions, and the government is convinced that the system is an effective magnet to attract the investments needed for the growth of the country’s energy production.

In Brazil, SEI owns 68.71% of Tractebel Energia (TBLE) – the country’s largest independent energy producer, which operates an installed capacity of 6,870 MW. SEI sells its electricity mainly through long-term contracts entered into with distributors and industrial customers (bilateral agreements). In 2007, SEI sold to TBLE the Sao Salvador project, a power plant for which average production of 148 MW had been placed in the previous year. Also in 2007, SEI sold at auction an average of 256 MW for Estreito. Those two projects are now under construction.

Furthermore in 2007, TBLE acquired the Ponte de Pedra hydraulic plant, which has a capacity of 176 MW and was commissioned in 2005. This deal is still pending approval from the Brazilian authorities.

The government is clearly succeeding in making its “new model” a reality, as witnessed by the fact that one of its major objectives is now a reality, holding, at its discretion, unlike the annual regular auctions, an auction of major new projects to be executed in three to five years. The auction on the Santo Antonio hydroelectric plant with an installed capacity of 3,150 MW was the first to concern two projects of that nature, to be built on the Madeira in the State of Rondonia in northwestern Brazil.

PERU

Since the end of the 1990s, Peru has gradually restructured and opened up its electricity market, mainly in a shift towards privatization and efforts at deregulation. A significant portion of the country’s hydroelectric production is still in the hands of the Government, which owns Electroperu, the country’s largest electric utility. Nonetheless, even in the absence of new privatizations, the private sector is expected to gain in influence as the capacities of the public companies fail to increase.

SEI owns a 61.73% stake in Enersur, which has an installed capacity of around 850 MW and which in 2007 was the second largest private producer for its size (and the third largest in all categories), as well as a minority stake (8%) in TGP (the Camisea gas pipeline).

In terms of regulations, the latest development to date involves the successful installation of an auction system in order to overcome the relative reluctance of private companies to enter into PPA agreements with distribution companies. In 2007, thanks to these auctions, more than 700 MW in contracts were placed with distribution companies.

This way Enersur won several blocks representing more than 450 MW in contracts to be executed by the year 2012.

Moreover, in 2007, Enersur continued to diversify its contract portfolio by adding around 25 MW in contracts entered into with unregulated customers, active mainly in the mining and industrial sector.

In July 2007, Enersur commissioned the second phase of the Chilca1 thermal plant located 50 km south of Lima. The plant now operates two open cycle natural gas turbines corresponding to an installed capacity of around 350 MW.

Aside from Chilcal, Enersur operates two other thermal plants: Ilo1, with an installed capacity of 250 MW and using residual steam, fuel oil and diesel, and Ilo21, a coal-fired plant with a capacity of around 124 MW. These plants are located in Ilo, 1,000 km south of Lima. Enersur also owns a concession for the operation of the Yuncan hydroelectric plant with an installed capacity of 130 MW.

It should also be noted that in September 2007, Enersur signed an EPC (engineering, contract, and construction) agreement with Siemens to build the third phase of Chilca1. This investment of some USD 88 million (€60 million) will cover another open cycle gas turbine with an installed capacity of around 193 MW. Construction work should start in March 2008; the unit should be commercially viable by the first quarter of 2009.

CHILE

The regulatory system in Chile has been relatively stable since the 1982 reform, the year in which the electricity sector was fully privatized.

Some changes in early 2004 were made primarily to clarify certain transmission problems. Now the Corta Law (*Ley Corta*) clearly defines the way in which transmission costs are to be charged. In 2005, the Corta Law II was added to promote stability and flexibility in regulated prices, in response to the gas crisis in Argentina.

SEI has a substantial presence in the Chilean market (in partnership with local companies). The company is one of the main operators, with a stake of 33.25% in Electroandina, the largest producer of the SING (Northern Chile) network, which has an installed capacity of 938 MW, and a stake of 27.38% in Edelnor, the third largest producer of the SING network with an installed capacity of 681 MW.

Gasoducto Norandino, in which SEI owns an 84.7% interest, owns and operates a gas pipeline designed to import from Argentina to Northern Chile an annual volume of 3.22 billion m^3 of natural gas intended mainly for electricity production. SEI also owns a smaller distribution company, Distrinor, which is backed by Norandino and targets industrial demand.

The gas crisis suffered by Argentina since 2004 definitely affected the business in Chile. As a reaction, SEI is investing in increasing and diversifying its product mix in Northern Chile by building two new coal-fired power plants (150 MW each) and an LNG import and regasification terminal (with a nominal capacity of 5.5 MW of m^3/day of natural gas). The terminal will be developed by LNG Mejillones SA, which is held equally by SEI and Codelco, the world's leading copper producer and a partner of SEI in a large number of its investments in Northern Chile.

ARGENTINA

SEI is active in Argentina through Litoral Gas, one of the country's four largest distribution companies, which boasts nearly 550,000 customers, in which SEI has a 64.16% stake, and Energy Consulting Services, a sales and consulting company that is 46.7% owned by SEI.

PANAMA

In March 2007, SEI entered the Panama electricity market by acquiring Bahia Las Minas, a production company with a thermal capacity of 241 MW. SEI acquired a 51% controlling interest in Bahía Las Minas Corp (BLM), which is Panama's main thermoelectric producer, from Ashmore Energy International. The remaining 49% is held by the Government of Panama.

In June 2007, SEI won a six year PPA contract for 62.25 MW to be produced by a new 87 MW (gross) thermal plant. In December 2007, construction started on a 120 MW coal conversion project to replace three liquid fuel units with a new boiler.

Asia, Middle East, and Africa

In the Middle East, Asia and Africa, SEI is now the most active in Thailand, Laos, the countries of the Persian Gulf Cooperation Council, and Turkey.

THAILAND

A new sector law (Energy Act) was enacted in December. Among its main provisions this law calls for the creation of an independent regulatory agency for the gas and power sectors. The law is now pending implementation regulations before being fully enforced.

In Thailand, SEI holds a 69.11% stake in Glow Energy. Glow Energy now has total resources of 1,704 MW of electricity, 967 metric tons of steam and 3,660 cubic meters/hour of waste water treated. Glow Energy provides electricity to EGAT, the country's primary public service company, as well as electricity steam and water treatment for around thirty large industrial customers (most of which are subsidiaries or affiliates of international groups or reputable Thai companies) in the region of Map Ta Phut. Glow Energy has been listed on the Thai stock exchange since April 2005.

In December 2006, Glow Energy had signed two major new supply contracts with subsidiaries of the group Siam Cement, which is active in the petrochemicals industry. To meet the demands for capacity crated by this contract and other commitments, Glow Energy started construction in February 2007 of a new 115 MW coal-fired production unit to be commissioned in December 2009.

In October, Glow Energy, teaming up with Hemaraj Land and Development Company Limited ("Hemaraj"), filed bids for two IPP (Independent Power Producer) projects in an IPP call for tenders held for the Ministry of Energy by the Energy Policy and Planning Office (EPPO). Gheco One, a project for a 660-MW coal-fired power plant, was selected from four applicants on December 7, 2007. Initially Glow Energy will own 65% in

Gheco One, with the remaining 35% belonging to Hemaraj. Gheco One should be ready for business by October 2011.

SEI holds a 69.80% stake in the Houay Ho project, the 153 MW hydroelectric power plant in Laos. In addition, the power plant sells nearly all its production to EGAT under a long-term contract.

SEI also owns a 40% stake in PTTNGD Co. Ltd., which distributes natural gas to industrial customers in the Bangkok region. The company is 58% held by PTT PCL, the primary oil, gas, and petrochemical company in Thailand.

PHILIPPINES

In the Philippines, SEI was the highest bidder and hence was awarded the sale by National Power Company ("Napocor"), of Calaca, a coal-fired power plant with a capacity of de 600 MW (gross) located in the Province of Batangas The sale of Calaca is part of the privatization program of the electricity sector in the Philippines. This deal should be finalized some time in 2008.

COUNTRIES OF THE GCC

SEI now occupies the following positions (in operations or construction) in the countries of the Gulf Cooperation Council:

- a 32.81% ownership share in UPC, a 288-MW power station located in Oman;
- a 20% ownership share in Taweelah A1, a desalinization water facility generating 1,360 MW of power and 385,000 cubic meters of desalinized water a day in Abu Dhabi. Taweelah A1 announced and began an expansion project to increase the capacity of its facilities to 1,592 MW. The additional power should be available in May 2009. At the same time as the extension, the existing facilities were refinanced and the removal contract for the latter expanded;
- a 55% stake in Sohar, a project for a 586 MW combined cycle turbine, and a desalinization plant with a capacity of 150,000 m^3/day. The complex, which had operated as a single cycle since May 2006, reached full commercial operating capacity in May 2007;
- a 47.5% stake in the Barka/Al-Rusail project. Under this project, SEI acquired an existing 665-MW plant in Al-Rusail, while starting construction in Barka of a new project comprising a 678-MW electrical power plant and a sea water desalinization facility with a capacity of 120,000 m^3/day. the financing package for the Barka/Al-Rusail project was finalized during 2007; the Barka project should be ready for business by April 2009;
- a 45% stake in Al Ezzel, the first independent electrical power plant project to be created under the privatization program implemented by the Government of Bahrain. This project involves a 954-MW combined cycle plant, which began operations in May 2006 and reached full commercial operating capacity in May 2007;
- a 30% stake in Al Hidd, also located in Bahrain. This project involves a combined cycle gas plant with 938-MW of power and an existing desalinization facility with a capacity of 136,400 m^3/day, as well as an extension to the latter to provide a capacity of 273,000 m^3/day. The commercial commissioning of this extension was initially planned for November 2007 but has there have been a few delays such that the system is now expected to be fully operational by early 2008;
- a 20% stake in Marafiq, a project with a capacity of 2,745 MW and 760,000 m^3/day, located in Jubail, in northeastern Saudi Arabia. The financial package for the Marafiq project was finalized during 2007. Construction has begun, and the complex should be commissioned in 2010.

In addition, SEI owns 95% of a 763 MW combined cycle plant located in Turkey.

LNG

The LNG business includes the production, liquefaction, transmission, and regasification of natural gas. SUEZ is active throughout the LNG industry, with the exception of upstream operating and production activities.

SUEZ Global LNG is a wholly owned subsidiary of SEI, based in Luxembourg and London. SUEZ Global LNG is responsible for the following activities:

- managing LNG supply sources for SEI;
- conducting short-term trading activities on LNG on behalf of SEI;
- coordinating and managing SEI's LNG methane tanker fleet;
- negotiating long-term LNG supply and transmission contracts on behalf of SEI;
- coordinating and optimizing the SUEZ portfolio in LNG supplies and sales;
- promoting the development of new long-term LNG projects;
- managing SEI's interests in liquefaction projects.

Responsibility for development projects concerning regasification terminals and existing facilities, as well as for some long-term LNG supply contracts, lies with SEI's regional entities. Therefore, it is SUEZ Energy North America that owns and operates the Everett regasification terminal near Boston.

In 2006, SUEZ LNG Trading SA signed with Brass LNG a statement of intent to purchase an annual amount of two million tons of liquefied natural gas (LNG) over a 20 year period.

In Trinidad and Tobago, SUEZ Global LNG manages a 10% interest in Atlantic LNG 1, which owns and operates one of the three existing liquefaction trains, with a production capacity of 3.3 million tons of LNG per year. The shareholders of Atlantic LNG 1 also own the rights and privileges associated with future extensions of the site up to a possible sixth train. SEI is not a co-investor in trains 2, 3, and 4.

SEI now operates four LNG methane tankers for a total capacity of 540,540 m^3. Three new vessels are on order, which are designed to handle the transport of LNG under a long-term contract with Yemen (2.5 tons per year). They are slated for launching in mid-2009. In addition, SEI received in March 2007 a firm commitment from Hoegh LNG AS, Mitsui O.S.K. Lines Ltd. and Samsung Heavy Industries for delivery in 2009 and 2010 of two SRV (Shuttle and Regasification Vessels) designed to serve the Neptune LNG terminal. If existing ships and ships under construction are taken into account, SEI's total LNG transport capacity stands at 1,309,540 m^3.

In November 2007, SEI announced the development, in partnership with Codelco, of an LNG regasificaton terminal in Mejillones in northern Chile. The terminal will be built by LNG Mejillones S.A., an equally owned joint venture created by SEI and Codelco. SUEZ Global LNG will supply the LNG for the first three years of the terminal's operations.

In 2007, SUEZ Global LNG continued its activities on the LNG spot market and delivered shipments to various destinations, including the ports of the United States, Mexico, India, Japan, and Korea.

SUEZ ENERGY SERVICES

Regulatory environment

The primary regulatory changes that have had an impact on SES businesses include, both at the European and national or regional levels:

- broader and more restrictive environmental standards regarding, in particular, the greenhouse gases reduction target;
- the introduction of restrictions to improve energy efficiency;
- the deregulation of energy contracts;
- the development of public-private partnerships.

This regulatory trend, combined with rising energy prices, provides SES with opportunities for growth. In fact, they cause clients to seek the services of specialists in heating, electricity, and the environment who are capable of designing, developing and managing their facilities under optimal technical and financial conditions. Through the unique complementarity of its activities and expertise, SES is ideally placed to meet these growing needs.

Description of activities

ENGINEERING – DESIGN

Tractebel Engineering, SUEZ Group, is one of the leading engineering consulting firms in Europe. It offers advanced solutions in engineering and consulting to public and private clients in the electricity, nuclear, gas, industry, and infrastructures sectors. Tractebel Engineering offers a range of innovative and sustainable solutions throughout the life cycle of its clients' facilities such as feasibility studies, investment projects, operations and maintenance assistance, and dismantling.

FACILITIES AND RELATED SERVICES – BUILDING AND MAINTENANCE

Through subsidiaries such as Axima, Endel, Ineo, Fabricom GTI, and GTI, SUEZ Energy Services builds and maintains electrical, mechanical, and HVAC facilities for industry, the services sector, buildings, and major infrastructure projects. The division also provides services associated with these activities:

- locally, the business culture is reflected in on-site customer service that meets their needs and is backed by a powerful European network and the complementary nature of the services offered;
- in specialty activities, development is backed by a high degree of proficiency in basic technologies, so that cutting edge developments can be offered and relevant assistance provided to clients as their technology expands.

Project management remains a decisive factor in facilities and related services activities: the strict control of offerings such as costs and contractual aspects during performance will determine the final profitability of each project.

ENERGY SERVICES – OPTIMIZING AND OPERATING

As experts in Energy Services Solutions derived from the concept of delegated management and outsourcing, Elyo and Axima Services offer comprehensive, innovative solutions to highly diversified clients (companies, local governments, managers of residential or industrial sites). Elyo and Axima Services design and operate long-term, effective, and comprehensive solutions with guaranteed results while remaining environmentally friendly:

- management of the energy and utilities required in industrial processes;
- management and maintenance of thermal and technical equipment;
- facilities management;
- management of municipal heating and cooling networks.

With a wealth of expertise as integrators and strong local relationships, Elyo and Axima Services aim to confirm their positions as European leaders by taking advantage of the growth opportunities afforded by cost controls, energy efficiency, the shift in the focus of companies to their core businesses, the opening up of energy markets, and the recognition of environmental restrictions. Axima Services has also expanded its services to include the management of airport equipment such as baggage sorting systems, jetways, and ground-based guidance systems.

ELECTRICITY AND GAS COMPANIES

Electricity and Gas Companies specialize in the production and distribution of electricity in Monaco, and the Pacific (New Caledonia, French Polynesia, Vanuatu, Wallis and Futuna). They are partners in the development of these territories because they provide international quality services with the support of a major Group.

6.1.1.6 Nature of operations – the environment business

Through its SUEZ Environment division, SUEZ is active in all facets of the water and waste cycles. SUEZ Environment provides the services and equipment that are essential to human life, human health, and environmental protection.

The Group designs and builds facilities for producing drinking water that is later distributed to customers, collects and treats waste water, and manages and recycles the waste produced by domestic and industrial activities. The Group also provides surveying and consulting services in the field of water and the environment.

SUEZ Environment aims to boost its position as a benchmark in the areas of environmental protection and sustainable development by offering its clients comprehensive knowledge of water and waste cycles.

SUEZ Environment continued its profitable organic growth efforts in 2007 by following through with its action plan, which is focused on improving operating profitability, controlling investments, and reducing risks.

6.1.1.6.1 Organizational structure and key figures

Key figures

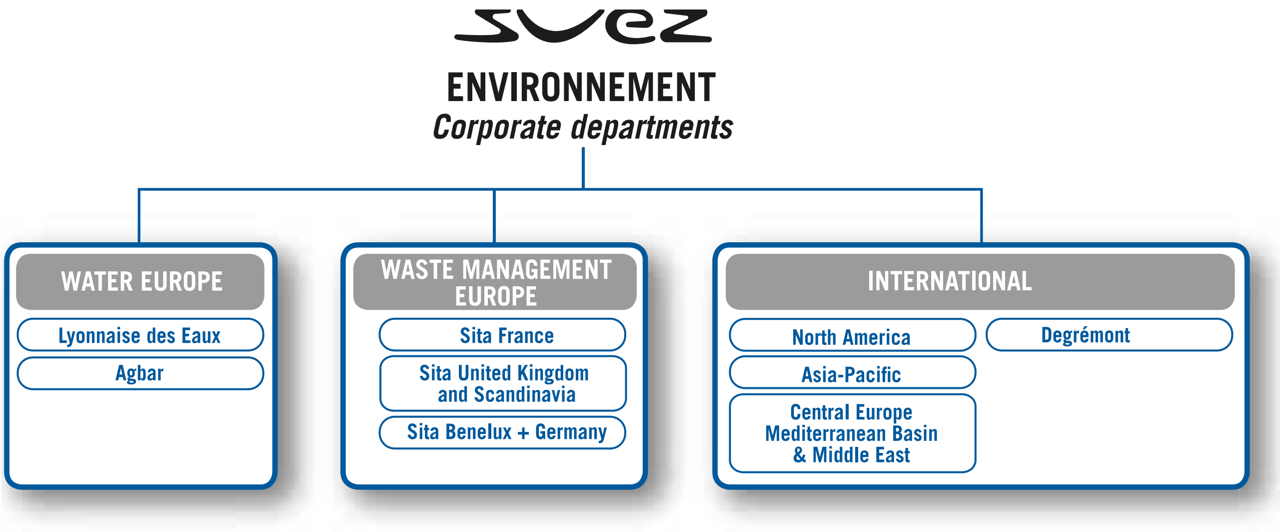
in million of euros	Fiscal year ended 12/31/2007	Fiscal year ended 12/31/2006
Revenues	12,022	11,439
Gross operating income	2,102	1,983
Capital employed	9,184	8,250
Number of employees	61,915	57,446

With revenues of €12.0 billion and 61,915 employees as of December 31, 2007, the Group is a company of reference in the environmental market worldwide (water and waste).

The Group is active in all water and waste cycles and is therefore an expert in those areas. It does business with both public and private entities.

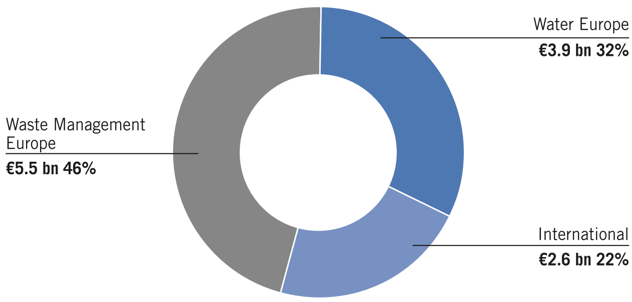
During 2007, the water and waste businesses each generated €6 billion in revenues. The Group's activities supplied 68 million people with drinking water and provided waste water sanitation services to 44 million people. During the same fiscal year, the Group provided collection services to nearly 46 million people worldwide and more than 400,000 industrial and commercial clients, collected nearly 23 million tons of household waste, ordinary industrial waste, and medical waste, and processed more than 42 million tons of waste.

The Group is structured around three main segments: Water Europe, Waste Management Europe, and International (Degrémont and activities outside Western Europe), which in turn are divided into nine business units. Another segment, called Other, covers only central level functions. The chart below shows the organization of the nine business units:



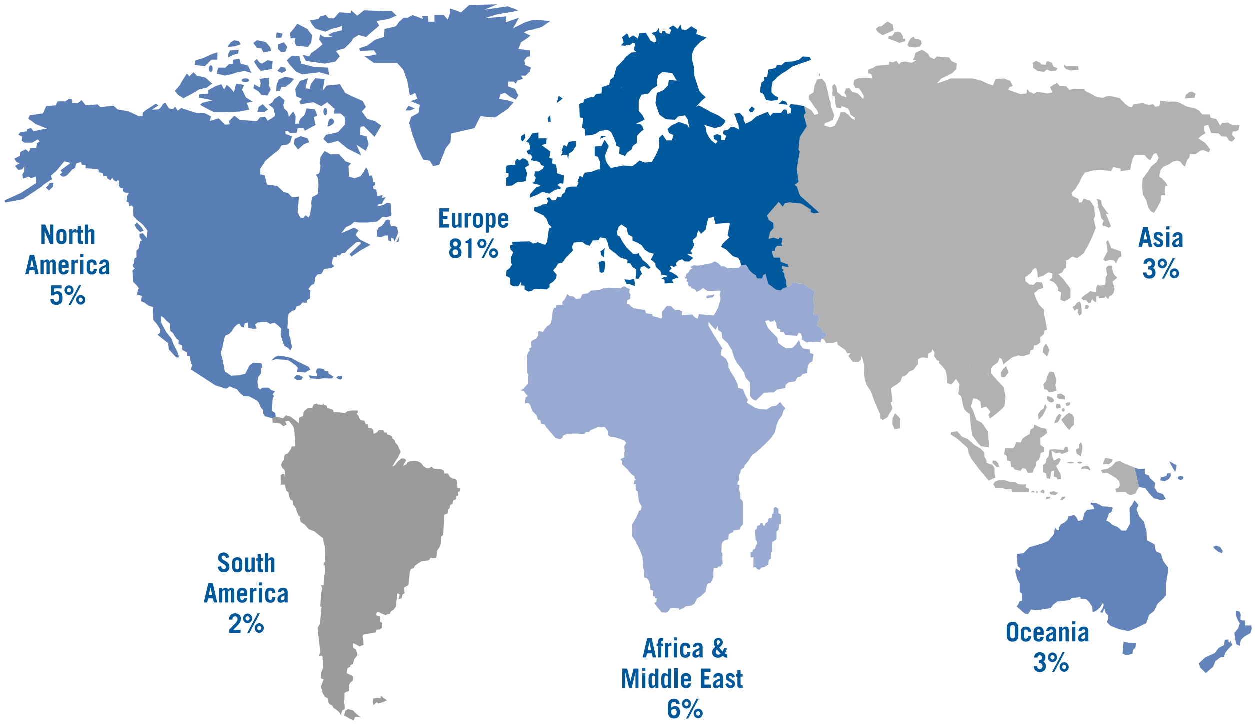
The chart below shows the Group's revenue breakdown (in billion of euros) as of December 31, 2007. In this chart, the "Other" segment is not represented because it covers only corporate level functions combined within the company SUEZ Environment and inter-segment elimination entries:

REVENUES 2007 : €12 BILLION



Europe is the Group's historic home and its cornerstone for growth and remains its zone of preference. The Group has the advantage of being rooted in Europe and especially in France and is able to enlist its know-how and skills and adapt them to other continents. The map below shows the Group's revenue breakdown by geographical area as of December 31, 2007[6]:

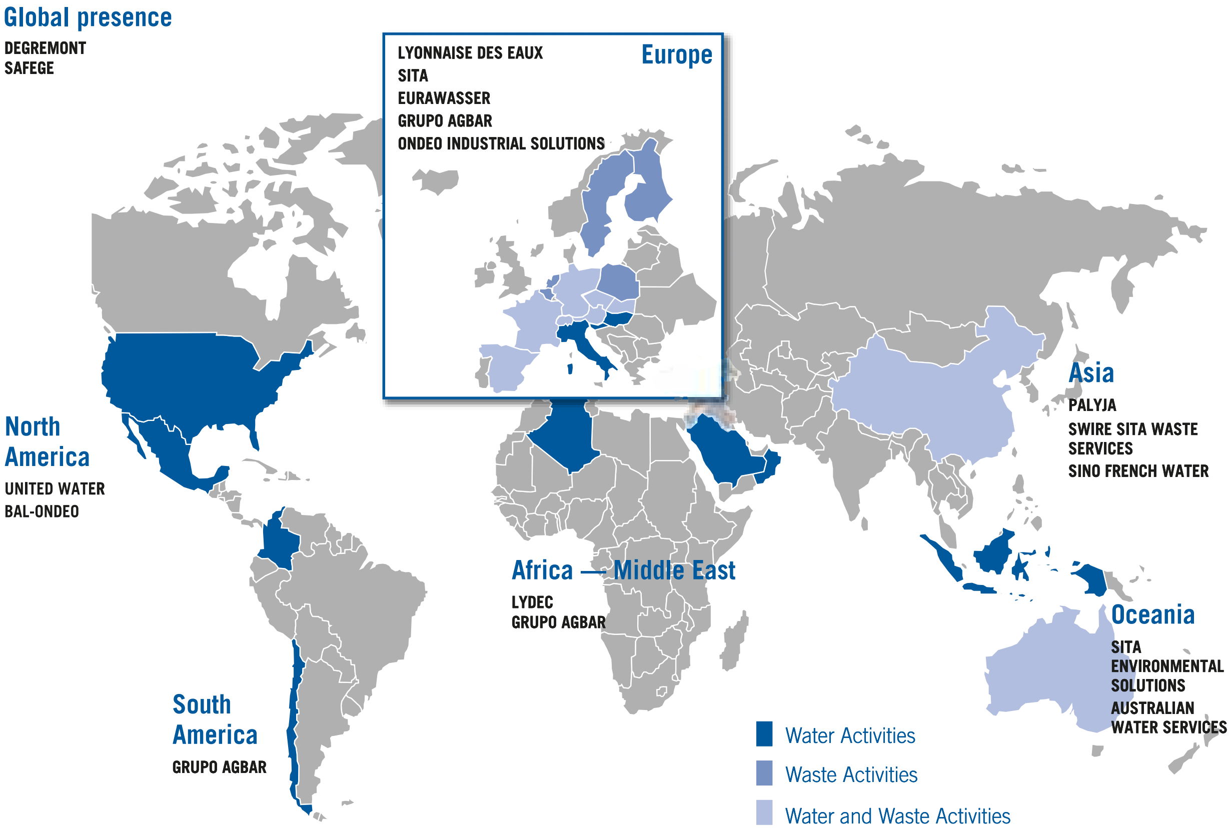
6. *This map shows the geographical breakdown of consolidated revenues posted by SUEZ Environment separately from the accounting segmentation used in the Group's financial statements included in Section 20 in the Reference document.*



The Group has an extensive network of subsidiaries and branches; at year-end 2007, the Group was engaged in business as an operator in more than 25 countries. As a result, major cities such as Hong Kong, Casablanca, Perth, Jakarta, and Algiers have turned to the Group to manage all or part of their water, sanitation, and waste management or for the construction of large infrastructures in those areas. Outside of Europe, the Group normally conducts business in partnership with local public or private entities (industrial companies, finance companies, or associations) that have an in-depth knowledge of the local context, following the example of the historic partnership with La Caixa (Agbar in Spain in the area of water), New World (Chinese-French Holdings in China in the area of water), and Swire Group (Swire-SITA in Hong Kong in the area of waste).

The Group operates around the world under different brands with a high level of recognition, in particular SITA for waste and Lyonnaise des Eaux, United Water, Degrémont, Ondeo, and Ondeo Industrial Solutions in the area of water.

The map below shows the locations of the main subsidiaries as well as the main brands under which the Group operates throughout the world as of December 31, 2007.



Lastly, the Group has always placed research and development at the heart of its business, particularly through major partnerships, teaming up with both public agencies (e.g., Cemagref, the CNRS [*National Center for Scientific Research*], the University of Tongji in China, UCLA in the United States) as well as private entities (R+i Alliance partnership among Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water, and SUEZ Environment, participation in the Global Water Research Coalition (GWRC)).

6.1.1.6.2 Strategy and commercial development

SUEZ Environment aims to boost its position as a leading company in the areas of environmental protection and sustainable development by offering its clients expertise in every facet of the entire water and waste cycle. Its business plan takes into account the company's desire to expand all its business lines by focusing on regular, profitable growth, combined with a balanced risk profile. The purpose of this plan is to create a strong foothold for the Group in every country in which it operates, placing it among the leading companies in either one of its core businesses.

Sustainable development and operational and technical know-how are the drivers of the Group's strategic goals. The Group aims to provide its clients with solutions leading to development that is sustainable, particularly by identifying and using, in the value chains, possibilities for generating energy and matter. At the heart of the Group's strategy is concentrated research on applications aimed at improving its operating performance and perfecting its technical expertise. In addition, on a global scale, it continues to strive for growth while maintaining a strong geographical footing.

In the water business, this involves offering water services that cover the entire cycle, on a municipal or regional scale, in order to optimize resources and know-how. At an international level, the Group plans to rely on local partnerships in order to limit risks and ensure a long-term presence.

In the waste management business, SUEZ Environment hopes to achieve critical mass at the scale of the countries where it operates while mastering the entire cycle and bolstering its positions in the recycling business, in a context of dynamic consolidation, especially in Northern Europe.

On a global scale, the Group plans to expand the strong market positions it enjoys in the United States, China, and Australia and to take advantage of attractive growth opportunities in certain regions of the world (Mediterranean Basin, Gulf countries, etc.).

The extremely high and restrictive environmental standards in Europe are driving the growing demand for comprehensive, sophisticated, and reliable services. The vital need for cost-cutting in the public sector and attempts at greater efficiency are driving the opening of these markets to private companies, in the form of various contracts, so that public and private entities can work together.

On the strength of its status as a major player in environmental services in this area, SUEZ Environment believes that its proven experience, competitive position, and size are advantages that allow it to build on developing trends while making the best use of available external financing to fund infrastructures (European funds, bilateral aid, etc.) and/or partnership agreements with local companies.

In 2007, SUEZ Environment won or renewed numerous contracts in France, which remains its principal market, in the water sector (e.g., the contract to build and operate for 20 years a rainwater treatment station at the Toulouse Blagnac Airport, the first "partnership agreement"[7] in the water and sanitation sector in France – and in waste management, the public service contract to build and operate for ten years a methanization unit in Montpellier, capable of converting household waste to green energy, and the contract for the design, construction, and operation for 22 years of the Alès mechanical-biological household waste sorting center). SITA France also won two major contracts in Lyon and Nîmes by providing innovative solutions for so-called sustainable collection of household waste. Lastly, SITA France enhanced its position in the materials reclamation business, in particular through the acquisition of the Shamrock company, which specializes in the recycling of metals, and the inauguration of a new tire and rubber recycling unit by its subsidiary REGENE Sud in Montauban.

In Europe outside France, in water management, SUEZ Environment bolstered its position as a benchmark in the Spanish market. On October 1, 2007 a tender offer on Agbar was filed with the Spanish market authority (CNMV) by SUEZ Environment, SUEZ Environment España, Criteria Caixa Corp (formerly Caixa Holding) and Hisusa. After that operation, on January 16, 2008, the four bidders together held 90.01% of the equity in Agbar. Furthermore, on October 16, 2007, SUEZ Environment acquired 33% of the equity in the Spanish company Aguas de Valencia SA (AVSA), which is in charge of water management for three million people living in the Valencia region.

In waste management, SUEZ Environment further enhanced its benchmark position in the United Kingdom, particularly through the acquisition of the Easco company, which specializes in metals recycling. In Germany, SITA Deutschland acquired 68.4% of the equity in BellandVision GmbH, a German services company for recycling packaging for manufacturing companies and mass retailers[8].

Outside the European Union, SUEZ Environment has made every effort to support and develop its presence in places where it has a strong foothold like the United States, China, and Australia.

In the United States, United Water obtained the renewal of its contract to operate the sanitation services of Indianapolis for a period of nine years.

In China, pursuant to a new agreement entered into with the Province of Chongqing in November 2007, the capacity of the waste water treatment plant operated by Sino-French Water Development under a concession won in 2006, will rise to 400,000m^3/day, and Degrémont will build on-site silt drying facilities. The Group's business in China also grew through Agbar, which created a joint venture with the Chinese company Golden State Water in November 2007 to supply drinking water and provide waste water treatment in the Province of Jiangsu. Lastly, an agreement was entered into in November 2007 with the authorities of the city of Tianjin, under which the Group was chosen to assist with the Binhia New Area. More specifically, the Group will be responsible for defining a master plan for the management of all water, sanitation, waste, and energy services for that development zone.

In Australia, SITA Environmental Solutions won a €35 million, 10 year contract for the construction and operation of the waste treatment plant of the City of Liverpool, located West of Sydney. There the Group will implement a mechanical-biological waste treatment technology.

Lastly, the Group plans to improve its market share and take advantage of growth opportunities in certain regions of the world like the Mediterranean Basin and the Gulf countries, in which the "risk-return on investment" factor enables it to establish permanent footholds for growth. On a global scale, with Degrémont and Safège, the Group can position itself well upstream of its business lines, which gives it a definite competitive advantage.

In the Mediterranean Basin (North Africa and Turkey), the Group plans to expand its business through partnerships or management contracts, mainly in the water business (sanitation and distribution). The Gulf countries also hold out numerous prospects for growth, which are being studied with the Group's partners.

In November 2007, Agbar was awarded the management contract for water services for the city of Oran starting in January 2008.

Degrémont plans to pursue growth in its three business segments, both in the mature countries where it is active and in the emerging markets. The company experienced yet another year with a high number of orders for its design-construction services, which remain its principal growth vectors.

This is demonstrated by the contracts recently won: the signing on December 9, 2007, of a contract as a member of a consortium with Belgium's Besix worth around 800 million dollars for the design, construction, and operation for ten years of a waste water reuse plant for a vast real estate project in Dubai; the awarding to Degrémont of a contract worth nearly €55 million for the design, construction, expansion, and operation of the Gabal El Asfar water treatment plant east of Cairo, in Egypt.

In France, Degrémont won several contracts in drinking water production, with its ultra-filtering membranes, and waste water treatment. Thus will build the new water purification station for the Le Havre metropolitan area with a population capacity equivalent to 415,000.

In terms of desalinization by reverse osmosis, thanks to the recommendations based on its work in Australia, the United Arab Emirates, Curaçao, and Chile, Degrémont can confirm its position as a leader and is conducting multiple projects of varying sizes all over the world, such as the design, construction, and operation for five years of a sea water desalinization plan for the Alicante region in Spain.

7. Pursuant to Order 2004-559 of June 17, 2004.
8. Finalization of this project subject to final approval by the competition authorities.

In 2007, SUEZ Environment continued the dynamic management of its portfolio of assets as a supplement to its commercial developments. In addition to the examples cited above, the following can also be mentioned:

- the acquisition by SITA UK of a waste recycling and treatment company in Northern Ireland, Wilson Waste Management Ltd.;
- the purchase by SITA CZ, its Czech waste treatment and management subsidiary, of the storage and incineration business of the Dekonta company, a leader in the toxic waste market in the Czech Republic. At the same time, Dekonta retains its site depollution business, in which SUEZ Environment will own 10%;
- the acquisition by United Water, in February 2007, of Aquarion Water Company – New York, which operates in the "regulated" business sector, followed in June 2007, by the acquisition of AOS (Aquarion Operating Services), which operates in the services contracts sector.

Since its withdrawal from the public service activities in the water and waste sectors in Argentina, Bolivia, and Brazil, as was reported in 2006, SUEZ Environment no longer does business in Latin America except through its subsidiary Agbar, in Chile in particular, and through Degrémont and Safège. Some arbitration proceedings related to the protection of the investments of foreign shareholders are now pending before the CIRDI[9], for two Argentine contracts: Aguas Argentinas (Buenos Aires) and Aguas Provinciales de Santa Fe.

6.1.1.6.3 Environment – Highlights in 2007 month by month

January 2007

- SUEZ sells its Bolivian subsidiary Aguas Del Illimani; the shares will be transferred to a trust held by the Fund for National Rural Development.
- Lyonnaise des Eaux signs a supplementary agreement to its public service water contract with the Val d'Orge metropolitan community to implement a program to upgrade 12,000 lead connections. This 10 year supplementary agreement represents a total increase in revenues of €30 million.
- Lyonnaise des Eaux's public service water contract is renewed with Corbeil-Essonnes for a period of 12 years and total revenues of €43 million.
- Lyonnaise des Eaux's ten year sanitation public service contract was renewed with the Montrgoise and Rives du Loing metropolitan area for total revenues of €38 million.
- Degrémont signs a contract to operate the new facilities of the Marseille purification plant for six years for €32 million.

February 2007

- United Water finalizes the acquisition of the company Aquarion New-York for a total of €21.5 million. Aquarion is one of the ten largest water distribution services companies in the United States.
- The Toulouse-Blagnac Airport and Lyonnaise des Eaux sign the first public-private partnership agreement in the water and sanitation sector in France. This agreement involves the construction and operation of an airport rain water treatment station for a period of 20 years. Total revenues amount to €16 million.
- Lyonnaise des Eaux signs a supplementary agreement to its sanitation public service contract with the Intercommunity Sanitation District of the Nacre coast (14) for the construction and operation of a silt composting unit and for monitoring swimming water quality. This 11 year concession represents total revenues of €20 million.

March 2007

- SUEZ Environment signs a strategic partnership agreement and creates a 50-50 joint venture with the Al Qudra group in the United Arab Emirates to spur its growth in the region. This cooperation agreement is aimed at responding to growth opportunities in water and sanitation projects in the region.
- SITA Solving's contract with Renault for the management of all the waste from the Cléon site was renewed. This three year contract, which is renewable for two years, represents revenues of €20 million.
- In partnership with the Saint Petersburg Water Society, Degrémont publishes the Russian version of the Water Technical Memo.

April 2007

- The SUEZ Group, La Caixa, and HISUSA, which together own 49.7% of the equity in AGBAR, file a tender offer on all the stock in AGBAR not held by them at a price of €27 per share. SUEZ and Caixa Holding thus increase their control over AGBAR while maintaining a listing on the Spanish stock exchange, with a float of some 30 to 33%.
- SUEZ Environment and the authorities of the city of Perth inaugurate the largest sea water desalinization plant in the southern hemisphere. The design and construction of the plant were done by Degrémont (in the amount of 66%) and its Australian partner, the civil engineering company Multiplex Engineering Pty Ltd for a total of €170 million. Operation of the plant, which has a capacity of 140,000 m^3 per day, has been turned over to Degrémont for a period of 25 years for a total of €300 million.
- SITA Environmental Solutions is awarded the contract for the collection and treatment of waste for the city of Penrith west of Sydney for a total of €40 million.
- SITA Environmental Solutions is awarded the construction and operation for ten years of the city of Liverpool's waste treatment plant, which is located west of Sydney in the State of New South Wales. This 35 million euro contract will cover the treatment of 60,000 tons of municipal waste and 35,000 tons commercial waster per year.

9. International center for the settlement of disputes related to investments.

- Lyonnaise des Eaux acquires Ista France, a company specializing in divisional counting, which posted revenues of €11 million in 2006. With this acquisition, Lyonnaise des Eaux becomes the third-largest player in the industry with 15% of the national market.
- Inauguration by Degrémont, on April 16, of the Saint-Cloud drinking water production plant, which was attended by Bertrand Delanoë, the Mayor of Paris.

May 2007

- Degrémont is awarded a contract for the construction of the new purification station of the Le Havre Metropolitan Area for a total of €75.5 million.
- SITA UK acquires the Easco Company, which specializes in metals recycling. With 13 facilities located in the United Kingdom, Easco earned revenues of more than €110 million in 2006.

June 2007

- United Water acquires AOS Operating, which provides operating and maintenance services to municipalities and adds 82 new contracts to its portfolio in six States. The annual revenues of AOS Operating are €24 million.
- In partnership with six companies, SITA France creates the first structured segment for the disassembly of aircraft at the end of life. Called TARMAC AEROSAVE (Tarbes Advanced Recycling & Maintenance Aircraft Company), this segment will be marketed under the name "Aerospace Valley," in partnership with the Midi-Pyrénées region.
- Degrémont is awarded a 55 million-euro contract in Spain for the design, construction and operation of a reverse osmosis sea water desalinization plant with a capacity of 50,000 m^3/day to supply the cities of Campello and Mutxamel in the Alicante region with drinking water.
- SITA CZ acquires the offloading and incineration activities of the Czech company Dekonta, a leader in the country's hazardous substances market. In the years to come, SITA CZ will spend €10 million to bring the facilities acquired up to the proper standards and modernize and develop them.
- SITA UK acquires one of the largest waste recycling and treatment companies in Northern Ireland, Wilson Waste Management Ltd. In 2006, Wilson Waste Management had revenues of 7 million pounds.
- AGBAR and the Algerian authorities sign a contract for the management of the water and sanitation service for the 1,500,000 inhabitants of Oran. This five and a half year services contract represents total revenues of €30 million.
- Degrémont issues the English version of the Water Technical Memo.

July-August 2007

- In India Degrémont inaugurates one of the country's largest drinking water plants in Chennai (formerly Madras). This new plant produces 530,000 m^3 of drinking water per day to supply nearly four million people and will be operated by Degrémont for seven years.
- The group of companies led by Novergie is awarded the operation for ten years of a bio-methanization and green energy production unit in Montpellier. With a treatment capacity of 203,000 tons per year, the facility will be able to convert household waste to green energy.
- SITA France's five year contract for collecting and sorting household waste is renewed by the Valenciennes Metropolitan Community (population: 200,000). Total revenues amount to €60 million.

September 2007

- On September 2, the Boards of Directors of Gaz de France and SUEZ approve the new guidelines for the planned merger between their two companies. This merger, which is planned for the first half of 2008, will entail the simultaneous distribution of 65% of the capital of SUEZ Environment to SUEZ shareholders.
- Lyonnaise des Eaux's public sanitation service contract with the city of Grasse is renewed for 20 years (population: 45,000). This contract represents revenues of €124 million.
- Degrémont inaugurates the Biganos purification station on the Arcachon Basin with a capacity equivalent to a population of 135,000, with Minister of the Environment Jean-Louis Borloo in attendance.

October 2007

- SUEZ Environment acquires 33% of Spain's Aguas de Valencia SA (AVSA), which is responsible for water management for three million people in the Valence region for a total of €135 million.

November 2007

- United Water's major public-private partnership was renewed for nine years with the city of Indianapolis for the collection and treatment of waste water for the city's population of 800,000 for a total of €178 million.
- SITA France signs with SMIRITOM (Union federation in charge of waste management in the Alès region (Gard)), a 22 year contract for the design, construction, and operation of a mechanical-biological sorting center for household waste. This contract represents revenues of €123 million.
- Degrémont inaugurates the Liège purification station in Belgium. It is the largest in Wallonia, with a capacity of equivalent to a population of 400,000.

December 2007

- SITA France and local company Océan, which specializes in municipal waste management, are awarded the household and cleaning waste collection contract for the city of Nîmes (Gard). This new contract, which has a term of seven years, should generate revenues of 84 million over that period.

- SITA France's contract with the municipality of Greater Lyon was renewed and extended. SITA France will handle the collection of for 435,000 residents of Greater Lyon, i.e. 115,000 residents more than in the previous contract. This contract, which has a term of five years, should generate total revenues of €45 million.
- Novergie is awarded the public service contract to operate the Carrières-sur-Seine Energy Reclamation Center with an annual capacity of 123,000 tons. This contract, which has a term of 15 years, represents revenues of €150 million.
- SITA Deutschland GmbH acquires a majority of the capital in BellandVision GmbH, a German services and pollution charge company, for the recycling of packaging for manufacturers and mass retailers. SITA Deutschland GmbH now owns 68.4% of that company.
- Degrémont is awarded a contract for the design, construction and operation of the extension of the Gabal El Asfa purification plant east of Cairo in Egypt. Construction of the additional 300.000 m^3/day will be fully financed by the Egyptian Government. This extension will be used to serve 1.8 million additional residents.
- Degrémont is awarded a contract of around 800 million dollars in a consortium with Belgium's Besix for the design, construction, and operation for ten years of the waste water reuse program of the Jumeirah Golf Estates in Dubai (United Arab Emirates). The contract also involves the installation and operation of a waste water collection and distribution network measuring nearly 40 kilometers.
- Degrémont Technologies, the Degrémont Equipment Division, is awarded two contracts in Cincinnati in the United States and Pickering in Canada for the supply and installation of fluid bed silt incineration furnaces for a total of USD 80 million.

Post-balance-sheet events

January 2008

- Degrémont is awarded the contract for the design, construction, and operation for three years of the new Feyssine (Greater Lyon) purification station with a capacity of 91,000 m^3/day for a total of €65 million.
- Degrémont is awarded the design, construction, and operation for four years of the water production plant in Bombay with a capacity of 1.08 million m^3/day for a total of €59 million.
- Lyonnaise des Eaux, in partnership with the laboratory CARSO-LSEHL, was awarded a major national contract for the implementation of measures on industrial waste at the 120 railway maintenance sites of the SNCF [the French national railway], spread out all over France for a total of €350,000.
- Lyonnaise des Eaux's sanitation public service contract at Isle-sur-la-Sorgue is renewed for a period of 15 years and a total of €36 million.
- Lyonnaise des Eaux renews for 12 years its sanitation contract with the city of Carpentras. The contract also includes the construction of a new ultra-modern purification station equipped with membranes. It will be built by Degrémont and will be completed in late 2009. These contracts represent revenues of €24 million.
- Takeover bid on Agbar succeeds. After this operation, the bidders hold 90.01% of the equity.
- United water renews its public-private partnership agreement for the management of drinking water for Jersey City (State of New Jersey) for 10 years and a total amount of €90 million.

6.1.1.6.4 Description of activities

SUEZ Environment provides services and equipment essential for life and for the protection of the Environment in the areas of water and waste, both for public authorities and for private sector clients. The Group does business in more than 25 countries.

For the sake of clarity, these activities are described here by business line (water and waste management).

Water business lines

Integrated management of the water cycle

Through its subsidiaries and contracts, SUEZ Environment covers the entire value chain of the water cycle:

- research and master plans, modeling of underground water tables and hydraulic flows, and project management of infrastructure and water management projects;
- engineering, design, and construction of water treatment plants through its Degrémont subsidiary;
- sanitation and drinking water distribution service including: capture, treatment and distribution of drinking water; collection, depollution and release of waste water an drain water, and management of connections; and customer management (relations with end consumers, meter-reading and collection of payments made by end consumers);
- for private sector clients, the offering involves water resources management, process water, waste water and run-off, as well as sludge: definition, execution, and operation of water management solutions, as well as sales and marketing of ultra-pure water equipment.

The actual scope of activities varies depending on client needs and the situations in the countries concerned.

SUEZ Environment serves around 68 million people with drinking water worldwide and produced around 5 billion m^3 in 2007. The Group also provides waste water services affecting around 44 million people and biologically treated around 2.6 billion m^3 in 2007.

SUEZ Environment ranks number two in management of the water cycle in Europe and worldwide[10].

10. Ranking in terms of revenues, analysis by SUEZ Environment from data available to the public (FY 2006 results).

SUEZ Environment's clients are mainly local public authorities, with clients in the private sector representing for the most part a minor portion of revenues. Nonetheless, in the area of public service contracts, SUEZ Environment must provide local service to industrial and commercial clients.

In its contractual relations with public authorities, SUEZ Environment has two kinds of contracts:

- public service contracts in France and the equivalent outside France, including leasing and concession contracts and all forms of contracts in between. In those contracts, SUEZ Environment has complete responsibility for the management of the service (water distribution and/or sanitation) and conducts its business at its own risk. Part of the sums are billed and retuned to the authority to finance new investments. Leasing contracts are different from concession contracts depending on the size of the investments, which are the responsibility of the private investor. Most of the SUEZ Environment contracts in France are leasing contracts. In general, these are long-term contracts with a duration of between 10 and 20 years;
- services and labor contracts. In this case, labor or construction is billed to the authority (the client). These are medium- or long-term contracts of generally between 5 and 20 years.

The Group also operates throughout the entire water cycle, working with industrial clients through services contracts, e.g., for technical advice or assistance and/or sales of equipment. The contracts are generally established for shorter periods, usually from 2 to 5 years.

In Europe

Europe is the cornerstone of the SUEZ Environment business in the area of water. The companies in the Water Europe accounting segment contributed €3.9 billion to revenues in 2007. Lyonnaise des Eaux France accounted for 48% of that total, with the remainder generated primarily by Spain.

IN FRANCE

SUEZ Environment believes the sums billed in France for the water and sanitation service by all the public and private providers amounts to a total of around €11.8 billion, and that private operators receive 40% of that total, with the remainder going to local authorities, water agencies and the Government. The drinking water production and distribution sector corresponds to around €7 billion (48% returned to private operators) and the waste water treatment sector corresponds to around €4.8 billion (27% of which is returned to private operators)[11].

SUEZ Environment does business in France with local public authorities, mainly through its subsidiary Lyonnaise des Eaux France (LDEF) which is the second largest private company on that market[12].

In 2007, the contribution by LDEF to revenues was €1.9 billion.

The duration of these contracts of the Group in France, both for water distribution and for waste water treatment is generally between ten and twenty years. Lastly, although often of lesser importance in terms of amount and duration, sanitation contracts, especially non-collection sanitation management for municipalities or else sanitation services and industrial process water treatment, represent additional growth markets for the Group's companies.

IN SPAIN

In 2007, Agbar had revenues of €2.8 billion, 53% of which corresponded to services related to water management, with the remainder generated by healthcare activities[13]. Agbar operates throughout the entire water cycle and the Group believes it to be the leading private company in the water sector in Spain.

In addition, Agbar has operations in the following places:

- South America, specifically Chile, but also Mexico, Colombia, and Cuba; most of the SUEZ projects in that region were executed in partnership with Agbar;
- the United Kingdom, through the company Bristol Water, acquired in 2006, which serves around one million people.

OTHER COUNTRIES

SUEZ Environment's other operations in Europe are located primarily in Italy and Germany.

In Italy, the Group is established in Tuscany, as the operator of two water and sanitation companies: Acque Toscane and Nuove Acque. It also participates in groups of operators of the Florence and Pisa water and sanitation companies which are run by ACEA[14] (The Group also owned 4.98% of ACEA as of December 31, 2007).

In Germany, through its subsidiary Eurawasser, the Group is active in Rostock-Güstrow, Schwerin, Cottbus, Goslar, and in the Saale-Unstrut-Leuna region, mainly through water distribution and sanitation concession contracts or holdings in quasi-governmental agencies as well as maintenance and management contracts.

In addition, the Group is active in Greece through a 4.88% stake in Eyath, the company that manages the Thessalonica water service.

Lastly, the Group has been active for a number of years in some of the new member countries of the European Union[15]. In those countries, acting alone or in partnership, the Group carried out the following projects:

- in the Czech Republic, drinking water and sanitation services in several cities where it has been active since 1993;

11. Study in BIPE/FP2E 3^{red} edition, January 2008, p. 23..
12. Ibid, p. 30.
13. The automobile certification business was sold in July 2007.
14. Company listed on the Milan stock exchange that does business in the area of integrated water management, power generation and distribution, public lighting, and natural gas distribution.
15. Activities assigned to the "International" accounting segment..

- in Hungary drinking water services in Budapest (in partnership with RWE) and in two other cities (Pécs and Kaposvar);
- in Slovakia, drinking water services since 1999 in Trencin;
- and finally in Slovenia, operation of the Maribor purification station built by it.

Ondeo Industrial Solutions, a subsidiary of SUEZ Environment, works in France and the rest of Europe with industrial clients and specializes in improving the overall water cycle in the industry. In 2007, its contribution to the revenues of SUEZ Environment was €136 million.

Safège, a subsidiary of SUEZ Environment, provides engineering and consulting services in all areas pertaining to water, to related environmental issues and to projects associated with such activities. In 2007, its contribution to the revenues of SUEZ Environment was €72 million.

Around the world

In the rest of the world, SUEZ Environment provides drinking water and sanitation services in partnership with local investors or local authorities or through affiliates or companies that are majority-owned by local interests, mainly in the United States, Mexico, China, Indonesia, the Mediterranean Basin, and the Middle East.

Degrémont is also the lynchpin of the Group's international growth, thanks to its operations on all five continents.

DEGRÉMONT

Degrémont, a wholly-owned subsidiary of SUEZ Environment, designs, builds, equips and operates drinking water and desalinization production facilities, waste water treatment and recycling facilities, and silt treatment facilities.

In 2007, Degrémont's contribution to the Group's revenues was €954 million.

These activities are based on a thorough knowledge of four main areas of expertise:

- drinking water production;
- sea water or brackish water desalinization by reverse osmosis;
- waste water purification and recycling;
- treatment and recovery of purification silt.

Degrémont provides services corresponding to these activities, in particular:

- design, construction, engineering, and commissioning of facilities (including the production of plans, the purchase and assembly of equipment, and project supervision) for turnkey projects;
- operations and services: from supplying spare parts to operations and services to overall maintenance of any site (including rehabilitation of facilities and training of personnel);
- equipment: offers patented standardized technologies to equip municipal, industrial, and recreational facilities.

Since its creation, Degrémont has designed, built or equipped more than 10,000 facilities worldwide. With the growth of urban populations, both the demand for quality water and the demand for sanitation have increased, bringing about a growing demand in terms of infrastructures and water treatment.

NORTH AMERICA

In the United States, the Group is active in 21 States, which are located mostly in the Midwest and the Northeast, through its subsidiary United Water.

United Water works in the following areas:

- in "regulated" businesses, the sector in which operators are the owners of their water treatment/production assets and rates are set by regulators taking into account any capital expenditures to be made;
- and in the area of service contracts, a sector in which operators enter into operating contracts with municipalities and contracts for the maintenance of assets which remain the property of the latter.

In Mexico, Bal-Ondeo is expanding its business, primarily in Cancun and Mexico City, and the Group is also present through the activities of Agbar.

IN ASIA

SUEZ Environment is active in China through its 20 subsidiaries formed with local authorities for the production of drinking water and sanitation. It operates through different kinds of contracts like the BOT (Build Operate Transfer) for the construction and rehabilitation of water treatment plants, and concession contracts. The Group also owns two concession contracts transferred by the city of Macao, one for water management and the other for electricity production and distribution. Several major contracts signed in 2006 beefed up the presence of SUEZ Environment in China in Chongqing (Tangjiatuo) and Shanghai (Changshu and Chemical Industry Park).

In Indonesia, Palyja[16] produces and distributes water in the part West of Jakarta.

MEDITERRANEAN BASIN AND MIDDLE EAST

In Morocco LYDEC[17] is in charge of water distribution, sanitation, and electricity distribution for 3.7 million consumers in Casablanca, under a contract signed in 1997 for a period of 30 years.

In Algeria, under a management contract, the Group provides expert personnel to the Société des Eaux et Assainissement d'Alger (SEAAL) in order to help improve services. In addition, in November 2007, Agbar was declared the winner of the same kind of contract for water management services for the city of Oran from January 2008.

16. PT PAM Lyonnaise Jaya, "Palyja", a 51%-owned subsidiary of the Group.
17. Lyonnaise des Eaux of Casablanca, "LYDEC", a 51% – ownd subsidiary of the Group.

Lastly, the Group enjoys the advantage of an historic presence in the Middle East. It signed 20 DBO contracts in Saudi Arabia between 1975 and 1986 and in 2005 was awarded the design, construction, and operation contract for the largest waste water purification plant in Qatar, with the reuse of treated water. The Group is boosting its presence in that region through local partnerships, in particular in the United Arab Emirates, where in March 2007 it signed a cooperation agreement with the Al Qudra Group.

The waste business

Integrated management of the waste cycle

SUEZ Environment manages the entire waste cycle, operating under the SITA brand name at all stages of waste management, i.e.:

- non-hazardous waste collection for municipalities and businesses, sorting, pre-treatment, recycling, and recovery of hard and soft recyclables, energy recovery (incineration, co-incineration, and mechanization), storage in dedicated centers, including the recovery of biogases;
- hazardous waste management (with the exception of radioactive waste);
- soil rehabilitation, treatment of sites, soil, underground, and polluted water tables, dismantling and conversion of buildings;
- dismantling and disassembly of obsolete vehicles, aircraft and vessels at end of life;
- sanitation and urban waste management; street cleaning and sweeping, upkeep of urban properties, beach clean-up, snow removal, upkeep of municipal and industrial networks, and assistance in cleaning industrial production tools.

This array expands along with regulatory, technical, and economic changes and more thorough and more specific demands from both public and private clients: in Europe, the growth of reemployment, recycling, recovery of materials and energy associated with growing restrictions on other methods of treatment (placing in landfills, destruction without recovery), and depollution/rehabilitation of industrial sites; in less mature countries, improving the reliability of treatment facilities and developing city services; in the emerging economies, adopting environmental standards.

At year-end 2007, SUEZ Environment was providing collection services to nearly 46 million people; its was using a fleet of more than 11,800 heavy vehicles and operating 116 composting platforms, 47 incineration sites, 46 of which have the option of recovering energy, 564 sorting stations and 146 storage centers (non-hazardous waste: K2 and K2 hazardous waste: K1).

In its markets, SITA ranks number three worldwide in terms of revenues and number two in Europe[18].

SUEZ Environment works mainly for two kinds of clients:

- public authorities: the contracts are generally medium – to long-term, between 3 and 7 years for collection and up to 20 or even 30 for treatment;
- private business: the contracts are generally short – or medium-term (often one year renewable for collection).

Collection

SUEZ Environment has a fleet of more than 11,800 heavy vehicles suited to all types of waste collection; mixed or selective, heavy objects, medical waste, industrial waste.

Materials recovery

The waste from households or businesses from selective collections is sent to sorting centers operated by the Group, where it is sorted and packaged. Recyclable materials are sent to the appropriate conversion segments, with the rest being recovered in the form of energy by incineration or, failing this, buried in storage centers (see below).

The savings from recycling is aimed at providing businesses with a regular supply of quality recycled materials and allows the producers of waste to benefit from a permanent regulated industry that manages their waste. In 2007, SUEZ Environment managed for recovery more than 19 million tons of waste. Of that total, nearly 13 million tons were treated for materials recovery.

The Group continues to implement processing solutions for industry that help to recover mixed waste such as the mechanical and biological processing of waste in Newcastle (United Kingdom), and Cröbern (Germany) and at pilot sites in France; as well as the growth of waste sorting and packaging companies (paper and cardboard, metal, plastic, etc.) for sale and recovery as secondary raw materials.

Composting and biological recovery

On its 116 composting platforms, SUEZ Environment reproduces on an industrial scale the natural process of deterioration of organic waste[19] and converts it by improving the soil.

A number of analyses have been made of organic waste, before, during, and after conversion in compost. The air released from the process is captured and treated in order to limit the noxious odors.

In 2006, SUEZ Environment held an operational gathering (decided on in 2005) within a unique company established in France, Terralys, of all the skills, know-how, and equipment of the Group's companies in order to assist the local authorities with their silt recovery projects.

18. Ranking in terms of revenues, analysis by SUEZ Environment based on publicly available data (FY 2006 results).

19. This concerns four kinds of waste: green waste from households and local authorities, as well as by-products from the timber industry; household garbage; garbage from restaurants and supermarkets; sludge from purification stations, sludge and by-products from the paper and the food processing industries.

Energy recovery

Waste can be recovered through incineration. With this solution, the mass and the volume can be sharply reduced, and the treatment is rapid and hygienic and allows energy to be recovered. A total of 47 facilities, 46 of which with energy recovery, all reflect the skills of SUEZ Environment in terms of incinerating urban waste worldwide, particularly in France (Novergie), Germany, Belgium, the United Kingdom, and Taiwan. This activity is subject to numerous regulatory constraints aimed at reducing the impact (release of smoke, production of match fires and ashes) and recovering the energy produced by the combustion of the waste in the form of heat and/or electricity. In 2007, the Group's incineration units treated around 6.09 million tons of waste, produced more than 8,700 thermal GWh and more than 2,600 electric GWh.

Energy recovery from organic waste can also be accomplished by methanization, a decomposition process using micro-organisms in the absence of oxygen. Methanization produces biogas, which is a source of energy and a recoverable residue as an organic additive to soil. Using this approach on an industrial scale is a recent phenomenon.

Storage of non-hazardous waste

Storage remains the principal treatment industry in many countries. In the initial phase, seeking a storage site is subject to specifications that apply in perpetuity concerning such things as soil quality, protection of water tables, and distance from dwellings. In the operating phase, the loads are checked, run-offs (biogas and lixiviates) are captured, recovered, or treated, and the environmental parameters are measured on a very regular basis. Once closed, these sites continue to be monitored for thirty years. SUEZ Environment operates 134 landfills (K2, K3) around the world and in Europe in particular. In 2007, 18.5 million tons of waste were delivered to its non-hazardous storage centers. In the course of business, the Group develops and implements innovative industrial solutions for the recovery of biogas from the storage centers in the form of renewable energy.

Hazardous waste

SUEZ Environment can offer its clients solutions suited to all types of hazardous waste (not including radioactive waste) from packages of 100 grams (i.e., special household waste or lab waste) to several hundred tons. In 2007, 2.8 million tons of hazardous waste was treated by the Group: preliminary treatment on ad hoc platforms, stabilization and storage, incineration of waste with a high chlorine or sulfur content, and co-incineration in cement plants.

Depollution and reconversion of polluted industrial sites

Through its specialized subsidiaries (in particular Teris and Sita Agora), the Group has developed recognized expertise in the area of depollution and the reconversion of industrial sites. By way of illustration, in France SITA Agora manages the decontamination and rehabilitation of the site of the old Metaleurop Nord foundry. The work continued in 2007 (dismantling and confinement) for final conversion of the site with the establishment of new business activities (end of project slated for 2009).

Sanitation, maintenance, and urban waste management

SUEZ Environment provides local authorities, individuals and businesses with sanitation, industrial cleaning (in particular during plant shutdowns), special industrial waste collection services as well as more specific services like oil and gas work, network monitoring, or cleaning of water towers.

Urban waste management are a concern for local authorities and a health necessity. Among the services of SUEZ Environment, we can cite mechanized and manual sweeping, upkeep of city property, sign removal, graffiti removal, snow removal, beach cleaning, emptying trash cans, public awareness. Depending on the country, additional services may be offered, for example, maintenance of city parks and gardens.

In Europe

Europe is at the heart of the business of SUEZ Environment in the area of waste. In 2007, the companies in the Waste Management Europe accounting segment contributed €5.5 billion to the Group's revenues, of which around 50% were earned in France.

The Group's Waste Management Europe is run essentially by SITA France and its specialized subsidiaries, SITA Belgium, SITA UK, SITA Nederland, SITA Deutschland, and SITA Sverige in Scandinavia.

The Group is also active in some countries of Central and Eastern Europe[20]. In Poland, SE Polska offers services for the management of household and industrial waste and city cleaning; like SITA CZ and SITA SK, which operate in the Czech Republic and Slovakia respectively. In those countries, SUEZ Environment has developed substantial expertise in terms of the treatment of hazardous waste, as witnessed by major operation such as the depollution of two buildings at the Spolana chemical site in the Czech Republic and the acquisition of an incinerator for special waste and a hazardous waste storage center.

In the rest of the world

Outside of Europe, the Group is active in the waste sector, particularly in China, Taiwan, Australia, and the Middle East.

In Hong-Kong, Swire-SITA[21] is active in waste collection and treatment, composting and street cleaning. In mainland China, the Group participated in the construction of and handles the operation of a hazardous industrial waste incineration plant with a capacity of 60,000 tons on the site of the Shanghai Chemical Industry Park (SCIP). Lastly, in Macao, the Group handles domestic, commercial, and industrial waste collection and street cleaning for the municipality.

In Taiwan, the Group operates a waste incineration plant.

In Australia, SITA Australia offers services in domestic, industrial, and business waste collection, recyclable waste recovery, and treatment and burying operations.

In the United Arab Emirates, the Group is active through its subsidiary Trashco, which works mainly to collect waste from industrial and commercial activities.

20. Activities assigned to the "International" accounting segment.

21. Joint venture comprising equal shares of SUEZ ENVIRONMENT and Swire Pacific.

6.1.1.6.5 Regulatory environment

SUEZ Environment operates its water and waste services in Europe, the United States and worldwide under a highly structured regulatory framework.

The regulatory environment can be broken down into three levels:

- regulations governing the execution of government contracts;
- regulations governing business activities;
- environmental responsibility.

Regulations governing the execution of government contracts

In the European Union, contracts entered into by the subsidiaries of SUEZ Environment with public authorities are referred to either as labor contracts or services contracts (government contracts). Public service delegations are defined in comparison with government contracts as rights to operate a service of general interest with part of the risks transferred from the delegating public authority to the entity to which the public service is delegated.

The terms for contract activity are governed by European directives (2004/17/CE and 2004/18/CE) in terms of calls for competition (advertising and procedures for awarding contracts). The directives also set certain rules applicable to public works concessions. In terms of services concessions, only the general principles of the European treaties are applicable.

In France, there are two main models of government contracts:

- public service delegation contracts are governed by Law no. 93-122 of January 29, 1993, on the prevention of corruption and transparency in economic life and in government procedures, which defines the procedures applicable to the execution thereof; in particular, these contracts are used in the water business; local authorities, usually municipalities or groups of municipalities, have the choice between direct control and total or partial delegation to a private company; the delegated management contract sets the respective obligations of the delegator and the delegatee and rates; it does not involve the transfer of ownership of the existing assets to the delegatee, which is merely the manager thereof; since Law no. 95-127 of February 8, 1995, on government contracts and public service delegations, the delegatee is required to produce an annual technical and financial report;
- services and construction contracts are subject to the French Code on Government Contracts and, more generally, to the European directives mandating the use of competitive bidding for awarding contracts.

In the United States, the federal government plays a major role in the water sector, but the individual states retain powers related to the management and regulation of operations and the planning of investments. There are two major types of contracts: the first is regulated, like in England, while the second is non-regulated, like in France.

Each state has a Public Utility Commission, which sets pricing structures (for water and sanitation services) and the return on shareholders' equity granted to companies operating in the regulated sector. In the non-regulated sector, each municipality determines the rules that govern the awarding of contracts to public-private partnerships and the way they are executed. Generally, the operator is selected following a bidding procedure.

Elsewhere in the world, contract activities vary according to the type of public-private partnership, regardless of the type of delegation (long-term concession, FPI in the United Kingdom, BOT, short-term services contract) or the regulatory method. A clear definition of the regulatory context is an extremely important criterion for the development of SUEZ Environment's activities.

Regulations governing businesses

The legislative and regulatory restrictions that apply to SUEZ Environment's activities essentially arise from EU laws (Community regulations and directives).

Water

European (EU) regulations

Directive no. 2000/60/CE of the European Parliament and the Council dated October 23, 2000, establishing a framework for a Community policy in the area of water is aimed at restoring the quality of underground and surface water by the year 2015.

In addition to this target in terms of outcome, there are requirements on the methods to be used:

- reducing releases of "priority" substances considered the most harmful for the environment (a new directive is designed to replace the current directive on releases of "hazardous substances.");
- design and implementation of master plans and action programs; and
- follow-up and reporting to the European Commission of results of actions to reverse damage to the environment.

The directive also lays out a more structured legal and institutional framework for water policy that is very close to the French system of management by major watersheds.

It recommends that the uses of water and their impact be analyzed from a financial standpoint and also calls for greater participation by and input from the public. It sets the goal of the total recovery of costs for services and institutes the polluter-payer principal.

In its first report, on March 22, 2007, the Commission commented on the progress of the implementation of directive 2000/60/CE and makes recommendations for the next important step: management plans for hydrographic basins. Those plans, which are to be completed before December 2009, will bring genuine improvements to the water system in the form of programmed measures to be operational by the year 2012, which are supposed to make it possible to reach the environmental targets set out in the directive by the year 2015.

In addition, there are two proposals for amendments to Directive 2000/60:

- a proposed directive of the European Parliament and the Council dated July 17, 2006, establishing stricter environmental quality standards in the area of water and amending Directive 2000/60/CE; and
- a proposed directive of the European Parliament and the Council dated December 22, 2006, amending Directive 2000/60/CE establishing a framework for a community policy in the area of water, with regard to the execution authority granted to the Commission.

Lastly, Directive 2000/60/CE was supplemented by Directive no. 2006/118/CE of December 12, 2006, on the protection of ground water from pollution and deterioration, which specifies the targets set by the directive of October 23, 2000, with regard to ground water. The objectives dealt with by this directive are primarily the good chemical status of water and the prevention and limitation of the introduction of pollutants into groundwater. It must be transposed by Member States by January 16, 2009.

Directive 2006/07/CE of February 15, 2006, concerns surface water that is likely to be used for swimming. The Member States must monitor and evaluate water used for swimming. Information on the classification, description of water used for swimming, and the pollution thereof must be provided to the public and must be easily accessible and near the area concerned. The provisions of directive 2006/07/CE must be transposed into national law no later than March 24, 2008.

Council Directive 98/83/CE of November 3, 1998, relating to the quality of the water intended for human consumption increases the requirements regarding several parameters (turbidity, chlorites, arsenic, volatile organo-halogens, nickel), especially on lead (25 µg/l end 2003 and 10 µg/l end 2013), and forces the services to eventually replace all existing lead pipes. It also raises the requirements in terms of public information on the quality of the water distributed.

Council Directive 91/271/CEE of May 21, 1991, on the treatment of residuary city water introduced several major categories of obligations:

- the obligation of efficient collection and secondary treatment in towns with the equivalent of a population of more than 2,000;
- the obligation to delineate at the national level any "sensitive areas" where nitrogen and/or phosphate treatment is required;
- the requirement for reliable sanitation systems and the requirement for oversight of such systems; and
- the possibility of using non-mass sanitation "when installing a collection system is not justified, either because it would not constitute a significant advantage for the environment or because the cost would be excessive," provided that such system guarantees "the same level of environmental protection."

Council Directive 91/676/CEE of December 12, 1991, concerning the protection of water from pollution by nitrates from agricultural sources is designed to protect water resources and imposes a requirement to delineate any "vulnerable areas" in which codes of good agricultural practices must be introduced.

Council Directive 2006/44/CE of September 6, 2006, concerning the quality of fishing water and Council Directive 2006/113/CE of December 12, 2006, relating to the quality required for conchylicolic water apply to water that needs protection or improvement to be suitable for life for fish and shellfish respectively.

French regulations

In France, there are a large number of laws governing water pollution and there are numerous governmental authorities responsible for enforcing them. Some emissions or eliminations and some other activities with the potential for a negative impact on the quality of surface and ground water are subject to authorization or reporting. Accordingly, the public authorities must be informed of any groundwater pumping facility that exceeds the volumes determined, and the law prohibits or subjects to review the release of some substances into the water. Violating these laws carries both civil and criminal penalties and the company itself can be held criminally liable.

The purpose of Law n° 2006-1772 of December 30, 2006 on water and aquatic environments is to modernize the legal provisions for water management and at improving water quality so that the environmental targets set by Directive 2000/60/CE can be reached by 2015.

It further aims to improve public water and sanitation service (access to water and transparency).

US regulations

In the United States, the principal federal laws relating to water distribution and sanitation services are the Water Pollution Control Act of 1972, the Safe Drinking Water Act of 1974, and the regulations enacted pursuant to those laws by the Environmental Protection Agency. These laws and regulations establish standards for drinking water and liquid releases. Every state has the right to establish stricter standards and criteria than those established by the EPA, and a certain number of them have done so.

Waste

In many countries, waste treatment centers are subject to laws imposed on service providers that wish to obtain authorization from the public authorities to be able to operate their sites. Obtaining such authorization requires the presentation of specific studies that show the impact on the environment and human health and evaluate the risks related to the facility concerned. The operators of storage centers must present precise financial guarantees (often in the form of bank guarantees) that cover such things as the rehabilitation of the site and inspection after closing (for 30 years in most countries). The various operators must also comply with the standards specific to the storage centers; incineration plants are generally subject to regulations limiting the release of pollutants. Waste is also subject to various regulations depending on the type. As a result, to be reclaimed for agriculture, the sludge from purification stations must meet extremely strict traceability requirements with regard to organic compounds and various metal traces they are liable to contain (heavy metals such as cadmium, mercury and lead). Further to this, the NFU-44-095 standard, which was established in 2002 and is now applicable in France, strictly regulates treatment by composting of materials from wastewater treatment.

European regulations

Directive no. 2006/12/CE of the European Parliament and the Council of April 5, 2006, on waste sets the basic guidelines relating to the collection, elimination, reuse, and treatment of waste. It sets forth two major guidelines:

- the polluter-payer principle; and
- establishing a hierarchy of treatment methods.

The directive urges the Member States to use, in order of preference, prevention, reuse, recycling, energy recovery, and finally, as a last resort, elimination at the storage center.

This Framework Directive on Waste is now being reviewed in the European Parliament. In addition to defining a five-level hierarchy, the key objectives of the future Directive on Waste are to guarantee actual harmonization on a European scale in terms of definitions (particularly for recovery and recycling) and to clarify the criteria concerning energy recovery and the transition in status from waste to non-waste.

The bill originally introduced by the European Commission was voted on at first reading on February 13, 2007. On June 28, the European Council reached a political agreement on the bill. Final enactment is expected sometime in the middle of 2008, after the second reading scheduled for early 2008. The compromise introduces the possibility of classifying waste incineration as a recovery operation, according to an energy efficiency formula suggested by the European Commission.

A new Regulation (no. 1013/2006) concerning cross-border transfers of waste went into force on July 12, 2007, and replaces Regulation 259/93. The purpose of this new regulation is to see to it that waste is managed in an environmentally rational way throughout the transfer process, including during the recovery or elimination phase in the destination country. This new regulation is based on the 1993 regulation concerning the transfer of waste, which it replaces, by providing a more precise and simpler legal framework. The regulation provides for stricter enforcement measures. It requires Member States to conduct inspections and checks by random sampling. It also authorizes physical inspections of transferred waste, in particular opening containers, and requires the Member States to inform the Commission of their national legislation in terms of illicit transfers and the punishments applicable to such transfers.

Council Directive no. 1999/31/CE of April 26, 1999, concerning the burying of waste, defines three kinds of facilities corresponding to three kinds of waste:

- those designed for hazardous waste (called “Class I” in France);
- those designed for non-hazardous waste (called “Class II” in France); and
- those designed for inert waste (called “Class III” in France).

It sets as an objective for the Member States a reduction in the amount of biodegradable waste and stipulates that only waste that has previously been given stabilization treatment be admitted and that this waste be inspected for thirty years after being deposited at the site.

Directive no. 2000/76/CE of the European Parliament and Council of December 4, 2000, on waste incineration established new environmental thresholds, particularly in terms of dioxin emissions; the threshold for the release of dioxins must not exceed 0.1 ng/Nm^3.

Council Directive 96/61/CE of September 24, 1996, on the integrated prevention and reduction of pollution known, the so-called “IPPC directive” (for Integrated Pollution Prevention and Control) stipulates that some agricultural and industrial activities, including waste management, must be preceded by a request for authorization sent to the competent authority of the Member State concerned, which shall decide whether or not to authorize the activity. This authorization may be granted only when certain environmental conditions are complied with, and the companies themselves must take responsibility for preventing and reducing any pollution they are likely to cause. This way, the companies must, in order to obtain authorization, implement a certain number of concrete measures (e.g., recycling, accident prevention and treatment of sites a trend of life) and submit to some operating requirements (e.g., emission limits on some pollutants and inspection of releases).

Directive no. 94/62/CE of the EU Parliament and Council dated December 20, 1994 on packaging waste is aimed at reducing the impact of packaging waste on the environment. This guideline sets quantifiable objectives for the recycling and conversion of packaging placed on the European market. The directive was revised in 2004 and sets new recycling objectives by material.

Directive no. 2002/96/CE of the European Parliament and Council dated January 27, 2003 on electrical and electronic equipment waste (EEEW) imposes the following:

- measures concerning product design, in particular the reduction of heavy metals used in electric and electronic equipment;
- establishment of collection and treatment systems, particularly recovery (systematic selective treatment of some components and substances considered hazardous such as printed circuit boards, discharge lights, mercury, etc.); and
- participation by producers in such measures in order to encourage recycling, making it a part of the process starting in the design phase.

By introducing the concept of producer liability, this directive establishes an obligation for them in terms of EEEW from households and from businesses, the financing of collection from the collection point, as well as the financing of the treatment, recovery, and elimination of the EEEW concerned.

Directive no. 2000/53/CE of the European Parliament and Council dated September 18, 2000, related to vehicles at the end of the life cycle requires the owners of vehicles no longer in use (ELVs) to turn them in to a certified company to have them demolished; otherwise, the registration cannot be cancelled. This involves extracting from them all materials and recycling or recovering them, whichever is better. Starting in 2006, the recycling rate must reach 80%, and the recovery rate 85%, and 85% and 95%, respectively, by 2015.

French regulations

In France, pursuant to Articles L. 511-1 *et seq.* of the Environmental Code related to Facilities Classified for the Protection of the Environment (ICPEs), ministerial decrees and orders define the rules applicable in storage centers for household, industrial, commercial, and hazardous waste. More specifically, they govern the design and construction of waste treatment centers. Hazardous waste is subject to strict inspection requirements throughout the treatment chain. The traceability of hazardous waste is guaranteed by the waste inspection slip (BDS). The energy recovery units are subject to a number of requirements, particularly limits on emissions of pollutants.

Water and waste

On January 18, 2006, the European Parliament and the Council adopted Regulation No. 166/2006 concerning the establishment of a European Pollutant Release and Transfer Registry (PRTR). The purpose of this registry, which will consist of an electronic database accessible to the public, is to facilitate public access to information about pollutant releases. The majority of our waste service and sanitation activities are affected by this regulation (above certain thresholds) and consequently, the operators concerned must provide accurate data about their releases each year.

Environmental liability

Directive 2004/35/CE of the European Parliament and Council dated April 21, 2004, on environmental liability (the Environmental Liability Directive), which is now being transposed in the Member States, may require water and waste businesses to move faster to establish protection or rehabilitation measures.

The Environmental Liability Directive governing the prevention and repair of environmental damage was to be transposed no later than April 30, 2007. The work of transposing it has started in several European countries (accordingly, it has already been transposed in the following countries: Spain, Italy, Latvia, Lithuania, Hungary, Germany, Romania, Sweden, and Slovakia). The Directive, however it is transposed, defines additional rules of responsibility toward a new third party: the Environment (limited to water, soil, and biodiversity). Damage may be found (by the public authorities) even if there is no proven fault and even if the facility causing the damage is in compliance with its permits and licenses. Under the Environmental Liability Directive, the operator is the first in line in terms of liability. However, the text stipulates non-retroactivity and will apply, therefore, only to damages caused after the date of transposition.

In France, there is a bill now being discussed in Parliament to transpose the Environmental Liability Directive; the system may come into force before the end of the first half of 2008. (France has already received a notice dated June 1, 2007.)

SUEZ Environment is preparing to begin enforcing this law by identifying the sites the most affected by the damage identified in the law, i.e., those located in the Natura 2000 zones or nears sensitive rivers. The sites have been mapped in order to draw up a list of the vulnerable sites. There are two features of this vulnerability: these sites may be potentially polluting (pollution by treatment and landfill facilities, effluents from a purification station, or sludge) or potentially the victims of pollution (pollution of the water resources used for drinking water, pollution from a discharge or from soil by a third party).

The sites identified are subject to special procedures: a self-evaluation questionnaire was sent to the SITA France sites, and inspections and meetings were organized at SEE and Lyonnaise des Eaux France in order to obtain information, increase awareness, and identify the measures to be taken.

Elsewhere in the world, the main changes in regulations on environmental liability are listed below:

- in the United States, the Polluter Payer principle is included in legislation. The current US administration is fairly reluctant to stiffen environmental regulations; however, an increasing number of initiatives are being set up privately to offset damages, both financial (financial valuation of the threat to an endangered species), or in kind (off-setting by implanting “equivalent” species);
- China is in the process of strengthening its environmental regulations to ensure that they comply with more stringent standards, especially with regard to marine pollution, air pollution, and the protection of groundwater, species, and natural habitats. When the process of strengthening these environmental regulations is completed, it will probably have an impact on the costs for managing water and waste services. As a result, contracts signed by SUEZ Environment are very mindful of the changing dimensions of Chinese environmental law.

6.2 MAIN MARKETS

6.2.1 MAIN MARKETS – ENERGY

The production and marketing of electricity and the marketing of gas are sectors of activity that are largely open to competition in Europe and the United States. However, activities constituting natural monopolies – like the transmission of electricity and, to some extent, of gas – are strictly regulated. Elsewhere in the world, with just a few exceptions, markets are less open to competition, and international players operate in more regulated environments, usually under long-term contracts.

In Europe, the main competitors of Electrabel and Distrigaz on markets open to competition are: in electricity, the German companies E.ON and RWE, the French company EDF, and the Italian company ENEL; in gas, all the major gas companies such as E.ON, GdF, Ruhrgas, and WinGas. New competitors are also emerging, such as the large European gas producers or other players specialized in marketing activities, like the British company Centrica (which has established a position on the Belgian market). With respect to Fluxys, one of the major new requirements to emerge from the transposition into Belgian law of the 2nd European Gas Directive is the official designation of one or more network managers. In this regard, Belgium's new gas law sets forth a procedure for designating a natural gas transmission network manager, natural gas storage facilities, and LNG terminal facilities. Under the law, Fluxys and Fluxys LNG were named as temporary managers under the non-definitive system in 2006. On February 21, 2007, a notice was published in the *Moniteur belge* inviting applicants for manager to file their applications to get their designation under the definitive system. Fluxys filed three applications as manager under the definitive system, both for the natural gas transmission network and for the natural gas storage facilities and the LNG terminal facilities. The designation as manager under the definitive system is valid and renewable for a period of 20 years.

The Group is pursuing an ambitious growth strategy in the LNG sector and plans to bolster its positions in its existing markets while investing in new niche markets. With SUEZ LNG NA and Fluxys, SUEZ has LNG terminals on both sides of the Atlantic. It also owns a direct interest in a regasification facility in Trinidad and has been awarded several long-term contracts to supply LNG. Its position in the Atlantic zone gives it substantial hedging power. Elsewhere, the construction of the LNG terminal under a joint venture in Northern Chile will bolster SUEZ's presence in the Pacific zone.

SUEZ believes the LNG segment of the gas sector is growing fast, given the decline in natural gas production in the United States and the need for a large number of countries to diversify their gas supply sources and the improvement in technologies in the area of LNG. The future growth of LNG is nevertheless restricted by numerous geopolitical uncertainties, very high construction costs, and the rapid growth in domestic demand in the producer countries, all of which result from an industrialization policy based on natural gas. The world market for LNG has continued to get tighter as more and more buyers attempt to sign supply contracts.

A large number of regasification plants are being planned in North America, many of which have, however had trouble obtaining the necessary permits. On the east coast, the Canaport LNG regasification terminal is under construction. It is designed to supply the markets in eastern Canada and New England; it is expected to be commissioned in late 2008. In October 2007, an LNG project in Weaver's Cove in southeastern Massachusetts was rejected by the US Coast Guard, which felt that the terminal's maritime access was not suitable for LNG tankers. The project developers have appealed the decision.

In early January 2008, the Northeast Gateway LNG port facility was completed 18 miles off the Boston coast; an operating permit has yet to be issued by the US Coast Guard before the port can host its LNG tankers. In August 2007, Neptune LNG, the offshore regasification project opposite Boston launched by SUEZ has received all the necessary permits from the Commonwealth of Massachusetts for the construction of the offshore mooring and treatment platform and the pipeline to carry it to land. At present, the amount of gas injected into the New England market from these terminals, as well as its effect on prices, remains hard to predict.

In the Atlantic area, the main competitors in the LNG segment are now oil and gas companies such as ExxonMobil, Shell, BP, Total, and BG Group.

Recently, major financial institutions like Goldman Sachs have also entered the market for the physical purchase and sale of LNG. In fact, LNG shipments can be highly valuable to such companies in the pursuit of their targets for trading basic energy products.

SUEZ Energy North America is pursuing its Neptune project, an LNG delivery terminal off the coast of Massachusetts. This facility will provide an average volume of 11 million cubic meters of gas per day, i.e., the equivalent of daily consumption for 1.5 million households. In 2007, SUEZ Energy North America took a major step in executing the project, since the Commonwealth of Massachusetts had issued all the necessary permits.

Given the pursuit of economic growth and the rarity of discoveries of significant new reserves in most states, supply margins are continuing to decline. In the short term, spark spreads are too insignificant in different regions subject to regulation for electricity producers to obtain a yield greater that their investment costs in their operations on the spot market. It is hard to predict whether the increase in demand and the closing of obsolete plants will make it possible to absorb the excess capacities over the medium term.

While a recovery of electricity production from nuclear and coal-fired power plants may represent an additional threat for the long-term profitability of combined cycle plants, in a context of high gas prices, the political and environmental problems related to those fuels are difficult obstacles to overcome. Different regional and local authorities are now applying policies limiting carbon emissions. However, as yet, nothing has been decided in Washington. It may take several more years for the federal government to act when it comes to the climate, and uncertainties remain as to the contents of any future legislation on carbon emissions.

The demand for energy has continued to grow regularly in most Latin American countries. Reserve margins have tightened in most of the continent's markets and are starting to be very limited.

Price trends are generally up, in line with the trends observed for fuels and in a context of tight margins. However, every market has unusual and specific characteristics. The Pacific axis (Chile, Peru) is behaving in a more orthodox manner; prices in those regions are influenced primarily by hydrological conditions, trends for fuels, and the cost of new infrastructures. On the Atlantic coast, Brazil can be observed attracting new private investment, while Argentina favors public investment; in both of those countries, the government has succeeded, for better or for worse, in limiting prices (in Argentina, this is the case for residential customers, but the industrial sector must face rate hikes). These countries have made it a priority to avoid or delay price increases, at least for existing power plants. Complex specific regulations have been developed to encourage and provide an incentive for the construction of new infrastructures.

Owing to economic growth and the value of natural gas as an alternative fuel, the demand for gas has grown significantly in all the markets of South America. In Argentina, gas producers have signed an agreement with the government on the gas supply for 2007.

The oil and gas companies have continued their investments in Peru and Brazil but have put projects on hold in Argentina and Bolivia owing to interference by the Government and uncertainty regarding the future regulatory framework. This situation has led to market fragmentation and unmet needs in Chile, Uruguay, and Argentina.

In the Middle East, Asia, and Africa, SEI acts mainly as an independent electric utility. In those areas, SEI now sells its production to public distribution companies or directly to industrial clients. The acquisition now under way of a coal-fired power plant in the Philippines should enable SEI to enter the pool market (WESM), which has operated in that country since June 2006.

Overall, the demand for energy is booming in that region. The assigning of additional capacities necessary for the independent utilities varies depending on the market.

IPP opportunities in the countries of the Cooperation Council of the Arab States of the Gulf (formerly the Gulf Cooperation Council) are considered attractive owing in particular to the clarity of the regulatory framework and the maturity of the customary contractual framework in those markets.

Viable investment opportunities in independent electricity production projects should also emerge in other regions of Asia, the Middle East, and Africa, especially in Southeast Asia, North Africa, Turkey, India, and South Africa.

The geographic area covered by SUEZ Energy Services is, for the most part, in Europe. This division is ranked number one in France, Belgium, and the Netherlands, has a strong position in neighboring countries, and offers an initial base for expansion into countries farther away areas, such as Central Europe.

Since its three market segments – Industry, Services (including collective housing), and Infrastructure – have different economic cycles, this division has relatively little exposure to risks related to changes in the economic outlook.

Although the Industry market is experiencing stagnation in its investments, this segment offers growth opportunities for targeted service activities, which benefit from the outsourcing trend, the strengthening of environmental constraints, and the search for efficient energy.

The development of public/private partnerships, especially in the Services sector, is a favorable factor for the growth in facilities and services activities.

Finally, the Infrastructure market remains attractive due to numerous initiatives taken by local authorities to improve mobility and security. SUEZ Energy Services is also recognized as a major player in this market through niche activities in transportation and intelligent security technologies.

With a good balance of activities (49% in production facilities and related services, 47% in services, and 4% in engineering), the division holds a unique portfolio of complementary businesses in the European market that sets it apart from its competitors.

Its competitors are generally smaller in size and include, most notably, Vinci Energies, ACS, Cegelec, Amec-Spie and Imtech for operations at facilities and Dalkia, Cofatech, and RWE Solutions for service-related activities.

The complementarity of the Group's different divisions is also an advantage for SUEZ Energy Services if, for example, it is called upon to provide services, supply electricity and gas to a deregulated market, and/or provide services related to water and waste services.

6.2.2 PRINCIPAL MARKETS – ENVIRONMENT

Markets

The services rendered to individuals, local authorities, and business in terms of the production and distribution of drinking water, waste water sanitation, and waste management are classified in the sector of environmental management services[22].

Because of evolving regulatory requirements, the growing needs of end customers (and the complexity and the growing capital intensity of the associated services), public authorities are seeking the expertise and cooperation of private operators. Likewise, the major international players in the industrial and tertiary sector are increasingly tending to outsource these services to specialized companies.

SUEZ Environment believes the environmental management services market is bound to grow over the long term thanks to the combination of factors described below:

- macroeconomic factors such as world population growth, growing urbanization, growth in the world economy, and increases in the price of raw materials;
- factors peculiar to the sector: greater attention to the environment, stricter requirements in terms of hygiene, quality of life, and health, stricter and better enforced environmental regulations, very substantial needs in terms of access to water and sanitation, an increase in the number of areas affected by insufficient water resources.

Water sector

The percentage of the world's population served by the private sector can be estimated at 10%[23]. Moreover, local situations vary as to the use of the private sector by public authorities: in France, municipalities are free to choose between directly managing those public services or delegating them to private companies; in the United Kingdom, the sector has been almost fully privatized since 1989; in Spain, the Group believes private companies account for around 41% of the drinking water production and distribution sector and 61% of the sanitation sector; in Germany, municipalities mostly manage their services through the system of *Stadtwerke,* whereby private companies act as partners; in the United States, finally, the Group believes the private sector is responsible for managing around 11% of operating activities.

The Group believes the use of private companies should grow substantially over the long term, particularly in the form of public-private partnerships, for the following reasons:

- private companies, which have the advantage of varied extensive experience, offer top quality skills;
- consumer demands in terms of water quality and associated services are growing;
- regulations continue to be stiffened around the world, especially in the European Union;
- some of the 15 "old members" of the European Union are behind in the application of the technical directives related to water;
- the ten "new members" are required to ensure compliance with the European standards;
- pressure on government spending, greater demands from consumers in terms of the efficiency of their public services, and the higher level of technical expertise required in the sector have motivated several local authorities to endorse public/private partnerships and sustainable development.

In Europe, the Group believes it is possible to expect growth slightly above inflation in the most advanced countries, stronger growth in the countries that are lagging behind in bringing their facilities up to the proper standards and in maintaining their assets[24]. Elsewhere, if a decline in the amount of drinking water consumed is observed in some countries, a parallel need emerges for more sophisticated services in terms of inspecting the quality of the resource and in terms of water production, distribution, and sanitation and offsetting the former trend in terms of market.

In the United States, the Group believes that the sector offers substantial opportunities for consolidation owing to a very large number of small local companies as well as substantial needs in terms of infrastructure replacement.

In the emerging countries, where very substantial needs are still unmet, the Millennium Objectives[25] emphasize the fact that access to drinking water and to adequate sanitation services is necessary to protect human health and the environment. In this regard, the Millennium Declaration invites countries to commit to reducing the number of people without access to drinking water or without the means to access it by half by 2015. As a result, affected countries offer major opportunities for development with respect to the construction and operation of water treatment facilities and the management of water-related services. In this second case, the opportunities are associated with potentially high risks that must be overcome by defining the appropriate forms of contracts before considering any operations in those countries.

Waste sector

The nature of the services offered must be suited to the situation in each country, more specifically, to the level of economic development, the definition and application of environmental regulations, and the level of awareness of the community of the environmental issues. Accordingly, in the least advanced countries, the demand may be for waste collection and elimination services. For the more developed countries, the demand

22. As are services in the area of clean air, noise pollution and biodiversity protection, etc.
23. Source: Pinsent Masons Waterbook 2006-2007, data for the year 2005.
24. e.g., Italy, Spain, and the countries of Central Europe.
25. Objectives adopted in 2000 by the members of the UN at the World Summit for Sustainable Development.

extends to additional selective collection services, preliminary treatment, and sorting. For the most mature countries, the demand may be for comprehensive services including, in addition to the latter, biological treatment, materials, and energy recovery.

Moreover, four main sources of waste define the Group's main scope of activity: household and similar waste, industrial and commercial waste, waste from construction and demolition activities, and hazardous waste.

The Group believes that the volumes of both household and associated waste and industrial and commercial waste generated in Europe should experience an average growth of 1.5% and around 2.5% per year respectively by the year 2010 with notable disparities between the "old" and the "new" members of the European Union.

Current European regulations focus on recovery and set medium- and long-term targets for the reduction of the volumes placed at storage centers by directive. Each Member State chooses the methods they deem appropriate to meet the targets set. A breakdown among the different treatment solutions varies considerably from one country to another, and this leads to highly variable average prices per ton treated depending on the kind of waste and the region being considered. While it does not expect perfect harmonization, the Group believes that trends are converging towards developed treatment solutions (e.g., sorting, recovery, energy production from waste) and hence a demand must be met for the corresponding services.

The share of the waste services market open to private companies varies significantly from one country to another. This applies to collection services as well as treatment operations. In Europe, the gradual transposition of the directives by all the members of the European Union by 2020 should result in major investments in methods of waste recovery and should require the appropriate technical skills to build and operate those facilities. Such changes should cause local authorities to use private companies more often, particularly integrated companies that are active in all segments of the industry and that combine a sound financial position with expertise in advanced technologies.

The competition

The Group's main competitor is Veolia Environment; Veolia Environment and the Group are the only "global service providers" in the environmental services market on a global scale.

The Group also faces competition from a number of other players, including the following:

- government agencies, which may decide to keep or take over the management of their infrastructures;
- local companies adopting aggressive strategies when calls for tenders are issued;
- a number of finance companies (private equity and infrastructure funds) are investing in the markets by adopting aggressive strategies in acquiring assets and companies; and
- construction and public works companies (especially in Spain) and equipment makers in the water industry (General Electric and Siemens).

Concerning water management, in terms of revenues, the Group ranks second in the global water-related environmental services market, behind Veolia Environment.

From a national or regional standpoint, the competition often comes from local players in the construction or public works sector (Saur in France, Aqualia (Groupe FCC) in Spain).

In the United States, American Water (a subsidiary of RWE) is the main player, but it operates only in that country; the Group (through United Water) faces competition primarily from Aqua America and Veolia Environment. In Asia, competition comes mainly from local conglomerates.

In 2007, asset disposals and the shift towards consolidation remained substantial, particularly in the United Kingdom. In the United States, Acqua America continued its acquisitions policy. In France, Saur was sold to a consortium comprised of Séché, la Caisse des Dépôts et Consignations, and Axa Asset Management.

In the area of waste management, in terms of revenues, the Group ranks third in the international waste management market behind Waste Management and Veolia Environment.

In Europe, the main competitors are Veolia Environment, Remondis, FCC, and Biffa. Germany's Remondis has become a leader in waste management in Germany in the past three years and ranks third in Europe in terms of revenues; however, its main focus is still Germany and Central Europe.

In 2007, the rate of purchases and consolidations remained steady, especially in Northern Europe, with the sale of Sulo (Germany) and TMT (Italy) to Veolia Environment, the sale of Saur (and hence of Coved) to the same consortium, the sale of U-plus by EnBW to Alba (which in turn bought into Interseroh); in addition, the AVR-Van Gansewinkel alliance went into effect, thus creating a strong leader active throughout the waste cycle in the Netherlands and Belgium.

6.3 EXTRAORDINARY EVENTS

Refer to Section 6.1.1.3. …

6.4 DEPENDENCE ON PATENTS, LICENSES OR CONTRACTS

Refer to Sections 11 “Research and development, patents and licenses” and 4.2 “Industrial risk and risk related to the economic, commercial and contractual environment”.

6.5 COMPETITIVE POSITION

Refer to Sections 6.1 “Principal Activities” and 6.2 “Principal Markets”.

6.6 SUSTAINABLE DEVELOPMENT – ENVIRONMENTAL AND CORPORATE INFORMATION

Sustainable development

In 1987, the Brundtland Commission defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. At company level this means voluntarily incorporating the social and environmental aspects of management activities and taking account of the needs and expectations of stakeholders. The ultimate goal of sustainable company development is the harmonious long-term development of its activities.

The Group’s Mission – “delivering the essentials of life” – and the Group’s values, which include respect for the environment, ethics, partnership, professionalism, team spirit and value creation, make sustainable development an essential component of the identity of SUEZ. That is why SUEZ has adopted the three dimensions of sustainable development – economic growth, social development and preservation of the environment – as the foundation of its strategy since its creation in 1997. The spearhead of its growth and its competitiveness, this approach is also the guarantee of the Group’s longevity.

Sustainable development: a strategic initiative

The Sustainable Development approach adopted by SUEZ constitutes both an added level of risk protection and a lever for the growth of its activities. This approach is based on three historical convictions:

Our business: to provide sustainable solutions

Sustainable development is the very core of the SUEZ businesses: electricity, gas, energy services, water and waste treatment. For more than 150 years, the companies that form the Group have been delivering services essential to life and the economic and social development of populations. Today, more than ever, our customers – businesses, local communities and individuals – expect our teams to provide the solutions that meet the requirements of sustainable development: competitive, but also respectful of man and the environment.

Our responsibility: to control our impacts

At the end of 2006, SUEZ had 139,814 employees and served over 200 million individuals, 500,000 businesses and 3,000 municipalities throughout the world. For employees, customers and residents, the Group's operations have a direct impact on the jobs, health, safety, and the environment of millions of people, an impact that SUEZ is committed to controlling through the implementation of sustainable solutions.

Our purpose: to create value

SUEZ has always been convinced that sustainable development creates value for all its stakeholders. Innovating in order to offer its customers sustainable solutions is a source of growth. Likewise, recycling the by-products of its operations, guaranteeing a quality working environment for its employees, and adapting their skills to the changes in its businesses, all contribute to its performance. Finally, the control of its environmental impact on shoreline residents and the contribution it makes to local economic and social development determine the ability of the Group's subsidiaries to conduct their businesses over the long term.

The five sustainable development challenges facing SUEZ

Among the major challenges facing the Company today, SUEZ has identified five that are directly related to its businesses. They form the foundation of the Group's strategy to ensure its own sustainable development while contributing to that of the planet.

1. Climate change

This major challenge touches nearly all the Group's businesses, since the production of energy and heat, as well as the operation of landfills, may be significant sources of greenhouse gas emissions. SUEZ participates in this fight by controlling its own emissions and those of its customers.

2. Preservation of resources

The depletion of our natural resources and damage to biological diversity are realities directly tied to meeting the needs of modern society. As a power company and a manager of water and waste treatment services, SUEZ is committed to controlling its consumption of fossil fuels, assisting its customers to reduce their consumption, and preserving our water resources, while developing its industrial facilities with respect for ecosystems.

3. Quality of life

Guaranteeing the quality of life for current and future generations is the purpose of sustainable development. For SUEZ, it goes beyond simple compliance with environmental and societal regulations. The Group must constantly anticipate the potential effects of its activities and its strategic choices on its employees, the populations it serves, and the residents near its sites, and it must also participate in the economic and social development of the communities within which its teams work.

4. Changing markets

The globalization of markets and environmental challenges are profoundly changing the economy. Certain sectors, like the energy sector in Europe, are deregulating, new economies are emerging, and regulations and technologies are evolving. These are all opportunities for the Group to transform into sources of sustainable and profitable growth.

5. Local roots

While the problems of sustainable development are global, the solutions are often designed at the local level based on geographic, political, economic, and social contexts. The preservation of water resources does not call for the same response in a temperate or wealthy country as in an arid or emerging country. Whether it is fighting climate changes, improving the quality of life of local communities, or adapting to economic shifts, the efficiency of a business's actions depends on its position in its territory. This reality is even more vital for a local, long-term player like SUEZ. Water and energy distribution and waste or effluent treatment are, above all, local activities: wherever it operates, the Group establishes itself for the long term, and the jobs that it creates cannot be moved elsewhere. For SUEZ, strengthening its local ties is an operational priority in order to meet all its challenges.

An action plan for long term development

In order to support its strategy, SUEZ has set up an organization dedicated to sustainable development and has defined management tools and a priority action plan throughout the Group.

To guarantee effectiveness, SUEZ's commitments to sustainable development are carried out at the highest level, by the Group's Chairman and Board of Directors. They are backed by an organization that is both group-wide and in direct contact with the local communities: a Steering Committee, composed of five members of the Executive Committee, and one representative from each division of the Group, and a Department of Sustainable Development that is connected through a network that operates within the Group's various entities. This network passes on best practices and monitors the completion of the action plans in the field.

In order to provide a better response to its stakeholders and improve its performance, SUEZ has defined an action plan for the entire Group based on five priorities:

1. **translate the values of sustainable development into our practices and our culture:**
- develop a sustainable development program in each SUEZ subsidiary;
- share best practices within the Group;
- integrate criteria for social, societal and environmental evaluation in our management practices;
- present an annual progress report to the Ethics, Environment and Sustainable Development Committee of the Board of Directors;
- expand the scope of the coverage of the environmental and social reporting;
- raise the level of external certification of the environmental and social reporting;

2. **incorporate sustainable development in our product offers for the benefit of customers and users:**
- adapt our business models to changing markets and to the local political and regulatory environment;
- build products that allow local communities and manufacturers to improve their environmental and social performance;
- consolidate customer relationships through regular monitoring of customer satisfaction;

3. **protect the environment:**
- maintain our site compliance and manage regulatory changes;
- inventory and control environmental risks as part of the SUEZ risk management policy;
- minimize the environmental impact of our operations over the long term;
- expand environmental management systems (EMS);

4. **promote the company's social commitment:**
- promote equal employment opportunity;
- attract and retain talent;
- promote diversity and respect human rights;
- maintain a good faith social dialogues at all levels;
- develop skills in order to promote employability;
- guarantee health and safety in the workplace;
- strengthen motivation and the professional growth of all employees through regular collective and individual assessment.

5. **act as a corporate citizen:**
- ensure our operations are grounded in the community;
- identify the stakeholders in each subsidiary;
- ensure dialogue with society and non-governmental organizations;
- strengthen the ethics policy of the Group;
- define the Group's sponsorship policy;
- integrate subcontractors and suppliers in our sustainable development approach.

This action plan is implemented in all the Group's business units. The Group regularly evaluates the implementation of its action plan, primarily through the environmental and social reporting tools it created in 1999, in order to ensure that it is effectively deployed and that there is continuing progress in its extra-financial performance.

6.6.1 ENVIRONMENTAL INFORMATION

6.6.1.1 Environmental policy

Due to the nature of its activities, SUEZ is positioned at the core of environmental concerns: climate change, pressure on water and energy resources, and the protection of our natural environment and heritage. While the Group's activities can have a positive impact on the environment, they also have impacts on natural resources and the environment that must be measured, controlled and reduced to a minimum through a process of continuous improvement. Moreover, potential environmental nuisances or damage expose the Group to various types of risk, which may generate additional costs or affect its image and reputation (see Section 4.5 *Environmental risks*).

SUEZ takes concrete measures to reduce the direct impact that the production of electricity, energy services and gas-related activities have on the environment. The Group has implemented a Sustainable Development management program one of whose objectives is to reduce the financial risk associated with environmental management.

SUEZ innovates and is active in proposing its municipal and business customers solutions to their environmental issues that are both efficient and cost-effective, helping them carry out their legal responsibilities for managing water and waste products and improving their use of energy resources.

The Group ensures that all installed or managed facilities and services continually comply with the growing demands of environmental regulations, anticipating new legislation in order to ensure that it best meets the expectations of its customers and stakeholders.

Through a network of Environmental Officers, the Group encourages its subsidiaries to implement environmental policies based on their particular activities, local economic conditions, and the expectations of their industrial and community customers.

Risk management is a daily function, based on the growing number of certified environmental management systems implemented within the group and on risk management plans developed for that purpose. Employee training, innovation, and research programs all contribute to the operational control of these risks. The Group naturally carries out studies of the environmental impact of its activities prior to any installation and closely follows their deployment with regular measurement of emissions and discharges to ensure that they remain in conformity with the relevant regulations.

At the end of 2007, the entities which published a Statement of Environmental Commitment represented 92.2% of sales relevant to the Group's environmental impact (versus 89.8% in 2006). These commitments may lead to the implementation of environmental management systems (EMS) based on economic conditions and the business interest in this type of process. These systems therefore rely on documentation, a comprehensive set of procedures, and specific objectives defined as part of a process of continuous improvement. These EMS may then, when justified, be subject to external certification. At December 31, 2007, 50.3% of pertinent sales (47.9% at Dec. 31, 2006) were covered by certified environmental management systems (ISO 14001 certificates, EMAS registrations, ISO 9001 version 2000 certificates with an environmental component, and local certifications).

Indicator names	**2007 data**	**Scope covered (% of pertinent sales)**
Environmental policy or commitment statement	92.2% pertinent sales	99.99%
Environmental management program	75.2% pertinent sales	99.99%
✓ – Certified environmental management system	50.3% pertinent sales	95.31%
Certified environmental management system – ISO 14001		
✓ – Number of sites/activities covered	1,254	99.97%
Certified environmental management system – EMAS		
✓ – Number of sites/activities covered	16	99.99%
Certified environmental management system – Other standards		
✓ – Number of sites/activities covered	3,210	99.99%

✓ *Reviewed by Auditors.*

Whenever the implementation of a certified or registered Management System is not economically justifiable, the entities involved are encouraged to define an internal environmental management system which guarantees proper treatment of the environment during execution of their strategy. Some Group entities have thus found it more useful to define their own management system standards and have them recognized internally.

Nearly 63% of the Electrabel sites in Europe, including the two nuclear sites, are covered by an ISO 14001 certificate and/or are EMAS registered. Processes designed to improve environmental results continue to be implemented and certification processes have either been initiated or are being prepared for several sites.

During 2007, Castelnou (Spain), Saarbrücken (Germany) and several SHEM sites (France) obtained their initial ISO 14001 certification. Numerous other sites are actively preparing for certification between 2008 and 2010 (Rosen, Roselectra, Napoli Levante and Leini in Italy, all SHEM and CNR sites in France, and Amercoeur, Ruien, Rodenhuize and Langerlo in Belgium).

Several SUEZ Energy International (SEI) plants also earned ISO 14001 certification. Others are presently engaged in the process of obtaining certification.

In 2007, SUEZ Energy Services had 184 ISO 14001 certified sites, 36 sites more than in 2006. Through their environmental management, the entities also assist the certification of their customers and, more generally, contribute to their progress targets, which can also be achieved by integrating the environmental dimension in the ISO 9000 procedures. Tractebel Engineering makes a positive contribution through its consulting services for ISO 14001 and EMAS, which have been offered since 1996.

SUEZ Environment aims to have all its qualifiable and pertinent activities ISO 14001 (or equivalent) certified under international standards, first ensuring that the process of informing and consulting residents, users, associations and employees is completed so that this recognition is understood and shared. In 2006, the Department of Operations, Research and Environment (DORE) of SUEZ Environnement earned ISO 9001:2000 certification, awarded by BVQI consultancy, for all its activities, including networking through the Business Technical Committees (BTC) process. SUEZ Environnement thus became the first company in its business sector to be certified for the support it provides to its subsidiaries. Issued on the basis of international standards applied in over 100 countries, this certificate recognizes the maturity and efficiency of the operational research and support services.

In 2006 and 2007, SUEZ established a **system for dynamically self-assessing** the maturity of Environmental Management Systems, thus enabling operational sites to easily identify areas for improvement and evaluate the adequacy of their EMS in the light of local circumstances. This system also allows them to monitor their progress and conduct a comparative analysis with other Group sites.

In addition to this ongoing effort to improve its environmental management systems, the Group also continually works to educate personnel about environmental issues, as is shown by the percentage of "quality-security-environment" training sessions (29.1% of the total number of training hours) and the total amount invested in these programs (over €21.7 million in 2007).

6.6.1.2 Strengthening performance measurement and monitoring systems

In order to direct the deployment of its environmental policy, control environmental risks and encourage the communication of its environmental performance to stakeholders, SUEZ has been committed to implementing a specific reporting system since 1999. Development of this system was based on work carried out by international bodies such as the Global Reporting Initiative and the World Business Council for Sustainable Development (WBCSD). It complies with the requirements of the French New Economic Regulations. The reporting exercise completed in 2007 and the Group's practices in this regard, have contributed to improving procedures for collecting and disseminating data on the environment. This information is also distributed through the Group's Activity and Sustainable Development Report and the reports produced by the branches.

Environmental reporting is closely linked to reporting on operational performance and therefore serves as a management tool.

In the environmental businesses, indicators that measure and improve environmental and operating performance are reported to the central level, and the results provide feedback for the operating managers. They show the progress achieved and provide an overview and a specific picture of each of the different entities performing comparable activities within the Group.

This desire to include environmental elements as an integral part of management processes is led by the Group's Executive Management and implemented in the field by the operating teams. Environmental audits are carried out by auditors trained in the Business Units and by Corporate departments to ensure that environmental regulations are respected in the field and to measure major environmental risks. Level 1 environmental audits are organized in order to verify that all resources necessary are available to the environmental officers so that they can collect and report the best information available on their environmental performances.

A letter system for ethical compliance and for environmental conformity ensures the involvement of operational management which undertakes to provide quality information which accords with benchmarks, and is controlled, verified and confirmed.

Group companies pay close attention to controlling the various impacts of their activities on the environment, as evidenced by the performance levels reported in the following sections.

6.6.1.3 Managing the environment day by day

The environmental policy of the SUEZ Group intends to stimulate initiatives at the operational level that respond to the major challenges of sustainable development, such as climate change, the preservation of natural resources, and the control of environmental impacts.

a. Legislative and regulatory framework

Environment-linked legislation is increasing rapidly, and the Group's activities are so varied that any regulation aimed at reducing emissions into air, water or soil, or impacts on biodiversity and health, have a more or less direct influence on the Group's management of installations.

For European installations the Directives and their transpositions into national law are the reference texts, acting as constraints or sources of progress. Four categories can be distinguished:

- regulations imposing restrictions on performance by type of facility, such as the IPPC (96/61/EC) and LCP (2001/80/EC) directives;
- regulations governing local or global impacts on affected areas, such as the directives for a Community Policy concerning Water (2000/60/EC), Ambient Air Quality (96/62/EC) and Environmental Responsibility (2004/35/EC);
- directives establishing global objectives imposed on emitters such as the directive setting national emission ceilings (2001/81/EC), establishing the exchange system for greenhouse gas emission quotas (2003/87/EC), and those promoting cogeneration (2004/8/EC) and the use of renewable energies (2001/77/EC);
- and finally the various specific directives such as directive 2003/105/EC, (the Seveso directive), governing the storage of dangerous products, the Wastes directive currently being negotiated, the Underground Waters directive, the Bathing Water directive, the European REACH regulations, requiring the registration of tens of thousands of chemical substances produced or imported in Europe, the E-PRTR regulations, which significantly enlarge the obligations for yearly reporting, etc.

Each of these directives is subject to periodic revisions, the content of which is difficult to forecast precisely, but which tend to push for more systematic enforcement of restrictions. In addition, their transposition into national and regional legislation is often extremely inconsistent, with each government including its own environmental objectives and socio-economic restrictions.

In practice, the oldest facilities are most affected. Compliance with this legislation cannot be assured without significant investments in overhauling facilities (scrubbing emissions, relocation of emitters, etc.), conversion from one fuel to another, or the fundamental transformation of a facility (conversion of conventional plants into combined-cycle plants).

In particular, since the implementation of the European directive initiating a market for greenhouse gas emission quotas in the European Community (effective as of January 2005), any energy sector facility which has not obtained a greenhouse gas emission permit is in principle not authorized to emit greenhouse gases and, therefore, is not authorized to operate. Failure to observe the quota (total emission rights not equivalent to the volume of emissions) for Year n, will result in the reduction of the volume of quotas (rights) by that amount in Year n + 1.

In addition, political decisions such as the abandon of nuclear power in Belgium, or procedural difficulties in obtaining new permits (for biomass in the Netherlands and offshore wind farms in Belgium) may ultimately have a negative effect on the Group's activities and on the continued improvement of its environmental performance. If provisions adopted in January 2003 for Belgium's gradual exit from the use of nuclear power to produce electricity are actually implemented, this could result in a loss of revenue over the anticipated technical life of the plant, starting from the date of the first effective shutdown (2015).

The activities of SUEZ Energy Services affected are primarily those services that supply energy from facilities that they operate (heating network concessions, outsourced industrial cogeneration units, etc.). Environmental questions likely to have an impact on the utilization of intangible fixed assets are identical to those cited for SEE. However, the economic model for these activities generally makes it possible to work out optimal solutions with the customer, implement these adjustments, and integrate the economic repercussions into the contracts.

The same constraints affect SEI. These restrictions are imposed by national and local laws, or, in their absence, by the World Bank's *Environmental Guidelines*.

It is interesting to note that increasing the severity of restrictions encourages the use of outsourced services through companies such as SUEZ; effectively, greater severity in restrictions makes demands on the service providers that the bigger companies are better placed to meet.

For SUEZ Environnement, some directives have already had significant consequences and have led to major investments in upgrades to meet standards. These directives include a directive regulating the incineration and co-incineration of hazardous and non-hazardous waste (2000/76/EC) and directives on urban wastewater treatment (91/271/EEC and 98/15/EC). Work underway at the European level on composting, the treatment of sludge and the quality of drinking water may also make it necessary to make new investments in order to be able to continue operations.

Environmental Responsibility

Directive 2004/35/EC of the European Parliament and the Council dated 21 April 2004 on *environmental responsibility with regard to the prevention and repair of environmental damage* is currently being transposed in the majority of European countries.

The Directive, whatever the transposition, defines additional rules of responsibility toward a new third party: the environment (limited to water, soil, species and natural habitats). Damage may be found (by the public authorities) even if there is no proven fault and even if the facility causing the damage is in compliance with its permits and licenses. According to this directive, the operator is the primarily responsible party. However, the text stipulates non-retroactivity and will apply, therefore, only to damages caused after the date of transposition.

The SUEZ Group is preparing for the implementation of this text, by identifying the sites most affected by damages identified in it, i.e. the Natura 2000 zone and sensitive rivers. A map of the sites is being prepared to provide a list of the sites most likely to cause environmental damage. This vulnerability has two aspects: these sites may be potentially polluting (pollution by treatment and landfill facilities, by effluents from a purification station, sludge) or potentially the victims of pollution (pollution of the water resources used for drinking water, pollution of soil by a third party).

An individual approach is employed on previously identified sites, as in France, for example: a self-administered evaluation questionnaire about exposure to potential risks was sent to the sites, and in the case of potentially worrying results, visits and technical meetings were organized, and consultations were held with local stakeholders to inform all concerned of the evaluation, increase awareness and ultimately identify the actions to be taken. The action plans thus decided are rigorously followed up by the correspondents of the branches concerned.

b. Climate Change

The institutional framework governing carbon restrictions results from the United Nations framework agreement on climate change, the Kyoto Protocol and, in Europe, the directive governing the European Union Emissions Trading System (EU ETS).

The European directive which established the European market for quotas affects almost 12,000 facilities in Europe and controls almost 50% of European emissions of CO_2. European decisions about plans for allocations over the 2008-2012 period were only finalized in December 2007. The quotas allocated were 10.4% less than requested by member states.

The “Projects” directive (adopted in 2004), which has just amended the EU ETS directive, establishes the means by which businesses may use the emission reductions generated abroad in CDM (Clean Development Mechanism) and JI (Joint Implementation) projects, in order to meet their European objectives for the reduction of greenhouse gas (GHG) emissions in the EU ETS system.

The Commission’s decisions taken in 2006 and 2007 concerning the allocation plans specify the limits within which greenhouse gas emission creditors may be used. These limits are specific to each country and depend on the effort required to meet the Kyoto objectives. We should also note that details of allocations per installation for 2008-2012 are not yet available for all member states.

The conditions required for trading emission credits, which are specified in the Kyoto Protocol, have not yet been met by all countries. At the beginning of January 2007 the EU countries published the initial report on the quantities allocated. The connection between European (CITL) and international (ITL) registers does not yet allow the exchange of CERs between countries.

In 2007, the Group’s greenhouse gas emissions (GHG), excluding its vehicle fleet, totaled 82.1 million tons eq. CO_2, including 76.6 million tons eq. CO_2 for the production of energy, and 5.1 million tons eq. CO_2 for environmental activities.

Indicator names	**2007 data**	**Scope covered (% of pertinent sales)**
✓ Total greenhouse gas emissions (excluding vehicle fleet)	82.1 Mt eq. CO_2	100%
✓ CO_2 emissions – Energy production	76.6 Mt	100%
✓ CO_2 emissions – Transport and storage of gas	0.3 Mt	100%
✓ CH_4 emissions – Transport, storage and distribution of gas	9.9 Kt	100%
✓ GHG emissions – Controlled landfill sites	2.7 Mt eq. CO_2	100%
✓ GHG Emissions – Incineration	2.3 Mt eq. CO_2	100%
✓ GHG emissions – Waste water treatment	0.1 Mt eq. CO_2	95.3%
CO_2 emissions – Vehicle fleet	0.7 Mt	98.72%

✓ *Reviewed by Auditors*

The impact of the provisions made to fight climate change is particularly important for the heat and electricity generating activities of SUEZ within the EU (mainly affecting Electrabel and Elyo). The activities of the energy services branch (SES), intended to help our customers to reduce their energy consumption obviously contributes to the reduction in greenhouse gas emissions, while the Environment branch is more concerned with methane emissions from landfill sites.

SUEZ is both subject to a risk – the risk that its production costs for electricity and heat will increase in the countries listed in Appendix B – and benefits from various opportunities, which range from higher margins now possible on electricity produced without associated CO_2 (nuclear, hydroelectricity, renewable sources) to the expected growth in the market for energy consulting and energy efficiency services for major accounts. This is an area in which we have significant expertise, particularly at SES, the European leader in this segment. Such opportunities include the development of specific projects for reducing greenhouse gas (GHG) emissions which generate value in the frameworks of CDM (Clean Development Mechanism) and JI (Joint Implementation) (see end of this chapter).

The relative scale of these two trends (risks and opportunities) is largely dependent on the measures to be taken by various public authorities to meet their obligations under the Kyoto Protocol. The greatest uncertainty concerns the structure and level of restrictions that will result from international agreements aimed at controlling GHG emissions in the long term (after 2012).

However, by taking early initiatives (“learning by doing”), through its unique combination of business activities (in environment, energy, liquefied natural gas trading and industrial services), through the flexibility of its production capacity, through an organizational structure that combines policy communications at Group level with actions taken at the decentralized operational level, and by its efforts to contribute to the development of technologies allowing significant emission reductions over the long term, SUEZ has made excellent preparations for the future and is in a favorable position compared to its direct competitors.

In this connection, all of SUEZ’s activities collaborate in an ongoing effort to upgrade awareness of GHG emissions with the assistance of Tractebel Engineering’s Study Group. Computerized annual environmental reporting systems covering CO_2 emissions have been implemented.

Beginning in January 2005, European facilities subject to the EU ETS directive have been required to oversee their emissions in accordance with protocols validated by their national authorities. They must make annual declarations after verification by authorized inspectors.

For all the Belgian production sites and natural gas transmission sites concerned, **Electrabel and Fluxys**, in cooperation with Tractebel Engineering, have developed a protocol for monitoring and declaring CO_2 emissions in compliance with European regulations as transposed in the three Regions of the country.

Some of these sites may use up to eight different fuels. These protocols provide detailed tracking of the information flow and show the role and responsibility of each participant, without losing the advantage of centralized management of the fuels used and the inventories to be declared. They are updated annually to track changes in the production processes, the measuring equipment, and the fuels used.

The optimized supervisory process is incorporated in the quality management system used by Electrabel and Fluxys. An internal audit procedure including detailed checklists has been developed, and internal audits are carried out to provide the best possible preparation for declarations of emissions. The monitoring process has been approved and is audited by the appropriate regional authorities.

For the initial period 2005-2007 in France, **Elyo** benefited from its experience and obtained validation of its methods for tracking and calculating emissions from heating networks and outsourced installations by the ministry of Ecology and Sustainable Development, as soon as the national regulations were in place. Each of Elyo's sites then adapted these methods for the surveillance to be used at each installation concerned, which were themselves approved by the relevant local authority (the DRIRE).

A similar approach was adopted in 2007 for surveillance planning for the second period in accordance with developments in Community regulations, in anticipation of the publication of national rules.

In 2007 the arsenal of regulations transposing the "Projects" directive was completed in France, allowing the launch of projects qualified as "domestic". The purpose of these projects is to generate emissions credits for actions that are not already within the scope of the quota directive (for example, reduction measures on heat networks in which the production facilities have a capacity of less than 20 MW, or the installation of biomass boilers). The concrete results of this launch appeared in the referencing of the first project methodologies by the MIES (*Mission Interministérielle de l'Effet de Serre*/ Interministerial Greenhouse Effect Committee) at the end of 2007. Elyo is now introducing numerous eligible projects.

For **SUEZ Environnement**, under the aegis of EPE, (*Entreprises Pour l'Environnement*, the French partner of the World Business Council for Sustainable Development (WBCSD)), professionals in water and waste management represented by SUEZ Environnement, VEOLIA, and TREDI SÉCHÉ, have developed a proposal for a protocol for evaluating GHG emissions for all the sanitation and water sectors.

This draft protocol for measuring GES emissions has been offered to other companies and suggested to the European Commission as a possible standard. It is compatible with the GRI and the GHG protocol. Its goal is to be usable at international level. The major points of interest of this protocol lie in the reference data validated by the major professional players and in the demonstration that, as a specific result of professional water and sanitation activities, it can play a significant role in avoiding GES emissions, through the production of renewable energy and the return to the market of secondary raw materials derived from sorted and recycled waste. The protocol allows improved definition of the contributions of different activities in terms of "emission statements" instead of remaining at the stage of adding up direct and indirect emissions.

Furthermore, SUEZ Environnement has launched research programs with the following goals:

- the measurement of certain specific emissions whose reference data were not suitable for the generalized calculations included in its reports;
- research in activity sectors that could be suitable for development for the production of renewable energy from biomass (in particular the household waste sector).

In view of the development of so-called "domestic projects," SUEZ Environnement has also proposed initiatives that could result in projects in France and the United Kingdom. These developments relate primarily to improving the capture and treatment of biogas from discharges, especially from those already closed.

The SUEZ Group already had the structures and knowledge necessary for managing CO_2 risk before 2005. This preparation has enabled entities within the group to waste no time in incorporating the economic trade-offs based on the choice of fossil fuels and the use, purchase or sale of quotas. This experience has enabled the Group to make a place for itself in the market for emission rights through the scope of its trading activity.

Each of the Group's subsidiaries, in every country where they are active, is involved in the national processes concerning greenhouse gas emissions.

The Group is continually reducing the specific CO_2 emissions (calculated on a like-for-like basis) related to its production of power and heat: the use of natural gas and gas-steam turbines (combined cycle GST) for power production, cogeneration for urban heating and industrial applications, and the growing use of biomass in traditional facilities.

In addition, **SUEZ is an active participant in the development and promotion of other renewable energy sources** (wind, hydraulic, biomass) where economic conditions permit. In 2007 these accounted for almost 9.8 GW of installed electricity equivalents, an increase of 49% over 2006 (this figure concerns either facilities owned 100%, or partnerships, and excludes any minority holdings) (see Section C, *Access to sources of renewable energy*).

At SEE, the new 400 MW GST installations at Leini, Vado Ligure and RosElectra (Italy) came on line in 2007.

The use of biomass is encouraged, most often in combined production with coal. Electrabel has in fact intensified its research effort in this area in recent years. They are becoming a reality today in various plants. Electrabel has achieved a world first in the Wallonia region: Awirs 4, which previously functioned on coal, is now exclusively fuelled by wood granules, generating 80 MW of power. Various modifications have been made at the Langerlo and Rodenhuize facilities to allow biomass cocombustion: In Poland, the Polaniec plant is partially fuelled by forest industry residues, which significantly reduces its emissions. Tests are being conducted to expand supply sources to include other types of biomass (agricultural residues, straw, etc.)

Wind energy is also developing. Permit applications have been filed for about a hundred MW in Belgium, and even more in other European countries. Electrabel – Netherlands is developing a large off-shore wind farm near Eems. Numerous other projects are in the study phase or in the process of completion in southern Europe.

To resume, the new production capacities with low CO_2 emissions installed in 2007 by Electrabel are presented in the following table:

		MW
France	**Wind turbines**	
	Maisnières	12
	La Compagnie du Vent	95.8
Italy	**Gas Steam Turbines**	
	Leini	386
	Roselectra	386
	Vado Ligure 7	778
	Wind Turbines	
	Longano	10.2
	Capracotta	9.4
Portugal	**Wind Turbines**	
	Caramulo (Generg)- extension	6
	Gardunha (Generg)	72
	Mosqueiros	8
	Mourisca	38
	Nave	38
	Perdigao (Generg)	2
	Pinhal (Generg) – extension	28
	Serra de Ralo – Videmonte	32
	Trancoso	28
Belgium	**Wind Turbines**	
	Volvo Trucks	6

This data pertain to all SUEZ units, including equity interest and contracts signed with third parties.

For SES, only half of Elyo's energy production is conventional, primarily from natural gas. The other half comes from cogeneration, recovery of waste energy, and renewable energy. This energy mix, with a growing portion consisting of renewable energy sources, allows a minimal use of fossil fuels and significantly reduces emissions when compared to traditional systems. 2007 saw the continued development of wood-based energy and numerous biomass installations were initiated, for example on the heating network at Chambéry (start-up in 2009), or the supply of heat and domestic hot water to France's first future town eco-quarter, in Limeil-Brévannes.

After its success in the first invitation to tender issued by the CRE (Energy Regulation Commission) for the production of bio-electricity in industrial installations, in August 2007 Elyo replied to the second invitation to tender of this type.

SUEZ Energy International is active in renewable energies through its subsidiaries. The figures presented below exclude minority interests.

- In Brazil, Tractebel Energia has four hydroelectric power plants (3170 MW installed capacity) and a cogeneration thermal plant using wood residue as fuel (28 MW) and 25 t of steam/h (installed capacity).
- In Peru Enersur has a hydroelectric power plant (130 MW installed capacity).
- In Laos, Houay Ho Power Company operates a 153 MW hydroelectric power plant (installed capacity).
- In the United States, SEGNA has 12 thermal plants that use wood residues as fuel, in whole or in part (124 MW and 2623 t of steam/h (installed capacity).
- In Canada, Ventus has a wind farm of 29 MW installed capacity and wind generation projects under construction for a capacity of 80 MW.

In the natural gas transport segment, Fluxys is pursuing its proactive environmental policy in the spirit of the Kyoto Protocol. In 2006 Fluxys decided to join the benchmarking system in Flanders. Fluxys made a commitment to conduct benchmarking on the energy efficiency of its facilities with comparable facilities in the world. It made a commitment to make all profitable investments in energy efficiency. The benchmarking study will be updated every four years.

In pursuit of this commitment, in 2006 Fluxys developed various energy management plans covering all the adaptations required to improve the energy yield of “Kyoto” sites, enabling them to reach the best world level as of 2006 and to maintain this enviable position in comparison with a more rigorous benchmark with a 2012 horizon. Compared to the 2006 benchmark, the yields achieved by the LNG terminal and compression station at Winksele are equal or superior to the best world levels. The other “Kyoto” sites are reaching their target values.

So that all installations can reach the best world level by the end of 2007, energy management plans provide for a number of adaptations, which were carried out during 2007. These include the replacement of standard boilers by high yield boilers in Peakshaving at Dudzele and in the storage plant at Loenhout, and the replacement of air compressors at Peakshaving and in the Weelde compressor plant.

Although the yield of the LNG terminal is already above that of world best levels, investments in 2007 included the installation of frequency regulators on the biggest electric motors, the replacement of electric motors by high yield motors and the renewal of the external lighting system with more efficient lamps and installations.

Total investment in 2007 for energy efficiency from LNG was approximately €1.5 million.

Innovation

As regards control of CO_2 emissions from the operation of thermal plants, SUEZ and Electrabel are examining the promising field of **CO_2 collection and geological storage**. A joint program of research and demonstration in this field has already been under way for several years and receives a high level of investment within the Group. The technology for the collection and storage of CO_2 emissions should ultimately enable the Group to underwrite its investments in new coal-fired capacity in a context of increasing CO_2 constraints, and to maintain the flexibility which today characterizes its electricity generating capacity. As soon as the institutional and legal context is clearly established and the economic and financial conditions for profitability are achieved, the Group will choose sites capable of using thermal plant equipped with CO_2 collection and storage systems.

In Germany and the Netherlands, Electrabel has decided to build 3 coal-fired electricity generating plants, using a high efficiency technology that will reduce CO_2 emissions by 20% compared to the previous generation of power stations. In designing its power stations, Electrabel takes account of the possibility of subsequently retrofitting a CO_2 collector. This technology is currently very costly and consumes a lot of energy; it is the subject of numerous R&D projects. This period of optimization of the processes involved will also enable the legislator to establish the legal framework governing the underground storage of CO_2. The Group has decided to be present in this area of R&D, which is why Electrabel is an active participant in European projects such as CASTOR, CESAR, DECARBit and MoveCBM, whose results will make it possible to progress towards clean coal-burning power plants.

SUEZ and other European partners is actively searching for one or more sites suitable for carrying out targeted tests or even an integrated demonstration project for the collection and storage of CO_2.

In the environmental sector, efforts are focused on optimizing collection circuits, the progressive replacement of the vehicle fleet and the use of less polluting alternative fuels, the collection and treatment of methane from landfills, and the retreatment of purification sludge. With regard to the treatment of non-hazardous waste, the policy consists of improving recycling, producing high quality compost and green energy from its incineration plants and its technical landfill centers. As regards the latter, SITA is pursuing a program of collection and exploitation of the methane resulting from waste fermentation as soon as financial and economic conditions make possible the investments and resale of the energy produced (the gas collected is either burned and transformed into CO_2 to reduce the greenhouse effect of the methane, or used in the production of electricity).

SUEZ Environnement intends its environmental performance to improve. There has been a decline in its direct GHG emissions from landfills and incinerators, and in its indirect emissions through the reduction in the consumption of primary energy by water treatment facilities and drinking water and waste water treatment facilities. SUEZ Environment also improved its “emissions avoided” statement through improved use of landfill and incineration wastes for energy generation and the recovery through waste sorting of recyclable products for use as secondary raw materials.

Project mechanisms

SUEZ remains alert to opportunities which may arise in the context of CDM (Clean Development Mechanism) and JI (Joint Implementation) projects when the anticipated revenues cover the additional costs of GHG reduction. Several experiments are underway in the energy and environmental sectors alike.

One example is the project for the Lages cogeneration plant (28 MW + 25 t/h of steam) which has been developed by Tractebel Energia (a subsidiary of SUEZ Energy International) in the state of Santa Catarina in Brazil. The plant uses non-recycled wood residue as the fuel. By avoiding the production of methane from the organic decomposition of this residue, the Lages plant reduces emissions by 220,439 t eq. CO_2/year. The project was registered as a CDM project (UNFCCC) in April 2006.

Knowledge of flexibility mechanisms acquired at Group level has enabled SEI’s subsidiaries to design and document projects in preparation for their integration into CDM, while remaining close to their basic areas of expertise. SEI is thus well placed to seize the opportunities in this market.

New CDM projects are in preparation in Latin America and Asia.

One of the critical phases in an evaluation of the profitability of CDM or JI projects is establishing the basis on which the emissions reductions will be measured. Aware of this challenge, Tractebel Engineering has developed skills and experience so that it can offer the Group and its customers intensive expertise in this area. To this end, Tractebel Engineering participates each year in Conferences organized by the UNFCCC and, since 2005, in the trade fair and conference of CarbonExpo in Cologne. In 2007, two Memoranda of Understanding were signed with Electrabel (Trading) and SEI respectively, to assist them in the analysis and development of potential CDM or JI projects in which they may wish to invest. In 2007, some fifteen such projects were examined in this context. At the end of 2007, Tractebel Engineering began to develop a network of CDM/JI facilities with the subsidiaries in order to be able to offer services in this field from local bases.

Finally, as an example of the actions undertaken by the Group, we refer to the brochures published in May 2005: “SUEZ – Renewable Energies” and “SUEZ – Combating Climate Change.”

Trading emission rights

Our experience in this field increases our ability to react promptly and efficiently to future developments in the market for CO_2 emission rights. In all situations where significant investments are required, the analysis of the risk factors and economic impact still present numerous uncertainties. These uncertainties include fluctuations in fuel prices (particularly with the introduction of CO_2 restrictions), the possibility of being able to take advantage of incentive mechanisms intended to promote renewable sources, administrative delays required to obtain operating licenses for new facilities, and the market prices adopted by the European system of emission quotas. Our experience in these areas is an important success factor.

Electrabel’s Trading division, which is specialized in the gas and electricity markets, has been able to use its knowledge and the Group’s experience, and has strongly developed its experience in the area of trading emission rights, performing a growing number of transactions on the emerging CO_2 market. This contributes to establishing Electrabel’s global position in emission rights. In addition, SUEZ-TRACTEBEL is also an active member of the International Emissions Trading Association, which includes the most proactive companies in the area and also benefits from significant exchanges of operational information and the respected voice of the association with international authorities.

Electrabel has invested USD5 million in the World Bank’s Prototype Carbon Fund. The Fund was closed in 2007, having reached its ceiling of USD180 million. Despite the delays due to difficulties in financing such innovative projects, the purchasing contracts for emissions saved allowed the first phase of the fund (prospecting and development) to be completed, with a portfolio of some 25 projects. In four years, the Fund will have studied over 400 projects to build this portfolio, which is diversified in the technologies employed, the type of gas targeted, and geographic distribution. The experience gained in the development of projects for combating climate change is centralized and disseminated among subsidiaries to allow them to launch their own projects and thus encourage the discovery of investment opportunities. Several individuals in the Group have also had the opportunity to undergo specialized training in the Carbon Finance centre at the World Bank in Washington.

With the exception of Canada, SEI is active only in countries not included in Appendix 1 of the Kyoto Protocol or the countries in Appendix 1 which have refused to ratify the Protocol and which are therefore not required to reduce their greenhouse gas emissions. In the near future, therefore, SEI’s subsidiaries will not be faced with regulatory restrictions on greenhouse gas emissions (except for the plant in West Windsor in Canada, which is a gas cogeneration facility of 112 MW). Very close monitoring of the situation is conducted for various countries in which SEI operates. In the United States in particular, the adoption of the Memorandum of Understanding (MOU) on the Regional Greenhouse Gas Initiative (RGGI) commits the signatory states (Connecticut, Delaware, Maine, New Hampshire, New York, New Jersey, Vermont, Maryland, Massachusetts and Rhode Island) to reducing CO_2 emissions as part of a cap and trade program. Other legislative initiatives were adopted in California and Arizona in 2007, and may have a ratchet effect at Federal level. In February 2007, the Western Climate Initiative (WCI) was launched. This is a collaboration undertaken by the governors of the states of Arizona, California, New Mexico, Oregon and Washington, aimed at the development of regional strategies to fight climate change. The state of Utah and the provinces of British Colombia and Manitoba in Canada also joined the WCI in 2007. The Group is following these developments closely.

c. Access to renewable energy sources

The Group continues to make progress in gaining access to renewable energy sources. In Europe the Group is progressively contributing to the objective established by the EU, of supplying 20% of total energy consumption in renewable energies by 2020. Electrabel's objective is to have an electricity production capacity from renewable energies of 6,300 MW in 2009, representing 18% of its total installed capacity.

Indicator names	2007 data	Scope covered (% of pertinent sales)
Installed power:		
✓ Total renewable sources	9.8 GW el eq.	100%
✓ Small hydraulic	0.3 GW	100%
✓ Large hydraulic	8.2 GW	100%
✓ Wind	0.2 GW	100%
✓ Geothermic	0.02 GW el eq.	100%
✓ Biomass (specific + co-combustion)	0.4 GW el eq.	100%
✓ Biogas	0.1 GW el eq.	80.05%
✓ Incinerator (biodegradable portion of wastes)	0.5 GW el eq.	100%

✓ *Reviewed by Auditors*

These capacities correspond to the environmental reporting scope.

The Group has a particularly diversified portfolio of renewable energies, being present on all energy sectors both in Europe and world-wide.

The Group continues to pursue its development policy in this respect. The proportion of its capacity represented by hydraulic power production remains central, but the other energies are growing in importance.

In 2007, the most notable development concerned the reinforcement of the Group's position in wind energy. In Portugal, over 250 MW of new wind farm capacity was brought into service. Three farms (108 MW) were bought from Gamesa, and Generg, subsidiary of Electrabel, brought a further 144 MW into service. Other wind farms were brought on line in Italy (20 MW), Belgium (6 MW) and France (12 MW). Electrabel also took a holding of 50.1% in La Compagnie du Vent, one of the leaders and most advanced developer of wind energy in France. At end 2007, it had a wind power capacity in service of 96 MW and a capacity of 64 MW under construction. Its aim is to bring its wind power capacity up to 2,000 MW by 2015, when projects now under development will have been brought on line.

2007 was also marked by SUEZ's entry into the North American wind power market. SUEZ Energy North America acquired 100% of Ventus Energy Inc., a Canadian wind power development company. Its project portfolio includes nearly 2000 MW of capacity, of which 29 MW is in operation and 178 MW under construction. In addition, SUEZ Energy North America acquired, through Ventus, ground rights over approximately 7 million hectares of land for the development of its projects. On the occasion of this acquisition, SUEZ Energy North America created a new division dedicated to renewable energies, "SUEZ Renewable Energy NA".

d. Energy efficiency

The consumption of primary energy and electricity are managed with utmost care for energy efficiency.

Indicator names	2007 data	Scope covered (% of pertinent sales)
Consumption of primary energy for:		
✓ Energy production	314,082 GWh	100%
✓ Gas transport, distribution and storage	1,900 GWh	100%
✓ Waste treatment	2,356 GWh	100%
✓ Collection and treatment of waste water	686 GWh	95.28%
Consumption of electricity for:		
✓ Energy production	2,072 GWh	100%
✓ Waste collection and treatment	244 GWh	99.86%
✓ Collection and treatment of waste water	1,067 GWh	98.8%
✓ Drinking water treatment and distribution	1,563 GWh	99.13%

✓ *Reviewed by Auditors*

At SUEZ Energy Services (SES), Elyo and Axima Services are strengthening their positions as providers of energy efficiency and environmental services. They optimize their facilities and those of their customers in order to reduce consumption without, however, affecting the effectiveness or quality of the supply. This policy also holds for every step in the service, from the initial diagnostics to implementation, in the selection of equipment and the energy source. In addition, Elyo takes care that the return of energy systems does not decline over time. As the operator of the facilities entrusted to them, they react to every anomaly and mobilize their expertise. They make a long-term commitment through result-oriented contracts, and thereby guarantee the continuity of the environmental performance.

To support this general approach, each of the entities of SUEZ Energy Services has developed its expertise in an ongoing effort to achieve gains in energy efficiency: public lighting for INEO, turbines for Fabricom GTI, Energy master plan for Tractebel Engineering, etc.

Since 1990, Electrabel has started up approximately twenty generating plants fitted with gas turbines, combined cycle plants (gas-steam turbines, GST), and co-generation units. At various sites in Spain and Italy, new GST units are under construction. Other investments are under study for other countries. GST plants, which are among the highest performing production technologies, allow us to obtain returns in the range of 55%.

In addition to improving its own performance, Electrabel offers its customers a broad range of services, allowing customers to monitor their consumption of electricity, natural gas, water and fuel via secure Internet connections, and thus to adapt their consumption and develop an efficient energy policy. Electrabel also makes available to its customers a wide range of training programs focused on the rational use of energy.

e. Nuclear energy

The two Belgian nuclear sites offer a very high rate of availability and, in 2006, provided 66% of Electrabel's total power production in Belgium. This output, compared with the best natural gas technologies, prevents the emission of at least 20 million tons of carbon dioxide every year; thus, it makes a very substantial contribution to the effort to reduce greenhouse gas emissions. A steady reduction in the volumes of low and medium radioactive waste was also achieved. In effect, in relation to the kWh produced, the volume of those wastes in 2006 represented half the volume in 1997. This result was achieved thanks to continual efforts to improve the technology and organization. However, a limit has been reached given current technologies.

The corresponding emissions of liquids and gases remain well below authorized limits.

Pursuant to the Belgian government agreement of 1999, the proposed law on the progressive withdrawal from nuclear energy for power production was adopted in January 2003. This text essentially provides for the deactivation of the plants forty years after they were commissioned for industrial service and a ban on the creation or operation of new nuclear power production units. However, one section of the law authorizes adjustments in an event of *force majeure* related to power supply security with the government's authorization. Under this law, the first decommissioning would take place in 2015.

The fuel used in Electrabel's nuclear plants is essentially enriched uranium and, in certain cases, a mixed fuel containing plutonium oxide and uranium oxide. All supplies for the plants are provided by Synatom, a company held by Electrabel, in which the Belgian government holds a "golden share." This "golden share" allows the government to oppose any decision it deems contrary to national interests and to be represented on the Board of Directors, where the Belgian government has two members. Synatom is supplied under long-term contracts with several foreign suppliers.

The downstream segment of the nuclear fuel cycle represents all the operations related to this fuel after it is used in a nuclear reactor. The costs related to this part of the cycle are, and will be, covered by provisions at Synatom. These provisions, which totaled €3.18 billion at the end of 2007, are governed by the Law of April 11, 2003.

The cost of dismantling nuclear plants after their closure have also been provisioned under the law of April 11, 2003. The provisions established at end 2007 stand at €1.89 billion. Tractebel Engineering contributes, through its ongoing assistance to Electrabel, to the improvement of all aspects of the operational performance of the Doel and Tihange nuclear plants, from managing major modifications, operational, support, safety studies, managing the life cycle of the equipment, optimizing fuel use or managing wastes, through to validation of the decommissioning principles.

In addition, Tractebel Engineering actively participates in improving the environmental impact of the nuclear sector in several countries and in the development of high-performance and reliable methods for storing radioactive waste (in Brazil, France, Belgium, etc.).

Indicator names	2007 data	Scope covered (% of pertinent sales)
Radioactive gas emissions:		
Rare gases	34 TBq	100%
Iodines	0.16 GBq	100%
Aerosols	0.01 GBq	100%
Radioactive nuclear waste (weak and average activity)	272 m^3	100%
Radioactive liquid wastes:		
Beta and Gamma emitters	24 GBq	100%
Tritium	111 TBq	100%

f. Managing and protecting natural resources

The increasing scarcity or degradation of resources in certain countries where the Group operates has led SUEZ to sensitize its operations to the need for an integrated management of natural resources, in particular the dependence on fossil energies, economies in raw materials through substitution of recycled wastes, the preservation of the quality of water reserves through the purification of waste water and finally the restoration of water intended for consumption.

This is an approach that integrates all the issues related to water and sanitation services (preservation of the resource, agriculture, land management) and the resolution of potential conflicts through negotiations with all stakeholders.

Procedures to monitor the quality of drinking water that is produced and distributed, as well as the discharge from purification stations, are carried out at the local level through self-inspections that are reported to head office; the head office then measures the changes in performance. In the area of waste-water purification, SUEZ Environment, in partnership with the communities for which it operates, ensures compliance with and, if possible, anticipates the standards for waste water discharges and the use of sludge. The indicators reported concern the consumption of water related to the process and its industrial use.

Indicator names	2007 data	Scope covered (% of pertinent sales)
Consumption of water for industrial use:		
✓ Consumption of surface water	53.1 Mm^3	72.66%
✓ Consumption of water table water	4.1 Mm^3	100%
✓ Consumption of public network water	14 Mm^3	97.71%
Water consumption for cooling:		
✓ Consumption of evaporated surface water	140.7 Mm^3	71.62%
✓ Consumption of water table water	7.3 Mm^3	100%
✓ Consumption of public network water	8.1 Mm^3	99.92%
✓ Technical yield from drinking water supply networks:	73.8%	95.58%
Quantity of leachings collected in the storage centers	3.5 Mm^3	100%
✓ Quantity of leachings treated	3.4 Mm^3	100%
✓ Pollution load treated in sanitation networks (DBO5 eliminated)	489.5 Kt/year	95.08%

✓ *Reviewed by Auditors*

Preservation of natural resources is also achieved by encouraging the evaluation and recycling of wastes. The percentage of waste recovered in the form of matter or energy represents 45% of the total waste treated in the waste treatment sector. The Group believes that the recovery of treated sewage sludge (56.2% in 2007) for use as agricultural fertilizers is also a promising market. In 2005, the Department of Operations and Research of SUEZ Environnement developed and tested a sludge compostability test (BIODEC) that guarantees the quality of the finished products, particularly the spreading conditions. An introductory tool for assisting in the formulation of the initial mixtures of sludges and other compostables is offered to the Group's operators. The technical yield of the networks has dropped due to the inclusion of the contract for the city of Algiers.

SUEZ Environment is also developing its high-temperature incineration operations for hazardous wastes in specialized furnaces or recovers those wastes as replacement fuels with its cement plant partners. Another way to recycle hazardous wastes is the regeneration of used oils and solvents. SUEZ Environment is also substantially expanding its activities in soil reclamation and cleanup, either through operations performed on the contaminated sites, or by extracting materials for treatment in its network of specialized facilities.

Indicator names	2007 data	Scope covered (% of pertinent sales)
Production of specific waste:		
✓ Fly ash, refioms	3.2 Mt	100%
✓ Ash, bottom ash	2.8 Mt	100%
✓ Desulphurization by-products, gypsum	0.2 Mt	100%
✓ Sludge from waste water treatment plants	0.4 Mt	95.33%
Production of specific waste:		
✓ Non-hazardous	0.5 Mt	99.66%
✓ Dangerous	0.2 Mt	99.95%
Recovery:		
✓ Waste and by-products, excluding sludge	61.6%	93.5%
✓ Sludge from waste water treatment plants	56.2%	95.14%
Exploitation of energy from wastes:		
✓ Electricity sold (incineration and CET)	2,624 GWhe	100%
✓ Heat sold (incineration)	1,379 GWhe	100%

✓ *Reviewed by Auditors*

The businesses of the SUEZ group are implicitly tied to the resources provided by the natural environment and may, therefore, be negatively affected by environmental deterioration. The preservation of energy resources is also a strategic consideration for energy producers. This management implies, above all, the continual improvement of energy efficiency and the increased use of renewable energy sources (see Sections c and d).

All the wood used in the SUEZ plants is purchased from certified producers. Electrabel signs agreements with wood producers, which certify that the wood they are using to produce pellets does not reduce natural resources and does not damage the balance of threatened ecosystems.

g. Reducing and controlling pollutants

In Flanders, Electrabel, via the Belgian Federation of Electricity and Gas (FEBEG) and the Flemish Region reached an agreement on future reductions in SO2 and NOX emissions. This new environmental policy agreement sets ambitious targets for the period 2005-2009. The agreement entered into effect on January 1, 2005 and covers Electrabel's existing facilities. The power producers SPE and Aspiravi are also parties to the agreement. In Wallonia, discussions to develop a new sector agreement have not yet been concluded.

In order to continue to reduce acidifying gas emissions, Electrabel has initiated the adaptation of three units of the Ruien (Belgium) plant, with the installation of de-NOx-de-SOx units.

Indicator names	2007 data	Scope covered (% of pertinent sales)
✓ NO_x emissions	98,037 t	99.95%
✓ SO_2 emissions	202,151 t	99.99%
✓ Particle emissions	9,974 t	100%

✓ *Reviewed by Auditors*

Elyo uses a broad variety of techniques to continue to cut its emissions: reduction at source using an adapted energy package: water injection to reduce particles, urea injection to control nitrogen oxides, optimization of combustion and smoke treatment. This series of measures already compares very favorably with those for competing facilities; this is particularly true for the urban heating networks, the emissions from which are significantly lower than those that would be generated by tens of thousands of individual facilities.

In addition, Elyo has installed a high-performance system to track its emissions. Its VALERI software application automates the continuous auto-control system in the major combustion and incineration facilities. It is now offered in a version that meets in all details the very strict requirements of the two corresponding European directives (which are being applied gradually between 2003 and 2008), making it an unparalleled resource. Distribution has been industrialized with TINEA, a specialized entity of INEO.

Pathogens

Certain parts of cooling systems for energy production installations use river water. At certain times of the year, pathogenic organisms can develop in the cooling system, encouraged by an appropriate temperature. In order to avoid or at least limit this phenomenon, analyses, studies and means of control have been implemented over recent years. The Belgian laboratory of the Laborelec group conducts the scientific monitoring and manages the various application phases. In addition, in 2004, a plume condensation method was developed in order to evaluate the concentrations of pathogens in the steam at the outlet from the cooling towers.

In 2005, Laborelec consolidated the experience acquired over the last ten years in management of pathogenic organisms in water with the development of Governance Rules that stipulate the templates necessary to assess the risks and the plan to manage those risks. The Governance Rules were approved by Electrabel's Safety department and distributed for implementation within the organization at the end of 2005. Measurement campaigns are regularly conducted by a specialized laboratory.

In terms of the risk of Legionnaire's disease, Elyo offers its customers an optimized operating approach adapted to each facility, which can be easily integrated with pre-existing services. In contrast to partial and occasional measures, this is a long-term global approach. It is the result of specific work performed by the Group's research centers, combined with Elyo's operational experience, which covers tertiary and residential sites as well as industrial facilities. In collaboration with the Paris Ecole des Mines, Climespace has developed and patented a new type of cooling tower for its activity which eliminates the risk of spreading Legionnaire's disease by eliminating the plume.

PCBs

In the 1980's, a number of government administrations and insurance companies recommended using transformers with Askarel in order to reduce the risk of fire in the Group's facilities. It was subsequently found that the principal chemical component in the product, i.e. the PCBs, was hazardous to the environment and that its use would be prohibited by 2010. In order to comply with this international agreement and its implementation in both Europe and Belgium, treaties were signed with the Belgian authorities to identify the facilities concerned and schedule their decommissioning pursuant to authorized procedures. This decommissioning is being done linearly; and the Group is ahead of schedule. Moreover, Electrabel has developed Electrabel PCB Full Service which can be used by its customers to remove devices containing PCBs.

h. Management of biodiversity

Biodiversity is the term for the biological wealth represented by all living organisms and their relationships with their environments. The diversity of biological species underlies our rich reserve of natural resources and "free" services. The protection of this diversity is vital. Deterioration of biodiversity is now a concern and may result in the decline in the natural resources vital to the group's businesses.

The SUEZ Group bases its Biodiversity policy on the actions proposed under the Convention on Biological Diversity adopted in Rio in 1992.

During 2007, a census of the most fragile zones in Europe has made it possible to grade the sensitivity of our activities in terms of their impact on biodiversity. This action was brought out during the debates held in France as part of the "*Grenelle de l'Environnement*". With the aid of internationally recognized experts, the SUEZ Group has undertaken to establish action plans at all its sensitive sites in France (over 70% of its sites) by the end of 2009, and by the end of 2012 in the rest of Europe.

A list of sites close to the Natura 2000 zones has already been prepared by SUEZ Environnement, and sensitivity programs are being developed (preparation of action plans). This approach has been extended to sites outside Europe, by superposing zones judged sensitive (WWF eco-regions and PNUE Hot Spots) and the exact position of SUEZ sites or futures installation zones.

6.6.1.4 Active prevention of environmental risks

In support of the central program for auditing control of environmental issues, the business lines and units are encouraged to implement their own system of environmental audits in order to accelerate coverage of their sites.

Specific internal procedures are being deployed at most of the sites in order to define responsibilities for environmental management and monitor the effectiveness of the performance of environmental audits concerning the levels of environmental compliance of facilities. Special attention is paid to operating permits with regard to impacts on air, water, waste and noise. In addition, the compliance of subcontractors' practices, the prevention of accidental discharges, the temporary storage on site of hazardous waste, and the existence of procedures for managing serious events are carefully assessed. These procedures are established to reduce to a minimum the risk of failure to comply with regulations or the operating permit, and to demonstrate the Group's commitment to contributing to the protection of human lives and the environment.

In the waste services businesses, each waste treatment site has undergone at least one environmental audit every 3 years. These audits identify any failures to comply with current regulations, detect specific risks, and implement correction plans.

Non-compliances reflect regular changes in the regulations which require upgrades of the operations. They also result from acquisitions of facilities for which investments have been planned or because of the simple ageing of managed facilities. The use of private operators is often justified by difficulties in managing facilities that are subject to increasingly strict regulations. When SUEZ assumes the management of facilities, some of those facilities may not necessarily meet regulatory requirements. It is clear that, given the size of the infrastructures, the investments and work needed to upgrade a system sometimes require several years in certain countries. In the event of non-compliance, SUEZ uses a variety of responses that may consist of improving the operational management of a site, or investing funds to strengthen or replace equipment.

Under service agreements and service delegation contracts, these decisions must be made with the approval of the customers, local authorities or manufacturers. Some investments remain their entire responsibility. However, the Group strives to alert its customers so that they can anticipate future standards. A major program was launched by SUEZ Environment to increase awareness among local communities that have entrusted the management of their household waste incinerator to the Group with a view to anticipating the European environmental regulations applicable since December 2005 requiring a reduction in authorized emissions thresholds. In some cases, when our customer has not made the investments to bring a facility into compliance, we have terminated our management. This audit program, which is monitored by the Department of Operations, Research and the Environment (DORE), is regularly presented to SUEZ Environnement's Management Committee and subject to regular reports.

In the water sector, each subsidiary is responsible for its own system for managing its environmental risks. A centralized control process, similar to the one established for waste, has been in action for the past 3 years. Audits of water treatment plants, storage of water treatment products, management of sludge from sewage plants and sites close to sensitive zones are given priority. Finally, risk-prevention plans are included or precede the implementation of an environmental management system.

There were 34 complaints and 16 fines relating to environmental damage, totaling €0.67 million in compensation. These figures are low given the size of the Group, the industrial nature of its businesses, and its direct expenditures for the environment. In 2007, environmental expenditures (investments and current operating expenditures related to environmental protection) amounted to more than €512 million for energy businesses and €2,158 million for water and waste businesses.

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Indicator names	**2007 data**	**Scope covered (% of pertinent sales)**
Environment related claims	34	99.4%
Environment related fines	16	99.78%
Amount of compensations	€667 thousand	99.62%
Environmental expenditure:		
– Energy Activities	€512 million	100%
– Environmental Activities	€2,158 million	100%
Environmental provisions (refer to Note 23 in the Appendix)	€5,444.2 million	100%

The management of industrial and environmental risks has two components: risk prevention and crisis management.

Indicator names	**2007 data**	**Scope covered (% of pertinent sales)**
Environmental Analyses	57.2% relevant sales	99.84%
Plan for prevention of environmental risks	63.8% relevant sales	99.33%
– Plan for management of environmental crises	70.5% relevant sales	98.87%

a. Crisis management for operating continuity

The business units have established crisis management plans that involve two levels of response: an emergency standby system to ensure immediate mobilization of the crisis management resources, and a proper crisis mechanism that effectively manages crises over a period of time. This plan particularly provides for the organization of a crisis unit that is capable of taking into consideration internal or external impacts, whether they are technical, social, health, economic, or image. For this purpose, the emphasis is placed on increasing the awareness and training of crisis management teams, particularly through simulations, and on developing a culture of exchange among local teams and their outside contacts.

The procedure known as "crisis standby" ensures that the Executive Vice President in charge of the Business line concerned and the CEO of the SUEZ Group are informed of any serious event as necessary. This emergency standby system covers the Water and Waste Treatment activities in particular, along with the nuclear activities, and is active 24 hours a day, every day of the year. It also ensures the feedback needed to improve the Group's crisis management procedures and risk control. Exercises to test these procedures were organized in 2007.

b. Environmental risk management policy – Law of July 30, 2003 governing the prevention of technological risk

Risk management is an essential component of the Group's environmental policy. The environmental risks related to the most dangerous sites are covered by strict and specific national and international regulations and are subject to regular inspections by public authorities and the Group's experts.

Within the boundaries of the European Union, the Group manages five "high threshold" Seveso classified sites in France, Belgium, Germany, Hungary and the Netherlands.

In the environment sector, SITA Remediation, a subsidiary of TERIS, operates the Herne plant in Germany (treatment of special industrial waste).

In the energy sector, Fluxys and Fluxys LNG (SEE) manage the sites at Zeebrugge (liquefied natural gas terminal), and Loenhout (underground storage of natural gas), and Electrabel operates the Gelderland and Dunamenti sites.

The Teris Loon Plage and Pont de Claix sites, initially classified "Seveso high threshold" and audited in 2004, 2006 and 2007, were closed in 2007. They are nevertheless being monitored, given the objectives of the Environmental Safety progress plan established for these sites.

The Herne site operated by SITA Remediation, a Teris subsidiary, uses pyrolysis to treat 30,000 tons/year of soil polluted with mercury, pyralene and PAH (polycyclic aromatic hydrocarbons). The site is classified as a Seveso "high threshold" site because of the potential stock of PAH contained in the soil, which exceeds 200 tons, the threshold limit in Germany. The site meets its regulatory obligations. A special impact study was conducted in 2003. An Environmental officer and a Seveso officer were appointed by the company and they are responsible for the correct application of the regulations. An annual three-day audit is conducted by the German Department of Environment and Labor. This site was audited in 2006 by the environmental audit team of SUEZ Environment. No major non-compliance or major environmental risk was detected on the site. In addition, the site is certified as *Entsorgungsfachbetrieb*, a German environmental certification, the renewal of which is verified annually by government audit.

Each Seveso site has an internal operations plan that includes a "crisis unit" component which is filed with the authorities. This plan is tested every year during exercises conducted jointly with the Civil Protection Administration. It includes a series of imperative actions, relayed to the management teams of Teris and SUEZ Environment. These crisis systems have procedures to follow that are tested regularly in exercises.

Fluxys and Fluxys LNG conduct a proactive policy to control risks related to well-being in the workplace, industrial safety and the environment.

Each employee contributes to the implementation of this policy through the responsibilities, tasks and authority assigned to him. The management structure will apply available resources in the most effective manner. Management and supervisors are responsible for compliance with and improvements to this policy.

Fluxys has formed competent teams to manage and control crisis situations resulting from incidents and accidents that occur in a facility operated by Fluxys or Fluxys LNG. The members of these teams have had special training in crisis management and practice drills are regularly conducted. An internal procedure and several instructions for crisis management have been developed by Fluxys. In addition, operating sites have emergency plans describing the local measures to be taken in the event of serious incidents or major accidents.

The Gelderland plant in the Netherlands, at which 500 tons of 25% ammonia are stored, is registered as a high risk Seveso site. As such it is subject to the full range of procedures listed above with regular audits.

Finally, the Dunamenti site in Hungary has been officially registered as a Seveso "high threshold" site since January 1, 2003 because of its large light fuel oil storage capacities. Dunamenti is required to maintain these storage capacities by decree of the Hungarian government. A program to prevent major industrial risks has been developed and implemented within the Company.

6.6.1.5 Elements of a methodology for 2007 environmental reporting

In order to ensure the transparency and reliability of the data it publishes, SUEZ has initiated the progressive review by its Auditors of the quality of certain indicators related to the environmental and corporate data published. The first step performed for the data from fiscal 2001 consisted of a review of the reporting procedures for performance indicators. In 2003 and 2004, the work performed led to an opinion on the reporting procedures for environmental and corporate data and on the quality of a limited number of indicators for selected entities. By incorporating the recommendations made by the Auditors, SUEZ continues the reinforcement of its systems of non-financial reporting. In 2005, the scope of the verification work was extended, which allowed the Auditors to expand the scope of their opinion to all data, and not limit their opinion only to the entities visited. Since 2006, the number of indicators verified has been increased and new methodology guides has been distributed following the comments made by the auditors during the previous fiscal years.

For environmental reporting, the year 2007 was marked by the completion of work in the following areas: clarification of the rules for definition of the reporting scope with regard to closed landfills and sub-contracted materials services, revision of certain coherence tests of, definitions of indicators and revision of existing methodology references (SO_2, NOx and PM emissions, mercury emissions, water consumption and waste). A review of Management indicators has been carried out in order to reduce their number and increase their relevance.

Special attention has been paid to improvement of the CERIS tool. CERIS is an IT solution for environmental reporting, developed by SUEZ in 2003 in its first version. It enables the management of the network of environment correspondents and coordinators, the management and documentation of the environmental reporting scope, the input, checking and consolidation of indicators, the production of reports and finally the supply or publication of the documentation necessary for the collection of data and the control of information feedback. In addition, CERIS has been reviewed by the Group's internal audit department.

In 2007, the migration of the CERIS reporting solution to a new version enabled SUEZ to put the accent on strengthening the system for controlling the figures input by the business units. CERIS now covers all the business lines and is today deployed directly inside certain business lines and subsidiaries. In 2007, this system was used at business line level for the Water business of SUEZ Environnement, which greatly increased the quantity of data managed within the system.

The procedures for defining the environmental reporting scope are such as to cover the performance and impact as a whole for the facilities in which the Group holds technical operational control. The legal entities included in the reporting scope were those whose operations were relevant in terms of environmental impact (excluding, therefore, energy trading and financial and engineering activities), and that were either fully or proportionately consolidated (based on the financial consolidation rules). Those entities report the performance and impact of the facilities in which they hold technical operational control, including facilities operated on behalf of third parties. These totals are then consolidated depending on the level of financial consolidation, with the exception of the sites or operations covered by SMEs, which are fully consolidated.

On the basis of consolidated revenues, relevant revenues (after excluding the revenues generated by the activities that are not considered relevant in terms of environmental impact) are defined and identified for each legal entity. The coverage of these relevant revenue figures by each of the environmental management indicators is carried over.

The set of procedures for reporting environmental data consists of a generic procedure based on standard guidelines to be used at the appropriate levels of the reporting process. The deployment of the procedures throughout the Group relies on a network of duly authorized environmental agents and coordinators. These procedures and work guidelines at the Group and business line level detail the collection, control, consolidation, validation and transmission of environmental data at the various levels of the organization as well as the rules that define the scope and consolidation. They include technical documents that provide methodological guidelines for calculating certain indicators. The list of the entities included in the scope of environmental reporting is attached to the procedures and guidelines.

The definitions of indicators used to measure environmental performance in the Group's activities have been revised on the basis of the Auditors' comments. They have also benefited from comments by operational managers represented in a dedicated work Group. The entire documentation is available on request from the Group's environment division.

The following should be noted about the data published in this report and in the Activity and Sustainable Development Report:

1. SUEZ has established a new indicator to measure its mercury emissions. However, because the concentration measured is close to the detection limits, the values reported are not sufficiently reliable for use in monitoring performance over time. In addition, some entities do not yet take these measurements;
2. responsible for the waste generated by its activities, the SUEZ Group maintains indicators of the value enhancement of its waste. However, concepts of waste and recovery vary between countries and local regulations. In addition, the data on recovered sludge include the tonnage of incinerated sludge without waste-to-energy recovery. With a view to continually improving the indicators it uses, the Group intends to examine closely those indicators and underlying concepts for its next reporting so as to harmonize waste accounting and tracking;
3. the reliability of the scope of the environmental reporting is one of SUEZ's priorities which evolves in an international context of the sale and acquisition of businesses. In this respect, the Group has undertaken an internal review for a better management of that scope. This will result among other things in the modification of existing procedures or the creation of a new procedure dedicated to the definition of the scope and applicable as of the next environmental report. This approach has been motivated by the fact that two SEI entities, considered as equity affiliates, were included by error in the 2006 reporting;
4. conscious of the stakes involved in the management of Water, SUEZ is also pursuing its efforts in the global control of water consumption, for all uses and types of site combined. Particular attention will be paid to the risks of double counting and the possible confusion between industrial water use and cooling water;
5. for consistency, the factor for conversion of thermal energy produced (GWhTh) into electrical energy (Gwhe) is maintained at 0.35 in order to show performance development during 2007. It will be revised if necessary for the work groups in 2008;
6. it should be noted that only leachings from Class 2 Storage Centres are reported;
7. indicators concerning auto-consumption of energy for energy producing activities have been eliminated and replaced by more relevant indicators that allow measurement of the energy efficiency of such operations;
8. the increase in the number of sites covered by certified systems of originates in changes in the methods adopted by certain entities during the fiscal year. The concept "site" applies at present to the lowest level (industrial site) and not to intermediate levels (regional entities) as previously.

The correspondence of the Group's environmental performance indicators with the New Economic Regulations and the Global Reporting Initiative is documented in the summary table of environmental performance published in the Annual Activity and Sustainable Development Report.

6.6.2 COMPANY INFORMATION

Introduction

Preparations for the merger with GDF restarted in September 2007, again entailing a very dense process of information and consultation with the staff representatives. While the project is still being finalized, information and consultation within staff representative bodies at French and European levels have been proceeding energetically. The opinion of the European Consultative Committee (ECC) was received at the beginning of January 2008, after seven plenary meetings and several dozen meetings of the ECC's committee, during which all the information was made available and questions were answered.

Since the beginning of the projected merger with GDF, SUEZ has kept its staff representative bodies informed, in accordance with the tradition of social dialogue that is a characteristic of the company. This long-term commitment has resulted in the signature of three new and innovative collective agreements, negotiated at Group level in July 2007: the forecast management of jobs and skills workforce diversity and equal opportunities and a Group profit-sharing program. These agreements – particularly innovative in both their subject matter and their scope of application – began to be deployed during 2007 (*read item 6*).

At the same time, the Department of Human Resources (DHR) has unveiled its ambitious medium-term action plan. Six priorities have been established: forecast management of HR, spreading of Group culture, support for change, optimization of information exchange and interface tools, quality of company information, and finally management of labor relations and HR matters related to corporate social responsibility.

As the HR department develops its position as a business partner of the operational teams, the assessment of its contribution to the efficiency of the Group is becoming more widespread. More than ever, HR departments have supported the operational personnel in preparing and managing change in the company. The general context of demographic transition accentuates the urgency of this approach: attracting and retaining talents, training efforts, better appreciation of seniority, definition of new career ladders, adaptation to fast-changing business and markets require strong commitment and a rigorous approach to efficiency.

As of 31 December 2007, the Group had 149,131 employees, up 6.7% from the end of 2006. With the exception of targeted developments in Europe, Asia and the Middle-East, there has been great stability in the Group's scope of consolidation and no major concession closures.

6.6.2.1 HR management planning

Anticipating needs in terms of human resources is fundamental to SUEZ's strategy. Key positions are identified in detail. **Senior managers** occupying top executive ("TopEx") positions receive special assistance in planning their careers, particularly through the Career Management Committee under the presidency of Gérard Mestrallet. The *Top Executive Management Program* organizes the development of the Group's senior management according to shared principles. Tools suited to the needs of the TopEx Group have been developed: an annual performance appraisal, evaluation and development modules in the *SUEZ Center for Development and Assessment*, coaching and mentoring.

At the same time, a pool of 1,200 potential successors has been created to fill the Group's 400 key positions. These **high-potential employees** follow the *Leaders for the Futur*e (LFF) program, which is geared to 3 categories of future executives. L1s are eligible to succeed to the TopEx Group. L2s need to further enrich their professional experience, while L3s are required to confirm their potential. It should be noted that the DHR has been particularly vigilant as to the diversity of LFF profiles: between 2006 and 2007, the proportion of women has significantly increased in the L1 population.

A full program of assessment, training and preparation is available to the LFF. The *SUEZ Center for Development and Assessment* conducts two programs aimed at helping the TopEx Group, L1s and L2s find their potential and establish their plans for personal development. In addition, SUEZ University provides two modules for assisting the TopEx and L1 populations. The Learning Expeditions have been designed as a tool for developing leadership and strengthening the links within the TopEx community. The Global Player program – obligatory for L1s and new TopEx members – trains confirmed high-potential employees to implement business strategies and manage change. Since 2007, the content of these programs has included the results of the Development Center session which each senior manager or high-potential employee has attended beforehand.

Recruitment is a major line of action for the Group. While the retention and development of employees are an essential part of the strategy, the development of activities and demographic transition in its principal markets have encouraged the Group to renew and develop its policy of attracting new talents. A major **employer image** campaign was deployed across Europe in 2007 with the aim of increasing the visibility of the Group's activities and meeting the recruiting needs anticipated by SUEZ: 20,000 people around the world in 2008 and 132,000 in total over the next six years. This ambitious campaign was the starting point for reinforcing and structuring recruiting procedures at Group level. Tangible proof of the priority granted to recruitment, a new "Recruiting Talents" Guide has been distributed throughout the HR Line with the goal of increasing the consistency and efficiency of recruiting processes and signaling best practices at the different stages: need analysis, search for candidates, selection, etc. A particular focus on the fight against discriminations is included in this Guide. Training workshops are planned throughout 2008 to ensure the effective understanding of these objectives by recruiters.

In addition to the actions carried out by the entities, the Campus policy has made it possible to develop structured relations with business and engineering schools, to harmonize practices between professional activities and to consolidate the brand image of SUEZ among young graduates. In 2007, SUEZ was represented as a Group at 21 recruitment forums in France and Belgium. An international deployment is planned for 2008.

Once the phase of recruitment is ended, the accent is put on the retention of talent and the prospects for personal development. The **career management** policy is based on a complete corpus of well-established principles and well-tried tools: based on "HR Guidelines" (*see elsewhere*), the *"Developing Talents"* guide gives structure to the HR development cycle and offers HR managers tools for preparing career management in the best way possible: from welcoming new employees to mobility files, including the annual reviews and succession planning. The Guide to Reference Positions presents – for HR managers and for employees – a broad overview of positions in the four Business Branches of SUEZ.

In terms of development, the Group provides employees with the resources enabling them to acquire the skills necessary for the exercise of their duties. While the **training** offered is primarily decided within the Branches and business units to guarantee they meet practical needs, the programs offered to Group managers by SUEZ University are a driving force a common corporate for career management. The business units are also invited to structure their approaches for facilitating the transmission of knowledge and know-how internally. The accent is in fact more and more on the retention of employees who have acquired experience within the Group. Prepared in 2007, the Group Seniors Plan is intended to give recognition to the contribution of seniors within the subsidiaries. Raising the awareness of managers and the HR line (through the distribution and application of dedicated Guidelines) and the preparation of the "second half of the career" are the first steps.

By establishing a single job exchange that can be accessed from all the Intranet sites of the Group, the recruitment and **mobility software suite** makes it easy for employees to apply for open positions. It has become an essential tool for employees who wish to change jobs internally and also for the Group's recruiters. The software is currently being installed in new entities; it is available to over 60,000 employees with access to the Intranet. It can also be consulted on Internet. The monthly magazine JobNews, which has a monthly circulation of 11,000 copies worldwide and is available on the intranet, provides a selection of job offers. This magazine, published in French and English, also contains feature articles on sectors with high recruitment needs and on changing markets. All told, and excluding first employments, 50% of management positions put on line have been filled internally – a stable proportion that is a sign of vitality and mobility within SUEZ. The "Principles of Mobility" make transitions from one entity to another easier, by organizing job changes upstream: negotiated notice periods, carryover of seniority, payment for relation costs, no trial periods, etc.

6.6.2.2 Commitment to the group and the spread of its values

Launched in 2004, the "*We are SUEZ*" corporate project is based on four mainstays (strategy, image, organization, and management way) to reinforce cohesion within the Group. The project is designed to enhance strategic dialogue, give the Group a strong brand image, and create a fluid organization, as well as to spread common managerial practices. The emphasis placed on the spreading of a "management way" unique to SUEZ highlights the importance given to developing specific operating methods and a corporate culture, based on the variety of the Group's locations and businesses. The "SUEZ management way" draws on principles and policies already in place and enhances their unifying power: Group values and Charters, the corporate project, the leadership skills of the TopEx community, etc. The definition of a profile for "the SUEZ manager 2012" is also one of the current projects and is of increasing significance in light of the preparations for a merger with GDF. Finally, the continuation of the SHERPA project re-affirms the overall cohesion of the organization. To this end, SUEZ University has organized workshops for raising the awareness to the new organizational methods.

The "*HR Guidelines*" formalize the principles of the HR approach and set out the role of HR managers within SUEZ. The content of these Guidelines was updated in 2006, with the participation of the HR division. Concurrently, a glossary has been created to harmonize the definitions of the 23 HR "*Key Performance Indicators*" for SUEZ. These two programs contribute to the creation and durability of a shared language and management practices.

Also for the purpose of harmonizing practices, the Group's Health and Safety guidelines have been expanded to include the management of accidents and incidents, in order to make explicit the approach specified in the Health and Safety Charter, and also to include the evaluation and control of risks and work permit systems. The new rules of governance are in addition to those relative to sub-contractors and temporary workers which have already resulted in a significant reduction in the number of fatal accidents in these employee populations.

The various training modules offered by SUEZ University are also an opportunity to build a shared vocabulary and to reinforce the consistency of management practices. In 2007, 124 seminars were offered to nearly 4,350 managers (20% more than in 2006), raising the total number of beneficiaries to more than 16,700 in five years. The "Discovery" program for new managers, the "Explorer" program for junior managers, and the "Focus" series of themed training sessions for experienced managers (leadership and change management, interpersonal communication, management by project, finance, HR, and health and safety management among others) contribute to the emergence of a homogeneous identity within the Group via the dissemination of a shared vision and an exchange of good practices. The systematization of interfaces between the LFF program and the Development Center also reinforces overall coherence and links between Business Lines, in everything concerning high-potential employees and senior managers.

By providing a more efficient vehicle for the company's brand image, the new version of the Campus policy also contributes to constructing the identity of SUEZ and spreading it outside the Group – a point strengthened through the employer image campaign. Finally, another major tool for ensuring internal cohesion is monitoring employee shareholding transaction: employees continue to own more than 3% of the company's equity and remain the beneficiaries of plans launched in recent years. The transaction carried out in 2007 was once again a notable success: the number of subscribers passed the 53,000 mark, for a total of over 13 million shares. The subject of one of the three Group agreements of summer 2007, the Group profit-sharing program has the same objective: to reward employees for their loyalty and engage them in the Group's economic and financial objectives. In 2007, this agreement took the form of the distribution of an identical number of shares to each employee, regardless of nationality, rank, title or seniority.

6.6.2.3 Supporting change management

In line with the strengthening of its role in supporting change, the HR staff work very closely with the business units by implementing job planning and forecasting tools. The inclusion of an HR component in SUEZ's medium-term strategic plan is indicative of the Group's goals in this area. The HR department's contribution to Group performance is increasingly quantifiable, and lies at the heart of the action plan: evaluation of the results of programs, monitoring of payroll and headcount. These forecasting tools aim to anticipate needs with a horizon of 6 years, and action plans in consequence have been developed by the BUs to meet them, based on a quantitative and qualitative analysis of HR risks.

In addition, "Succession Planning" enables upstream preparation of developments in the organization's key functions resulting from the demographic transition. This approach has been extended to technical departments, in particular those considered "critical" by SUEZ. The lengthening of working life in the European countries requires that career management tools be reformulated with an accent on the permanent development of personnel employability and capitalization on experience gained within SUEZ entities.

In the shorter term, a management scorecard makes regular summaries of the major HR trends in order to facilitate their steering as close as possible to the immediate needs of the entities. The flexibility of this tool for change management assures it widespread use among the various echelons of SUEZ: entities, Branches and Group. Taking change management into account is at the heart of every program in SUEZ University, in particular the strategic appraisal modules for senior managers ("Semafor" and "Learning Expedition"). Change management also occupies a significant place in the training programs "Global Player" and "Leadership & Change Management".

6.6.2.4 Optimization of HR processes and development of shared interfaces

As a part of the SHERPA organization project, the Group-wide optimization of support functions holds a prominent place. A mapping of HR processes is being used to ensure the readability and consistency of decision and action circuits.

Centres of HR Expertise have been developed within SUEZ on topics requiring a high degree of specialization, such as the management of expatriates, pensions, and manager training (SUEZ University). These dedicated structures offer the entities a range of services and advice of very high quality. By creating added value they accompany the decision-making process and also play a role in operational management (information of employees and calculation of contributions for pensions, for example). Concurrently, a network capable of capitalizing on knowledge and know-how acts as an internal consultancy, providing targeted assistance to operational managers as occasion demands.

The Group is also developing "**Shared Service Centres**" (SSCs) for managing accounting, personnel administration, and IT infrastructure. By using their "critical mass" to create economies of scale, the SSCs ensure substantial gains in productivity and quality (optimized costs, creation of a real client/supplier relationship) and, at the same time, enable harmonization of practices within SUEZ. The Group's SSC program is intended to cover all entities in France, Belgium and the Netherlands, with current deployment being concentrated as a priority on the major entities.

The Group has introduced **HRIS** (HR Information Systems) **governance** proposing shared standards for tools and reference bases, both functional and technical. Optimization and sharing of HR processes relies on the use of high performance IT tools. The Group's recruitment software suite provides an interface for assistance with recruitment and internal mobility, at the same time causing the practices of the 500 SUEZ recruiters to converge. The tool also establishes a very complete range of indicators measuring the performance of the recruitment process: number of applications handled for a position, time between publication of the announcement and signature of the contract, etc. The **Who's Who in HR** gives the detailed profiles of the Group's 700 HR managers, with the aim of facilitating the sharing of experiences within the Group and also of enabling operational personnel to call on the expertise available internally.

As regards potential synergies, the DHR has renegotiated the conditions of **employee benefit plans**. Economies were made in France and Belgium. The size of the Group and its international dimension have also made it possible to group the needs of subsidiaries for employee benefits and healthcare cost coverage, thus improving the structure and transparency of the finance for this cover as required by law. In the context of its Human Resources Development Policy, the DHR has also contributed to the establishment of new **pension plans** and has paid particular attention to the contents of individual and collective information on supplementary pension plans in France and Belgium.

6.6.2.5 Consolidation and Management of corporate data and information

A new tool for corporate reporting was rolled out in 2007 with more and better functions (immediate consistency checks, dedicated zones for qualitative analysis, greater ease of use, more widespread checks). This tool is accessible via a secure web connection and supports the transition towards quarterly reporting of certain key indicators, intended to track company changes in real time, both centrally and at subsidiary level. Concurrently, the rigor required for **reporting** has continued to increase. Certain indicator definitions have been more closely defined and cooperation has been deepened with the Health and Safety Network, which manages the consolidation of data concerning occupational injuries. It is no surprise, that social reporting extends to an increasingly wide range of Group activities, offering a faithful reflection of the realities of entities within the Group. In 2007, the average level of cover for the 120 indicators published was 97.8%.

As in previous fiscal years, the specialized services of the Statutory Auditors were engaged to verify selected company indicators published by the Group. As a result of the work carried out at the sites of entities and the head offices of the Branches and the Group, the recommendations made in 2007 have enabled SUEZ to improve the quality of the company data published.

6.6.2.6 Management of social issues and development of corporate responsibility

The European Consultative Committee (ECC) and the French/central works council ("Comité de Groupe") held special discussions with management and personnel representatives concerning SUEZ's economic and social strategy. The consultation momentum resulting from the projected merger with GDF made it possible to bring to a conclusion the **negotiations** about **new collective agreements**, whose goal was to continue and unify at Group level **a social dynamic** that exists within the entities. The three agreements signed in July 2007 focus on the forecast management of employment and skills (PMES), workforce diversity and equal opportunity, and a Group profit-sharing plan. Currently being deployed in France and Belgium, the PMES agreement extends and systematizes the work carried out as within the ECC since 2004 regarding "the right to lifelong education and training throughout life". While the test regions for implementation of the agreement have already been chosen, consultation with staff representatives continues before deciding on areas for priority action and the tracking indicators to be used. An in-depth analysis of the Group's vocational functions and their evolution in the medium term has already been carried out.

The ECC continued to oversee the commitments made by the Group regarding labor rights. Thus, monitoring of the **application of the International Social Charter** provided a detailed analysis of the results at business line and country levels. Based on the principles of the same Charter, the **social audit module** was again used to throw specific light on social practices "in the field" among the entities of the Group. This is an interactive tool that directly canvasses the company's internal stakeholders (employees, managers, members of the DHR and union representatives). The evaluation grid used provides a complete mapping of the various parts of an entity's HR policy. This approach complements the quantitative approach to social reporting.

Representatives of the **Health and Safety** Executive Committee, which includes General Management and ECC representatives, regularly follows the Group's results and the extension of the Charter and the rules of governance. It analyzes the causes of serious accidents and the preventive actions implemented and collaborates in the expansion of the frame of reference. The external audits program, which was completed this year, confirmed compliance with the requirements of the Health and Safety Charter and the maturity of the management systems in place. Recommendations and corrective measures have been deployed and a program of follow-up audits will now begin. The deployment of the Global Action Plan 2005-2010 is a major part of the work of the Health and Safety Network. The latter has just been updated to take account of actions already completed and to place an emphasis on the evaluation and control of risks, a sensitive point identified during the audits that have been carried out. A noteworthy improvement in the performance of the Branches has been recorded since this was implemented. Specific training has been available from SUEZ University since 2005: the number of beneficiaries has increased 25% in 2007 (nearly 1,600 managers concerned). A module on the behavioral aspects of health and safety management will be developed in 2008. Exercises in to raise awareness, operational training courses, and the inclusion of HS objectives in the evaluation of managers have made considerations of health and safety a part of daily operations for the entities. Finally, the "health at work" topic, already covered under rules of governance (*see above*) and checked during audits, has been extended: the psychosocial aspects of work, musculoskeletal disorders and addictive behaviors are the subject of discussions led among the Health and Safety Network, the HR line and the social partners.

SUEZ has also continued to promote exchanges with all stakeholders through the **International Social Observatory** (ISO). The source of the Group's commitment to "the right to education and training throughout life", the ISO feeds its results into the pilot work carried out in certain SUEZ entities: A close examination of major trends in training resulted in a dedicated conference in Paris in July 2007. The "Globalization, Social Responsibility and Governance" task force focused on the topic of governance for a period in which the actors in civil society are occupying more and more ground in the mechanisms of public and private decision. The Health task force collected the experiences of large companies, unions and other committed actors, with the aim of making health policy a vector for social progress, both in developed countries and in emerging markets.

The principles of **corporate social responsibility** (CSR) heavily influence the priorities of the HR action plan and were the topic of a presentation at the "HR for HR" training course offered by SUEZ University. The collection entitled "**Commitments**" which has just appeared is a compendium of the foundation texts underlying the Group's actions and the major partnerships on the topics of equal opportunity, employment, personal development and the fight against social exclusion. It includes **the** "**SUEZ Responsibility**" agreement, signed by the ECC in July 2007. Its application by the entities will be monitored by the Diversity Commission of the EEC: new performance indicators are under discussion and will illustrate the progress made with regard to the integration of handicapped persons, hiring of young people and the opportunities offered to seniors. The SUEZ recruitment processes have already been screened to check their compliance with the Group's policy of non-discrimination.

More specifically, a series of projects concerning workforce **diversity** have been pursued successfully, their common characteristic being the idea of starting from what is needed in the field and using the resources available locally. Created after the signature of the Diversity in Business Charter in 2005, the internal Diversity network is a site for the exchange of good practices and the source of concrete actions. The national agreement signed with the ANPE (French national employment organization) in January 2006 has resulted in a fruitful cooperation between the ANPE agencies and the French subsidiaries, with an efficient harmonization of the needs of the subsidiaries with the profiles of people touched by exclusion from the job market. Signed at the end of 2006 with associations and institutional partners, the agreement "enlarging sourcing diversity" is expanding the recruitment pool for SUEZ subsidiaries by bringing in candidates touched by discrimination during hiring. SUEZ also heads business clubs on subjects including equal opportunities and local employment. In addition the insertion policy is defined according to local needs: encouragement of apprentices or a return to work policy. The approach in favor of the employment of handicapped persons follows the same line of thought. The logical result of diagnoses carried out in 2006 on the brakes preventing the employment of **handicapped persons**, action plans are currently being implemented by the subsidiaries. These plans rely on either a partnership with an external actor or a collective agreement aimed at this problem. Complementary to the training and awareness raising actions, the exchange of good practices and the emergence of principles of conduct have been encouraged by the creation of a handicapped network for France during 2007.

The success of the White Book on social responsibility in 2006 accelerated the structuring of initiatives taken in Belgium on this subject. Thus, in 2007 the Corporate Social Responsibility Steering Committee for Belgium created a benchmark for the different Belgian entities in order to bring out the subjects of major concern. The subject of training for people with no or little qualification at the time of recruitment was seen to be preponderant. Actions were put in hand to encourage hiring them: an approach that resulted in the enlargement of recruitment pools among women, handicapped persons and visible minorities. Held in November 2007 in Brussels, the colloquium "Social Responsibility of the Company, a Dynamic for Progress" gave substance to the decision to emphasize internal communication in SR matters, with the aim of supporting civic initiatives and benefiting from strong commitment by the managers.

The spread of this good practice outside France is an occasion to note that partnerships with external stakeholders can contribute the Group's success and also serve internally as a catalyst for the development of new initiatives.

	SEE			SEI		
	2005	2006	2007	2005	2006	2007
WORKFORCE PER GEOGRAPHIC ZONE						
European Union	15,812	12,770	15,030	185	165	218
Rest of Europe	0	0	0	49	48	0
North America				1,183	1,196	1,291
South America				1,564	1,631	1,833
Africa – Middle East				19	44	176
Asia – Oceania				1,066	809	570
TOTAL	**15,812**	**12,770**	**15,030**	**4,066**	**3,893**	**4,088**
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
DISTRIBUTION OF EMPLOYEES BY SOCIO-PROFESSIONAL CATEGORY						
✓ Managers	2,861	2,699	3,748	1,017	1,063	1,167
✓ Senior technicians and supervisors (T.S.M.)^	2,887	8,607	9,753	1,117	1,199	1,174
✓ Workers, employees, technicians (O.E.T.)^	10,064	1,464	1,799	1,932	1,631	1,747
✓ **TOTAL**	**15,812**	**12,770**	**15,030**	**4,066**	**3,893**	**4,088**
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
PROPORTION OF WOMEN WITHIN THE GROUP						
✓ Proportion of women in workforce	23.0%	25.3%	25.8%	19.0%	19.9%	20.3%
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
Proportion of women in management	15.0%	16.6%	17.9%	21.1%	20.5%	22.2%
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT						
Open-ended	91.5%	91.6%	92.8%	99.2%	98.3%	97.2%
Other	8.5%	8.4%	7.2%	0.8%	1.7%	2.8%
	(99.8%)	*(99.1%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*

✓ *Reviewed by Auditors.*

^ *First reviewed in 2006.*

On this ratio, only the "average wage without tax" indicator was reviewed.

	SEE			SEI		
	2005	2006	2007	2005	2006	2007
AGE PYRAMID (BASED ON EMPLOYEES WITH OPEN-ENDED CONTRACTS)						
✓ Under 25	4.1%	5.7%	6.2%	4.1%	4.0%	2.7%
✓ 25-29	9.4%	11.7%	13.8%	13.8%	12.8%	12.2%
✓ 30-34	11.0%	11.0%	11.5%	20.9%	19.7%	18.4%
✓ 35-39	13.3%	13.1%	13.5%	17.3%	17.2%	17.0%
✓ 40-44	16.0%	14.9%	13.7%	16.6%	17.2%	17.6%
✓ 45-49	17.4%	16.2%	15.4%	13.2%	13.3%	14.0%
✓ 50-54	17.2%	16.3%	15.3%	8.4%	9.2%	10.1%
✓ 55-59	11.1%	10.3%	9.8%	4.1%	4.7%	5.6%
✓ 60-64	0.5%	0.8%	0.9%	1.2%	1.4%	2.0%
✓ 65 and over	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%
	(99.8%)	*(99.1%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*

	SEE 2005		SEE 2006		SEE 2007		SEI 2005		SEI 2006		SEI 2007	
EMPLOYMENT	h1	h2	h1	h2	h1	h2	h1	h2	h1	h2	h1	h2
✓ Turnover	2.0%	1.7%	2.1%	2.4%	2.4%	2.1%	5.7%	5.8%	7.0%	6.3%	5.0%	4.1%
	(98.9%)	(99.9%)	(99.9%)	(99.1%)	(99.9%)	(94.45%)	(99.5%)	(100%)	(100%)	(100%)	(100%)	(100%)
Voluntary turnover	1.6%	1.3%	1.7%	1.8%	1.9%	1.8%	4.0%	4.4%	6.0%	5.6%	4.6%	3.4%
	(98.9%)	(99.9%)	(99.9%)	(99.1%)	(99.9%)	(94.45%)	(99.5%)	(100%)	(100%)	(100%)	(100%)	(100%)
Entrance rate	5.5%	7.2%	6.3%	8.8%	8.2%	10.0%	8.0%	6.9%	10.0%	7.6%	9.5%	9.8%
	(98.9%)	(99.9%)	(99.9%)	(99.1%)	(99.9%)	(94.45%)	(99.5%)	(100%)	(100%)	(100%)	(100%)	(100%)
Entrance rate, open-ended contracts	46.2%	42.3%	55.0%	59.0%	66.2%	57.6%	93.9%	98.6%	88.0%	58.5%	86.3%	84.8%
	(98.9%)	(99.9%)	(99.9%)	(99.1%)	(99.9%)	(94.45%)	(99.5%)	(100%)	(100%)	(100%)	(100%)	(100%)
% of disabled persons/avg. workforce	0.30%	0.27%	0.24%	0.22%	0.30%	0.32%	0.07%	0.07%	0.08%	0.08%	0.10%	0.18%
WORK CONDITIONS	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2	S1	S2
Absenteeism (days of absence/person)	9.6	8.29	10.8	7.36	8.59	7.46	3.8	2.8	2.4	2.3	2.52	1.92
	(99.7%)	(99.8%)	(99.8%)	(99.1%)	(99.96%)	(99.3%)	(100%)	(100%)	(100%)	(100%)	(100%)	(99.9%)
Overtime	2.6%	3.3%	2.5%	2.8%	2.3%	2.3%	6.1%	6.7%	6.9%	6.7%	7.5%	7.3%
	(99.8%)	*(98.5%)*	*(99.9%)*	*(98.9%)*	*(99.98%)*	*(99.84%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(99.9%)*

✓ *Reviewed by Auditors.*
^ *First reviewed in 2006.*
On this ratio, only the "average wage without tax" indicator was reviewed.

	SEE			SEI		
	2005	2006	2007	2005	2006	2007
COMPENSATION						
✓ Worker's average gross salary/ local gross minimum salary	4.0	4.8	4.2	9.3	8.7	9.3
(Minimum value)	1.5	1.2	1.6	3.8	2.1	2.3
	(95.5%)	*(99.7%)*	*(97.6%)*	*(88%)*	*(99.4%)*	*(92.6%)*
Average gross salary/ Sector average gross salary						
Managers	1.6	1.4	1.4	1.7	2.0	1.8
	(94.5%)	*(99.7%)*	*(98.9%)*	*(99%)*	*(96.6%)*	*(97.5%)*
T.S.M.	*1.4*	*1.2*	*1.1*	*1.8*	*1.9*	*1.9*
	(90.6%)	*(98.5%)*	*(95.4%)*	*(98.6%)*	*(97.4%)*	*(96.1%)*
O.E.T.	*1.8*	*1.4*	*1.6*	*1.8*	*2.1*	*1.8*
	(95.5%)	*(99.7)*	*(99.9)*	*(97.8%)*	*(99.4%)*	*(92.6%)*
Worker's average gross salary/local cost of living	*3.7*	*2.9*	*3.0*	*5.3*	*5.8*	*5.3*
	(95.5%)	*(99.7%)*	*(99.9%)*	*(97.8%)*	*(99.4%)*	*(92.6%)*
OCCUPATIONAL SAFETY						
✓ No. of accidental deaths (employees)	0	0	0	0	0	0
✓ Frequency rate	4.61	3.97	3.98	2.46	3.01	1.41
✓ Severity rate	0.18	0.13	0.09	0.06	0.05	0.05
	(99.6%)	*(100%)*	*(92.1%)*	*(94.7%)*	*(99.8%)*	*(97.8%)*

	SEE			SEI		
	2005	2006	2007	2005	2006	2007
TRAINING						
✓ % of workforce	68.2	79.8	88.3	73.0	76.3	72.8
	(94.6%)	*(99.5%)*	*(100%)*	*(78.7%)*	*(100%)*	*(99.7%)*
Proportional of managers and non-managers trained						
Managers	18.9%	21.4%	22.1%	24.0%	24.1%	22.6%
T.S.M. + O.E.T.	81.1%	78.6%	77.9%	75.9%	75.9%	77.4%
	(94.6%)	*(97.8%)*	*(100%)*	*(78.7%)*	*(100%)*	*(99.7%)*
Training costs per person (€/person)	*1,156.8*	*1,231.5*	*1.104.3*	*1.008.6*	*1.128.4*	*1.478.9*
	(94.6%)	*(99.5%)*	*(100%)*	*(78.7%)*	*(100%)*	*(99.72%)*
Number of training hours per person trained (hrs/pers)	41.4	46.5	49.5	76.5	65.9	66.6
	(89.8%)	*(99.5%)*	*(100%)*	*(78.7%)*	*(100%)*	*(100%)*
Training costs per hour of training (€/hour)	*27.9*	*26.5*	*22.3*	*13.2*	*17.1*	*22.2*
	(94.6%)	*(99.5%)*	*(100%)*	*(100%)*	*(100%)*	*(99.72%)*
Hours of training by subject						
Job techniques	48.8%	46.9%	47.8%	37.2%	32.3%	26.1%
Quality, Environment, Safety	16.1%	15.2%	18.1%	22.5%	24.4%	30.0%
Languages	5.1%	7.1%	9.4%	9.6%	8.0%	9.6%
Other	30.0%	30.8%	24.7%	30.7%	35.3%	34.3%
	(94.6%)	*(99.5%)*	*(100%)*	*(100%)*	*(100%)*	*(99.72%)*

✓ *Reviewed by Auditors.*

^ *First reviewed in 2006.*

On this ratio, only the “average wage without tax” indicator was reviewed.

	SES			SE		
	2005	2006	2007	2005	2006	2007
WORKFORCE PER GEOGRAPHIC ZONE						
European Union	60,401	59,401	62,070	47,261	48,364	52,477
Rest of Europe	2,520	3,547	2,901	79	73	78
North America	10	8	10	3,261	2,553	2,704
South America	435	344	448	15,548	272	231
Africa – Middle East	0	0	0	3,255	3,552	3,646
Asia – Oceania	1,658	1,744	1,966	2,726	2,632	2,779
✓ **TOTAL**	**65,024**	**65,044**	**67,395**	**72,130**	**57,446**	**61,915**
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
DISTRIBUTION OF EMPLOYEES BY CATEGORY						
✓ Cadres	9,506	9,692	10,340	6,783	7,091	7,766
✓ T.S.M.^	24,226	25,375	26,276	11,835	10,406	11,365
✓ O.E.T.^	31,292	29,977	30,779	53,512	39,949	42,784
TOTAL	**65,024**	**65,044**	**67,395**	**72,130**	**57,446**	**61,915**
	(100%)	*(100%)*	*(100%)*	*(100%)*	*(100%)*	*(100%)*
PROPORTION OF WOMEN IN GROUP						
✓ Proportion of women in workforce	10.7%	10.7%	11.1%	18.5%	18.0%	18.3%
	(100%)	*(100%)*	*(100%)*	*(99.9%)*	*(99.9%)*	*(100%)*
Proportion of women in management	10.8%	11.2%	11.7%	21.4%	22.7%	23.9%
	(100%)	*(100%)*	*(100%)*	*(99.9%)*	*(99.9%)*	*(100%)*
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT						
Open-ended.	93.9%	92.8%	92.7%	94.5%	92.9%	92.1%
Others	6.1%	7.2%	7.3%	5.5%	7.1%	7.9%
	(99.9%)	*(100%)*	*(100%)*	*(99.9%)*	*(99.9%)*	*(100%)*

	SES			SE		
	2005	2006	2007	2005	2006	2007
AGE PYRAMID (BASED ON EMPLOYEES WITH OPEN-ENDED CONTRACTS)						
✓ Under 25	5.2%	5.3%	5.5%	5.0%	4.1%	4.0%
✓ 25-29	11.1%	11.3%	11.7%	10.2%	9.3%	9.6%
✓ 30-34	12.6%	12.2%	12.1%	14.0%	13.4%	12.5%
✓ 35-39	15.4%	15.0%	14.5%	16.4%	16.4%	16.1%
✓ 40-44	15.7%	15.8%	15.7%	16.6%	17.7%	17.5%
✓ 45-49	14.2%	14.4%	14.3%	14.4%	15.2%	15.7%
✓ 50-54	13.4%	13.4%	13.5%	11.9%	12.6%	12.9%
✓ 55-59	10.2%	10.3%	10.1%	8.4%	8.6%	8.7%
✓ 60-64	1.9%	2.2%	2.5%	2.6%	2.4%	2.7%
✓ 65 and over	0.1%	0.2%	0.2%	0.5%	0.4%	0.5%
	(99.9%)	*(100%)*	*(100%)*	*(99.9%)*	*(99.9%)*	*(100%)*

	SES 2005		SES 2006		SES 2007		SE 2005		SE 2006		SE 2007	
EMPLOYMENT	**S1**	**S2**	**S1**	**S2**	**S1**	**S2**	**S1**	**S2**	**S1**	**S2**	**S1**	**S2**
✓ Turnover	3.6%	5.1%	4.4%	4.8%	4.9%	4.7%	5.0%	5,6%	4,3%	4,7%	4,3%	4,4%
	(81.8%)	*(99.8%)*	*(100%)*	*(98.3%)*	*(97.9%)*	*(100%)*	*(96.7%)*	*(99.9%)*	*(99.9%)*	*(99.9%)*	*(99.7%)*	*(99.6%)*
Voluntary turnover	2.2%	2.9%	2.9%	3.5%	3.6%	3.5%	2.0%	2,3%	2,4%	2,9%	2,9%	2,8%
	(81.8%)	*(81.8%)*	*(100%)*	*(99.3%)*	*(97.9%)*	*(100%)*	*(96.7%)*	*(99.9%)*	*(99.9%)*	*(99.9%)*	*(99.7%)*	*(99.6%)*
Entrance rate	6.2%	8.6%	8.1%	9.3%	9.4%	10.4%	9.7%	9,1%	7,9%	8,7%	9,1%	10,5%
	(81.8%)	*(99.8%)*	*(100%)*	*(98.3%)*	*(97.9%)*	*(100%)*	*(96.7%)*	*(99.9%)*	*(99.9%)*	*(99.9%)*	*(99.7%)*	*(99.6%)*
Entrance rate, open-ended contracts	69.2%	60.7%	67.8%	54.2%	68.6%	61.7%	65.3%	69,8%	59,8%	58,1%	59,9%	59,4%
	(81.8%)	*(99.8%)*	*(100%)*	*(98.3%)*	*(97.9%)*	*(100%)*	*(96.7%)*	*(99.9%)*	*(99.9%)*	*(99.9%)*	*(99.7%)*	*(99.6%)*
% of disabled persons/avg. workforce	1.34%	1.30%	1.31%	1.37%	1.42%	1.47%	1.34%	1,42%	1,60%	2,25%	1,63%	1,69%
WORK CONDITIONS	**H1**	**H2**	**H1**	**H2**	**H1**	**H2**	**H1**	**H2**	**H1**	**H2**	**H1**	**S2**
Absenteeism (days of absence/person)	7.1	7	7.2	6.5	7.12	6.72	8.0	7,3	8,5	8,8	7,7	7,8
	(97.6%)	*(99.1%)*	*(100%)*	*(100%)*	*(100%)*	*(98.1%)*	*(99.6%)*	*(99.6%)*	*(99.1%)*	*(99.9%)*	*(99.4%)*	*(96.2%)*
Overtime	2.7%	3.2%	2.9%	3.1%	2.3%	3.3%	4.9%	3,3%	5,2%	5,0%	5,0%	4,9%
	(99.0%)	*(78.8%)*	*(99.9%)*	*(100%)*	*(100%)*	*(97.75%)*	*(99.6%)*	*(97.8%)*	*(94.6%)*	*(99.5%)*	*(99.7%)*	*(99.88%)*

✓ *Reviewed by Auditors.*

^ *First reviewed in 2006.*

On this ratio, only the "average gross salary" indicator was reviewed.

	SES			SE		
	2005	2006	2007	2005	2006	2007
REMUNERATION						
✓ Worker's average gross salary#local gross minimum salary	1.9	1.7	1.8	2.3	2.2	2.2
(Minimum value)	0.7	0.8	0.9	0.7	0.7	0.7
	(89%)	*(91.5%)*	*(93.1%)*	*(91.3%)*	*(83.6%)*	*(89.2%)*
Average gross salary/ Sector average gross salary						
Managers	1.0	1.0	1.1	1.3	1.2	1.2
	(85.3%)	*(85%)*	*(86.1%)*	*(98.3%)*	*(93.7%)*	*(99.7%)*
T.S.M.	1.0	1.0	1.0	1.0	1.1	1.1
	(75.1%)	(79.2%)	(81.6%)	(97.3%)	(92.2%)	(99.5%)
O.E.T.	1.2	1.2	1.2	1.2	1.2	1.2
	(87.9%)	*(92.7%)*	*(94.2%)*	*(99.1%)*	*(93.5%)*	*(98.6%)*
Worker's average gross salary/local cost of living	1.7	1.5	1.6	2.1	2.0	2.0
	(90.9%)	*(92.7%)*	*(94.2%)*	*(99.2%)*	*(93.5%)*	*(98.6%)*
OCCUPATIONAL SAFETY						
✓ No. of accidental deaths (employees)	7	4	4	4	4	6
✓ Frequency rate	18.41	14.69	11.90	21.50	21.89	18.47
✓ Severity rate	0.65	0.57	0.47	0.87	0.83	0.74
	(98.2%)	*(99.85%)*	*(98.7%)*	*(95.9%)*	*(98.88%)*	*(94.2%)*

	SES			SE		
	2005	2006	2007	2005	2006	2007
TRAINING						
✓ % of workforce	50.8	55.4	55.3	59.8	58.6	60.0
	(77.1%)	*(87.9%)*	*(88.7%)*	*(95.5%)*	*(99.9%)*	*(94.37%)*
Proportional of managers and non-managers trained						
Managers	15.5%	15.3%	15.4%	9.8%	13.6%	16.5%
T.S.M. + O.E.T.	84.5%	84.7%	84.6%	90.1%	86.4%	83.5%
	(77.1%)	*(87.9%)*	*(88.7%)*	*(95.5%)*	*(99.9%)*	*(94.37%)*
Training costs per person (€/person)	667.2	711.1	763.1	519.8	703.8	*889.9*
	(76.9%)	*(87.9%)*	*(88.72%)*	*(95%)*	*(99.9%)*	*(94.37%)*
Number of training hours per person trained (hrs/pers)	25.6	32.5	27.7	23.1	24.8	25.3
	(76.9%)	*(87.9%)*	*(88.72%)*	*(96.3%)*	*(99.9%)*	*(94.37%)*
Training costs per hour of training (€/hour)	26.1	21.9	27.5	22.5	28.4	35.2
	(76.8%)	*(87.9%)*	*(88.72%)*	*(95.8%)*	*(99.9%)*	*(94.37%)*
Hours of training by subject						
Job techniques	46.0%	58.5%	46.1%	30.0%	29.8%	31.2%
Quality, Environment, Safety	29.3%	24.0%	30.0%	40.7%	38.5%	36.3%
Languages	4.0%	2.4%	3.7%	5.2%	8.2%	8.5%
Other	20.7%	15.1%	20.3%	24.1%	23.6%	24.1%
	(76.9%)	*(87.9%)*	*(88.72%)*	*(96.2%)*	*(99.9%)*	*(94.37%)*

✓ *Reviewed by Auditors.*
^ *First reviewed in 2006.*
# *On this ratio, only the "average gross salary" indicator was reviewed.*

6.6.2.7 Methodological factors in 2007 corporate reporting

As in previous fiscal years, the specialized services of the Statutory Auditors were at the forefront of a mission to verify selected company indicators published by the Group. Issuing from the work carried out on entities' sites and at the head offices of the Business Lines/Branches and the Group, the recommendations made in 2007 have enabled SUEZ to undertake a variety of actions for progress.

Developed in close collaboration with the teams from the Business Lines/ Branches and entities, the "User's Guide" contains all the definitions and procedures that comprise the Group's shared guidelines. Since its conception in 2005, its content has been enriched and made more accurate. Cooperation has been intensified with the Health and Safety Network, which manages consolidation of data linked to accidents at work.

In addition, thanks to the additional functions provided by the new Group reporting tool ("Magnitude", see point 1 of the note), control procedures during the feedback of social data are both more extensive and easier to employ. Together these developments have created greater uniformity and increased reliability in reporting practices on the part of correspondents.

Since 2005, a series of new indicators has been progressively introduced into the reporting tool and tested by the reporting correspondents. These indicators will be published as soon as they meet the requirements of quality and reliability and the scope of their cover is sufficiently representative.

The quantitative corporate data in this report comes from the HR phase of Magnitude, a Group consolidation tool. After collection, it was processed and consolidated according to clearly defined procedures and criteria.

1. **Magnitude,** a consolidation software package, collects, processes, and reports the data entered by local legal entities that are subsidiaries of the SUEZ Group. Each company, including those in the HRD phase, is dealt with according to the following financial consolidation method: full consolidation (FC), proportional consolidation (PC), and equity affiliates (EA). The analyses of the companies in this report deal exclusively with entities in the FC phase, in which SUEZ controls both capital and management. Once a company is included in SUEZ's financial statements as fully consolidated, its company data are completely integrated, no matter how much capital SUEZ may own in the company.
2. **Scope of reporting.** A scope of reporting is attached to each indicator, corresponding to the coverage of the indicator as a percentage of the Group workforce (workforce of companies fully consolidated in the SUEZ financial results). Some companies may not have sent their data, or there may be some inconsistencies in the data provided. This will cause us to exclude the data in question from the scope of reporting.
3. Two methods for the **consolidation** of indicators are used:

- aggregation for structural data, workforce flow, working conditions, training and safety data;
- individual weighting for salaries.

4. External data used for the calculation of salary indicators are provided by UBIFRANCE as part of a country information collection agreement by the network of local economic missions. This data is supplemented by statistics from the United Nations (United Nations Population Fund), the World Bank, and the OECD. UBIFRANCE procedures are ISO 9000 certified, and information provided as part of this partnership is available from the SUEZ head office.

The following should be noted regarding the data published in this report:

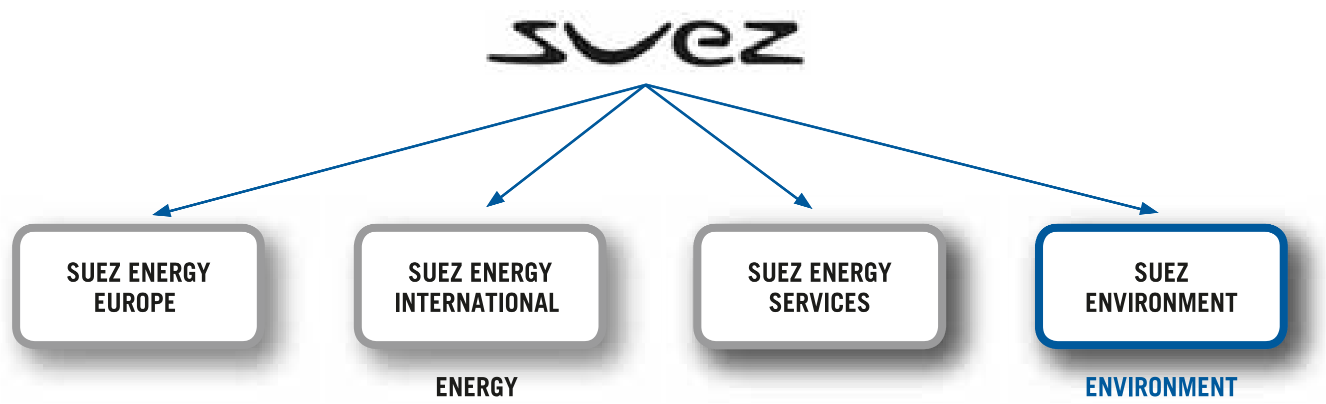
1. the total number of employees in the divisions is 703 persons lower than the total published number of employees. This difference is due primarily to the number of employees at headquarters and to the number of employees in financial sector activities who are not attached to one of the operational branches;
2. the distribution of employees by socio-professional category (SPC) decided in 2005 is maintained. Administrative employees are accounted for with the Senior Technicians and Supervisors (*techniciens supérieurs et agents de maîtrise or* T.S.M.)) for greater consistency. The SEE branch has recorded a number of movements to the TSM category, in order to stabilize the distribution of its workforce by SPC and be consistent with the Group definitions;
3. unlike social reporting, health and safety reporting includes data from entities leaving the Group or acquired during the year, taking into account the criteria for operational control or reliability of the data. This aspect is not yet handled identically by all the Branches and will be clarified during revision of the reporting procedure for health and safety. This situation results in a slight difference in the employee perimeter covered by the two reports;
4. the employee turnover indicator only takes account of terminations and resignations. It is calculated from half yearly movements compared to the average staffing level for the half year;
5. given the time lags, data for training apply to forecasts. Definitive items are available in the second half of the year only;
6. the construction of compensation indicators has continued its refinement: national salary practices are better understood thanks to the identification of benchmark sectors of activity and a better knowledge of the average of remuneration practiced locally. Information by country on salaries paid in each sector is available from the Group's Industrial Relations Office at the SUEZ head office. Cost of living is determined by private consumption per person, based on information provided by UBIFRANCE and additional information from the Organization for Economic Co-operation and Development (OECD) and national statistics offices;
7. some values lower than 1.0 were recorded under the indicator "gross worker's wage/local gross minimum wage." Verification showed that these were Group companies that emphasized insertion or with a significant level of part-timers;

8. the salaries of some French entities (excluding overseas departments and territories) from the SES Branch covered under the collective agreement for the Building and Public Works industry have been adjusted. The average amount reported was thus increased by 13.14% to take into account the fact that the industry's paid vacation funds directly cover paid vacation time;
9. although it is a staple of business culture in France, the French concept of "cadres" (managers) is sometimes difficult to understand, in other countries where SUEZ is present. This state of affairs can lead to a slight underestimation of the number of managers because some entities may take only their own director-level management into account;
10. as regards the number of handicapped persons, the figures given represent the total number of declared disabled employees in relation to the average monthly and half yearly number of employees for the Branch concerned. These figures provide the best information possible on the integration of handicapped persons into the SUEZ Group. We do not consider it relevant to provide a scope definition for this indicator.

7.1 SIMPLIFIED ORGANIZATION CHART

SUEZ is organized around four operational divisions in two sectors of activity – energy and environment.

- the SUEZ Energy Europe (SEE) division includes all gas and electricity activities in Europe;
- the SUEZ Energy International (SEI) division is in charge of SUEZ gas and electricity activities outside Europe;
- the SUEZ Energy Services (SES) division is in charge of SUEZ's activities in the field of industrial installation and maintenance services and services associated with energy and engineering;
- the SUEZ Environment division incorporates all Group activities in Water and Waste Management.



7.2 LIST OF MAJOR SUBSIDIARIES

See Section 25.

8 REAL ESTATE PROPERTIES, PLANTS, FACILITIES

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8.1 MAJOR TANGIBLE ASSETS

8.1.1 PROPERTIES, PLANTS, EQUIPMENTS

SUEZ either owns or rents a significant number of real estate properties, facilities, and plants around the world, most of which are in Europe. Numerous SUEZ activities involve the operation of very large plants that are not owned by SUEZ. SUEZ believes that these operating plants are in good condition and meet all applicable requirements.

8.1.1.1 Energy

As of December 31, 2006, SUEZ operated more than 200 electric power plants in 31 countries. Information on the principal electric power plants owned by SUEZ is provided in the table below. Information on leased property is presented in Section 20, Notes 22 and 23.

Country	Site/Company	Capacity	Business
Bahrain	Al Ezzel	954 MW	Natural gas power plant
	Al Hidd	938 MW	Cogeneration
Brazil	Cana Brava	450 MW	Hydroelectric power plant
	Ita	1,450 MW	Hydroelectric power plant
	Machadinho	1,140 MW	Hydroelectric power plant
	Salto Osorio	1,074 MW	Hydroelectric power plant
	Santo Santiago	1,420 MW	Hydroelectric power plant
	Jorge Lacerda	773 MW	Thermal power plant
Chile	Electroandina	938 MW	Thermal power plants
	Mejillones	556 MW	Thermal power plants
Oman	Al-Rusail	665 MW	Natural gas power plant
	Sohar	585 MW	Cogeneration
Peru	Enersur - Ilo	372 MW	Thermal power plant
	Yuncan	130 MW	Hydroelectric power plant
	Chilca	348 MW	Natural gas power plant
Thailand	Bowin	713 MW	Natural gas power plant
	Glow	991 MW	Cogeneration
Turkey	Ankara BOO	763 MW	Natural gas power plant
United Arab Emirates	Taweelah	1,360 MW	Natural gas power plant
United States	Chehalis	520 MW	Natural gas power plant
	Red Hills	1,186 MW	Thermal power plant
	Hot Spring	746 MW	Natural gas power plant
	Wise County	746 MW	Natural gas power plant
	Everett, Massachusetts	6.85 Gm^3/year	LNG terminals
France	SHEM	773 MW	Hydroelectric power plants
	CNR	2,948 MW	Hydroelectric power plants
Belgium	Doel	2,759 MW	Nuclear power plant
	Tihange	2,423 MW	Nuclear power plant
	Other facilities (nationwide)	7,705 MW	Thermal power plants, CCGT, Cogeneration, Hydraulic, other
	Zeebrugge	4.5 Gm^3/year	LNG terminals
Hungary	Dunamenti	1,681 MW	Thermal power plants, cogeneration and combined-cycle gas turbine power plant
Italy	Rosen	356 MW	Natural gas power plant
	Torre Valdaliga	722 MW	Thermal power plant
	Vado Ligure	684 MW	Thermal power plant
	Voghera	380 MW	Natural gas power plant
	Leini	386 MW	Natural gas power plant
	Roselectra	386 MW	Natural gas power plant
Luxembourg	Twinerg	376 MW	Natural gas power plant
Netherlands	Eems	1,745 MW	Thermal power plant
Poland	Polaniec	1,654 MW	Thermal power plant
Spain	Castelnou	790 MW	Natural gas power plant

8.1.1.2 Environment

SUEZ Environment owns and operates several drinking water production plants, waste water treatment plants, and water reservoirs and distribution networks.

SUEZ Environment also operates a number of waste incineration plants in France, the United Kingdom, China, and Taiwan, as well as numerous storage centers, primarily located in France and the United Kingdom.

Information on the principal sites and plants owned by SUEZ Environment as of December 31, 2007 is provided in the table below. Information on leased property is presented in Section 20, Notes 22 and 23.

Country	**City/Region/State**	**Business**	**Capacity**
Germany	Zorbau	Waste incineration	300,000 t/year
Belgium	Sleco	Fluid bed waste incineration	450,000 t/year
France	Morsang	Drinking water production	225,000 m^3/d
	Pecq-Croissy	Drinking water production	160,000 m^3/d
	Aubergenville	Drinking water production	150,000 m^3/d
	Hersin Coupigny	Drinking water production	120,000 m^3/d
	Satrod	Final waste storage center	600,000 t/year
	Les Aucrais	Final waste storage center	540,000 t/year
	Roussillon	Final waste storage center	250,000 t/year
		Incineration of special industrial waste	115,000 t/year
	Pont de Claix	Incineration of special industrial waste	70,000 t/year
United Kingdom	Cleveland	Waste incineration	235,000 t/year
	Kirklees	Waste incineration	136,000 t/year
	Bristol	Drinking water production	185,000 m^3/d
United States	Haworth	Drinking water production	380,000 m^3/d
	Idaho	Drinking water production	200,000 m^3/d

8.2 ENVIRONMENTAL ISSUES

See Section 6.6.1.3.a

9

MANAGEMENT REPORT[1]

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The SUEZ Group continued on its upward trend in 2007, delivering record results. Gross operating income (up 12.4%) and current operating income (up 15.1%) were in line with the operating targets set by the Group for 2007, and organic growth in these indicators, at 9.8% and 10.5% respectively, outpaced underlying growth in revenues (6.2%).

Net income Group share, at €3.9 billion, came in 8.8% higher than the prior-year figure (€3.6 billion), despite fewer divestments.

Cash generated from operations before income tax and working capital requirements surged 13.8% while investment expenditure during the year rose by almost 60% to €6 billion, in line with the Group's 2007-2009 business plan. After the dividend payment of nearly €2 billion and share buybacks amounting to €1.1 billion, net debt at end-2007 stood at €13.1 billion, versus €10.4 billion one year earlier, and represents 52.7% of equity (46.3% at December 31, 2006). On account of the Group's sparkling performance and outlook going forward, the Board of Directors has decided to distribute a dividend of €1.36 per share in 2008 (up 13.3% on the dividend paid in 2007), which represents almost 56% of recurring net attributable income Group share.[2]

1. *Unless otherwise indicated, all data are based on the consolidated financial statements prepared in accordance with IFRS.*

2. *Recurring net attributable income is equal to net income Group share adjusted for (i) capital gains, (ii) the impact of the application of IAS 32/39 on income from operating activities, and (iii) any other material non-recurring items.*

9.1 REVENUE AND EARNINGS TRENDS

In millions of euros	2007	2006	% change (reported basis)
Revenues	47,475	44,289	7.2%
Gross operating income	7,965	7,083	12.4%
Current operating income	5,175	4,497	15.1%
Income from operating activities	5,408	5,368	0.8%

In 2007, the Group's businesses enjoyed sustained growth, with revenues rising by €3,186 million or 7.2% to €47,475 million.

Growth in revenues reflects:

- organic growth of €2,686 million;
- a positive €118 million impact driven by higher gas prices;
- a net positive impact of €812 million attributable to changes in the scope of consolidation, including:
  - the positive €1,778 million impact of additions to the consolidated Group, notably within SEE for €978 million (the full consolidation of CNR representing €660 million and the acquisition of Rendo and Cogas in the Netherlands accounting for €314 million); SEI for €111 million (acquisition in Panama); SES for €177 million (acquisition of Crespo y Blasco in Spain, and Snohvit); and SE for €513 million (acquisition in the waste services segment, notably in the UK and France),
  - the negative €966 million impact of deconsolidations, notably within SEE for €239 million (deconsolidation of the Brussels grid operator on July 1, 2006, and the change from full to proportionate consolidation for AlpEnergia as of August 2006); SEI for €258 million (sale of Hanjin City Gas in May 2006); SES for €74 million; and SE for €395 million (withdrawal from Brazil and Argentina),
- a negative exchange rate effect of €430 million, essentially caused by movements in the US dollar;

Organic growth came in at 6.2% year-on-year, or 7% excluding the impact of climatic conditions[3], spurred by:

- the advance in electricity sales within and outside Europe, in terms of both volume and value;
- good momentum in the liquefied natural gas (LNG) business;
- the continued expansion of installation operations and energy services in France and Belgium;
- the sustained level of organic growth in water and waste services businesses in Europe; and
- double-digit growth in the Group's environment activities in China, Australia and North America.

All branches yielded significant contributions to organic growth:

- SUEZ Energy Europe (up €916 million, or 5.8%) enjoyed surging sales in France and Germany against a backdrop of higher electricity prices across Europe;
- SUEZ Energy International (up €654 million, or 11.2%) benefited from strong commercial momentum in all of its developing markets, notably in the Americas and in the Middle East, amid a spike in energy demand and rising prices;
- SUEZ Energy Services (up €559 million, or 5.3%) recorded a sharp increase in demand in France for installation and maintenance activities (up €241 million, or 7.7%), a robust performance by its services business in Belgium and fast-paced advances in both the UK and Spain;
- SUEZ Environment (up €557 million, or 5.1%) posted organic growth driven by (i) waste services in France (up €101 million, or 4.1%) and in the UK (up €102 million, or 11.6%); (ii) water services in France (up €63 million, or 3.1%), (iii) Agbar (up €127 million, or 8.2%); and (iv) the international segment (up €111 million, or 4.5%), notably China (up 28%).

Gross operating income surged 12.4% to €7,965 million, or 9.8% after adjusting for changes in Group structure and exchange rates. Changes in the scope of consolidation had a positive €279 million impact, stemming chiefly from the activities of SUEZ Energy Europe (€195 million, essentially attributable to the full consolidation of CNR as of December 31, 2006) and SUEZ Energy Services (€105 million). Negative exchange rate effects during the year (€74 million) were essentially caused by movements in the US dollar.

Organic growth in gross operating income was mainly driven by the continued upturn in the performance of SUEZ Energy Services (up €104 million, or 17.7%), a robust business climate for SUEZ Energy International (up €190 million, or 13%, notably in Brazil, Chile and Peru), and the advances reported by SUEZ Environment (up €126 million, or 6.6%) powered by the strong performance of water and waste services in Europe and the US. The electricity business of

3. *Estimate of the year-on-year impact of temperature differences.*

SUEZ Energy Europe (up €308 million, or 10.1%) benefited from a production mix that proved favorable in light of the evolution of energy prices, the impact of its hedging policy for sales contracts and the capital gain recorded by the inter-municipal companies following the sale of their TVD business in the Walloon region. However, dispite these improvements, operating margin of the gas business edged down, because of the absence of the favorable impacts it enjoyed in 2006.

Growth in current operating income (15.1% based on reported figures and 10.5% on an organic basis) was driven essentially by the operating items impacting gross operating income. However, it was dented by higher net charges to depreciation, amortization and provisions and by the rise in stock option expense.

Income from operating activities edged forward by 0.8% during the year to €5,408 million despite the €754 million decrease in income from asset disposals to €339 million in 2007. Asset disposals notably include the impact of Electrabel's sale of a portion of its interests in the Brussels and Walloon inter-municipal companies, Agbar's sale of Applus, and the disposal of a number of non-strategic listed investments. Income from operating activities for 2006 mainly included the sale by SUEZ Energy Europe of a portion of its interest in the Flemish inter-municipal companies, the disposals of Colbùn and Hanjin City Gas by SUEZ Energy International and of Reva by SUEZ Energy Services, and the sale of the residual stakes in M6 and 9Cegetel.

Changes in the fair value of commodity derivatives recognized in accordance with IAS 32/39 had a positive €68 million impact on income from operating activities, compared with a positive impact of €17 million in 2006.

Income from operating activities was also impacted in 2007 by asset write-downs amounting to €132 million (€150 million in 2006), in particular concerning fixed assets in the US, as well as restructuring costs totaling €43 million.

9.2 BUSINESS TRENDS

9.2.1 ELECTRICITY AND GAS

9.2.1.1 Key figures

In millions of euros	2007			2006			% change (reported basis)
		SEE	SEI	Total	SEE	SEI	
Revenues	**17,610**	**6,577**	**24,187**	**15,971**	**6,242**	**22,213**	**8.9%**
Gross operating income (a)	**3,574**	**1,666**	**5,240**	**3,060**	**1,566**	**4,626**	**13.3%**
Depreciation, amortization and provisions (b)	(518)	(337)	(855)	(553)	(322)	(875)	
Stock option expense (c)	(10)	(6)	(16)	(5)	(3)	(8)	
Share in net income of associates (d)	399	19	418	326	18	344	
Financial income not related to net debt (e)	25	100	125	35	124	159	
CURRENT OPERATING INCOME = A + B + C - D - E	**2,622**	**1,204**	**3,826**	**2,141**	**1,099**	**3,240**	**18.1%**
INCOME FROM OPERATING ACTIVITIES	**2,801**	**1,079**	**3,880**	**2,509**	**1,110**	**3,619**	**7.2%**

9.2.1.2 SUEZ Energy Europe

Revenues reported by SUEZ Energy Europe jumped €1,639 million, or 10.3% in 2007. On a like-for-like basis and excluding the impact of gas prices, organic growth in revenues came in at 5.8%.

Electricity

Electricity volumes sold totaled 167.5 TWh in 2007, representing a 12.0% year-on-year rise in revenues to €11.4 billion. This performance was powered by the upward price momentum observed in Europe since mid-2005 and a rise in volumes.

- **In Belgium**, overall revenue growth reflects the rise in market electricity prices driven mainly by an increase in the price of fossil fuels, even though this increase has not been passed on in selling prices to residential customers. Volumes sold fell back slightly by 1.1 TWh, or 1.5% to 72.3 TWh as a result of mild weather conditions in early-2007, the full-scale deregulation of electricity retail markets and the dip in wholesale electricity sales.
- **In the Netherlands**, reported revenues advanced strongly by 10.6% on the back of the consolidation of Rendo and Cogas as of October 2006, rising energy prices, and changes in the sales mix on this market.
- **Electricity volumes sold outside Benelux** surged 21.1%, and in 2007 accounted for 41% of the Group's electricity sales in Europe. Revenue growth was also boosted by the full consolidation of Compagnie Nationale du Rhône and the commissioning of production assets in Spain during 2006, as well as in Italy and Portugal in 2007. Sales performances were especially bright in Germany, while changed contract models in central Europe benefited from favorable pricing conditions.

Gas

The 6.8% decrease in gas volumes sold by Electrabel is chiefly attributable to the impact of mild weather conditions in the early part of 2007 on sales to residential customers in Benelux. Excluding the impact of climatic conditions, the Group's organic growth came to 3.4% and was underpinned by strong sales momentum in the Netherlands.

Distrigaz was also affected by the mild weather conditions, and saw revenues fall €97 million, or 4.1% on an organic basis due to a decrease in volumes sold in Belgium and fewer trading opportunities. Outside of Belgium, Distrigaz successfully pursued its growth strategy consisting in targeting the industrial segment, which yielded particularly good results in the Netherlands and Germany. Revenues posted by the LNG business grew, with the sale of four cargos in the year.

Other Services

The €136 million decrease in revenues on this segment was essentially triggered by deconsolidations in the services business.

Gross operating income jumped 16.7%, or €512 million on a reported basis to €3,574 million, buoyed by the full consolidation of Compagnie Nationale du Rhône as of end-2006, as well as the 10.1% organic growth reported by the SEE segment as a whole.

The electricity business was boosted by the combined impact of a number of different factors in the year. Nuclear- and hydro-based output expanded significantly by 2.6 TWh, with the dry weather over the first six months of 2006 having hampered operating conditions for certain nuclear plants as well as hydro levels in France. Market conditions also benefited the electricity business: the slump in market prices for CO_2 emissions allowances in the 2005-2007 period and lower prices for fossil fuels during the year had a favorable impact on fossil fuel production costs, albeit in proportions limited by market volatility at the end of the year, especially in the coal segment.

Due to the various existing mechanisms used to establish selling prices for electricity on different segments, changes in market prices are passed on to average selling prices progressively. Electrabel adopts a hedging policy covering moving three-year periods in order to protect itself against volatility in the energy market. In contrast, the impact of hedging means Electrabel is still benefiting from the structural rise in energy prices in 2005-2006.

Lastly, gross operating income was boosted by the commissioning of production facilities over the last 24 months, especially in south-west Europe. In Spain, this concerned the 800 MW Castelnou power plant, while in Italy new production capacity included the start-up of the 380 MW Roselectra and Leini facilities, as well as the 390 MW Vado Ligure 5 plant. However, this momentum was slowed down by the adverse impact of a number of regulatory measures in Hungary, France, Spain and Italy.

Despite an improved operating performance, gross operating income recorded by Distrigaz fell back slightly (down €17 million, or 3.8%) as certain favorable non-recurring items recorded in the prior period were not carried over into 2007.

Current operating income as reported by SUEZ Energy Europe rose to €2,622 million, including organic growth of €261 million, or 12.2%. Current operating income was also boosted by two provision write-backs relating to (i) Distrigaz and (ii) a review of the methods used to calculate provisions for nuclear waste reprocessing in Belgium, following the Monitoring Committee's decision of March 2007.

9.2.1.3 SUEZ Energy International

SUEZ Energy International posted organic revenue growth of 11.2% (up €654 million). This upbeat performance draws on the strong commercial momentum in all of its developing markets, amid a spike in energy demand and rising prices. On a reported basis, growth for SEI came in at 5.4% despite the negative impacts of changes in the scope of consolidation (€147 million) and negative exchange rate effects (€353 million). SEI's organic growth stems more specifically from:

- **North America** (up €247 million), essentially due to the commercial successes notched up by SERNA (SUEZ Energy Resources North America), which supplies electricity to business and industrial customers in the US, as well as to advances in the merchant power plants as a result of both a rise in output and higher prices;
- **Asia and the Middle East** (up €96 million) due to the Group's growing presence in the Gulf region (up €72 million) and improved sales in Thailand (up €11 million) and Turkey (up €14 million);
- **Latin America** (up €257 million), where the rise in electricity sales in Brazil (up €129 million), Peru (up €57 million) and Chile (up €65 million) was fuelled by both higher prices and an increase in volumes sold;
- **the LNG business** (up €54 million), for which London-based optimization efforts continued.

Current operating income reported by SUEZ Energy International came in at €1,204 million, representing a rise of 9.5% on a reported basis after taking into account the negative €52 million exchange rate impact – stemming mainly from fluctuations in the US dollar – and changes in the scope of consolidation (deconsolidation of Hanjin City Gas and Colbùn in 2006). Organic growth in current operating income came in at €157 million, or 15.0%, essentially driven by the sharp upturn in **gross operating income**, which moved ahead by 13.0% excluding the negative €90 million impact of changes in exchange rates and Group structure.

- Latin America is the leading contributor to this growth (up 20.1%) bolstered by the strong performances of (i) the Brazilian electricity business (up 16.8%), resulting in particular from the development of export sales in the summer of 2007 and higher selling prices; (ii) Peru (up 42.4%), notably due to the commissioning of the 174 MW OCP1 plant in December 2006 and the 174 MW OCP2 plant in July 2007; and (iii) Chile, where the northern region experienced sharp increases in market prices.
- North America edged down 1.5%, essentially due to the merchant power business (accounting for a decrease of €74 million) which was impacted by weak spark spreads in 2007. This was mostly offset by improved margins within SUEZ LNG North America and SERNA.
- Asia and the Middle East also helped maintain momentum, delivering organic growth of 15.2% in gross operating income, due notably to the commissioning of the 585 MW Sohar plant in Oman at the beginning of June 2007 and fees earned on new projects in the Middle East.

SUEZ Energy International posted a slight 2.8% fall in reported **income from operating activities** compared to 2006, to €1,079 million. In addition to the aforementioned items impacting current operating income, this change reflects:

- significant capital gains of €145 million in 2006 generated on the disposal of Colbùn in Chile and Hanjin City Gas in South Korea;
- the positive €34 million impact of marking-to-market commodity derivatives at December 31, 2007 (versus a negative €48 million impact at December 31, 2006), relating in particular to economic hedges of gas and electricity purchases and sales entered into by North American operations;
- impairment charges, which amounted to €83 million in 2007 (versus €86 million in 2006), and mainly reflect write-downs on merchant power plants in the US.

9.2.2 KEY FIGURES FOR SUEZ ENERGY SERVICES

In millions of euros	2007	2006	% change (reported basis)
Revenues	**11,266**	**10,637**	**5.9%**
Gross operating income (a)	**801**	**591**	**35.5%**
Depreciation, amortization and provisions (b)	(186)	(163)	
Net expenses on concessions (c)	(26)	(21)	
Stock option expense (d)	(13)	(8)	
Share in net income/(loss) of associates (e)	16	(3)	
Financial income not related to net debt (f)	5	10	
CURRENT OPERATING INCOME = A + B + C + D - E - F	**555**	**392**	**41.6%**
INCOME FROM OPERATING ACTIVITIES	**548**	**456**	**20.2%**

SUEZ Energy Services delivered organic revenue growth of €559 million, or 5.3% in 2007.

- **In France**, all entities (Ineo, Endel, Axima, Seitha) reported vigorous expansion in installation and maintenance activities, with organic growth coming in at €241 million, or 7.7%. Service activities (Elyo France) turned in a strong fourth-quarter performance that kept revenues at level with 2006 figures. Excluding the impact of climatic conditions, service activities posted organic growth of 4.3%.
- **In Belgium**, organic growth remained robust at €127 million, or 9.0%, driven primarily by strong performances from Fabricom's international operations (expansion of oil and gas activities in the North Sea) and from all Axima Services businesses.
- **Tractebel Engineering** reported revenue growth of €32 million, or 11%, buoyed by vigorous results from energy and infrastructure divisions. Growth in revenues on a reported basis was boosted by the positive €95 million impact of a non-recurring item (definitive agreement signed with Statoil on the Snohvit contract).

- **Excluding France and Benelux**, organic revenue growth was €137 million (6%), reflecting advances in the UK and Spain, as well as the development of electricity and gas

Gross operating income reported by SUEZ Energy Services came in at €801 million, boosted by a €94 million contribution further to the definitive agreement signed on the Snohvit contract. Adjusted for this one-off contribution, the year-on-year increase is attributable to a strong business momentum and continuing operational improvements in all of the business units:

- service activities in France stepped up their commercial expansion. Improvements in operating efficiency offset the impact of mild weather in the first half of the year and a fall in sales of CO_2 emissions allowances, and helped edge up organic growth by 2%in income;
- installation activities in France enjoyed robust business volumes bolstered by a strong order book and a large number of new orders, while efforts to optimize organizational structures continued apace;
- in Belgium, installation activities benefited from good market conditions and reported profitability gains thanks to organizational streamlining measures. Service activities also continued on a highly satisfactory upward trend, while Fabricom AS successfully executed major orders in the oil and gas sector in Norway;
- international installation operations continued to gain ground, powered in particular by the acquisition of Crespo y Blasco in Spain. UK subsidiary ABS got back on the growth track, while the region's other companies posted upbeat results;
- in the Netherlands, GTI continued its recovery and forged ahead with organizational adjustments;
- Tractebel Engineering reported significant advances across its various businesses (energy, nuclear and international operations) and realised an improvement in both the volume and quality of its order book. Having discontinued its turnkey gas infrastructure operations, the company improved the profitability of its infrastructure activities thanks to a more selective approach to orders.

Current operating income for SUEZ Energy Services surged 41.5% to €555 million. Organic growth in this indicator came in at €69 million, or nearly 18%, more than three times higher than organic revenue growth. SES was buoyed by improved operating performances from the installation and engineering businesses and a better risk profile. Growth in current operating income on a reported basis reflects a positive €85 million impact arising on the Snohvit contract, which was not included in determining organic growth.

Restructuring costs fell back sharply to €16 million (€25 million in 2006 and €87 million in 2005), and mainly concerned GTI and BU International. ***Asset impairments*** amounted to €6 million, down significantly on the 2006 figure (€23 million) which chiefly consisted of a write-down on Elyo Iberica co-generation assets due to the hike in gas prices. Capital gains and losses in 2007 related mainly to ***sales*** of real estate assets. In 2006, SES had booked a capital gain of €129 million on the sale of Reva.

On the back of this performance, SUEZ Energy Services delivered €548 million in **income from operating activities**, up €93 million on the prior-year figure.

9.2.3 KEY FIGURES FOR SUEZ ENVIRONMENT

In millions of euros	2007	2006	% change (reported basis)
Revenues	**12,022**	**11,439**	**5.1%**
Gross operating income (a)	**2,102**	**1,983**	**6.0%**
Depreciation, amortization and provisions (b)	(743)	(685)	
Net expenses on concessions (c)	(208)	(193)	
Stock option expense (d)	(21)	(14)	
Share in net income of associates (e)	23	21	
Financial income not related to net debt (f)	30	26	
CURRENT OPERATING INCOME = A + B + C + D - E - F	**1,077**	**1,044**	**3.1%**
INCOME FROM OPERATING ACTIVITIES	**1,200**	**1,143**	**5.0%**

SUEZ Environment delivered organic growth of €557 million (5.1%) in revenues, which came in at €12 billion. This performance was in line with the company's objectives for 2007-2009, and reflects a string of commercial successes as well as vigorous acquisitions-led growth. Revenues climbed €583 million (5.1%) on a reported basis, and were impacted by the 2006 deconsolidation of Teris North America entities, along with Brazilian and Argentinean operations.

- Despite unfavorable summer weather conditions for drinking water distribution activities, **European water services** posted sustained revenue growth of €190 million, or 5.3%, powered mainly by Agbar (up €127 million, or 8.2%) and water services in France (up €63 million, or 3.1%).
- **European waste services** also reported strong organic revenue growth of €259 million, or 5.3%, buoyed by a powerful growth momentum in the UK (up €102 million or 11.6% due to the start-up of Private Finance Initiative contracts), and by robust demand in France (up €101 million or 4.1%), particularly for waste processing.
- **International operations** delivered organic revenue growth of €108 million (4.4%), on the back of new water and waste contracts in China (accounting for a rise of 28%), price adjustments obtained for the regulated water business in North America (12.8%) and the expansion of waste activities in Australia (14%). These upbeat results were slightly dampened by a 4.3% downturn in Degrémont's operations, by definition more volatile and also unflattered by a strong performance in 2006. International operations enjoyed a string of major commercial successes towards the end of 2007 (Palm Jumeirah and Cairo contracts, etc.), which are set to have a favorable impact in 2008.

SUEZ Environment's revenue growth was powered by a vigorous operating performance, in terms of both **gross operating income**, which climbed €126 million (6.6%) on an organic basis, largely outpacing organic revenue growth, and **current operating income** which enjoyed sustained organic growth of €56 million, or 5.7%. However, the increase in current operating income was slightly less than the advance in gross operating income, due notably to higher depreciation and amortization charges.

By geographic area, the sharp increase in gross operating income is attributable to:

- dynamic organic growth of €51 million (6.7%) in gross operating income for **European water services**, thanks to excellent results from Agbar and the recovery of OIS. Despite unfavorable climatic conditions, water services in France reported growth in gross operating income;
- robust organic growth of €38 million (4.6%) in gross operating income for **European water services**. This reflects a good performance from France, strong growth in Belgium thanks to the ramp-up of the Sleco incinerator, and ongoing improvements in operating profitability in the Netherlands and Germany. On the other hand, growth in the UK was hit by the one-off impact of the new PFI contracts in Cornwall and Northumberland that came into force at the end of 2006;
- vigorous organic growth of €30 million (8.6%) in gross operating income for **International operations**, on the back of price adjustments at United Water and an excellent showing from Sita Australia. Gross operating income reported by Degrémont held firm, despite a slight downturn in business.

SUEZ Environment reported a 5% rise in **income from operating activities** to €1,200 million. This reflects growth in current operating income and €177 million in capital gains on disposals, booked mainly by Agbar, most notably on its sale of its 53.1% interest in Applus at the end of November.

9.2.4 KEY FIGURES FOR OTHER SERVICES

In millions of euros	2007	2006	% change (reported basis)
Gross operating loss (a)	**(178)**	**(117)**	**(51.7)%**
Depreciation, amortization and provisions (b)	(2)	39	
Stock option and Spring plan expense (c)	(60)	(1)	
Share in net income of associates (d)	2	12	
Financial income not related to net debt (e)	40	89	
CURRENT OPERATING LOSS = A + B + C - D - E	**(282)**	**(180)**	**(56.5)%**
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**(220)**	**150**	**N/A**

Gross operating loss for the Other Services segment in 2006 included a €72.8 million non-recurring gain on SI Finance's private equity portfolio. The cost of the bonus share and stock option awards and employee share plans set up by the Group squeezed current operating income in 2007.

The segment reported a €220 million **loss from operating activities** in 2007, compared to income from operating activities of €150 million in 2006. The 2006 figure included €395 million in gains on the disposal of major assets, primarily the sale of residual interests in M6 and 9 Cegetel. In 2007, capital gains amounted to €85 million and mainly concern non-strategic listed companies.

9.3 OTHER INCOME STATEMENT ITEMS

In millions of euros	2007	2006	% change (reported basis)
Income from operating activities	**5,408**	**5,368**	**0.8%**
Net financial loss	(722)	(731)	1.2%
Income tax expense	(528)	(815)	35.3%
Share in net income of associates	458	372	22.9%
NET INCOME	**4,616**	**4,194**	**10.1%**
Minority interests	693	588	17.8%
NET INCOME GROUP SHARE	**3,923**	**3,606**	**8.8%**

Net financial loss for the years presented remained stable, at €722 million in 2007 compared to €731 million in 2006.

This reflects:

- a reduction in the cost of net debt to €673 million in 2007 from €830 million in 2006, underpinned by foreign exchange gains of €147 million recorded on the Brazilian real in connection with the redemption of Floating Rate Notes at SUEZ Energy International;
- offset by a lower contribution from other financial income and expenses, due to (i) the non-recurring €56 million positive impact of restructuring Latin American debt in 2006; and (ii) an €86 million fall in dividends received from non-consolidated investments in 2007.

Income tax expense decreased €287 million year-on-year, reflecting the recognition of a €500 million deferred tax asset, corresponding to the portion of tax losses carried forward by the SUEZ tax consolidation group whose utilization had become probable. Excluding this item and the impact of disposals, the effective tax rate remained stable at 23.6%.

Share in net income of associates climbed €86 million year-on-year, reflecting mainly:

- a €130 million rise in the contribution from inter-municipal companies boosted by non-recurring items in 2007, in particular the capital gain on the disposal of TVD operations in the Walloon region;
- the full consolidation of CNR (previously equity-accounted) as from December 31, 2006, which had a negative €68 million impact on net income of associates.

Net income attributable to minority interests climbed €105 million, due largely to the full consolidation of CNR as from the end of 2006 (positive impact of €29 million), as well the €21 million and €36 million increases in income reported by Distrigaz and Agbar, respectively.

9.4 FINANCING

9.4.1 CASH GENERATED FROM OPERATING ACTIVITIES

Cash generated from operations before income tax and working capital requirements *In millions of euros*	2007	2006	% change (reported basis)
Electricity and Gas	**4,928**	**4,367**	**12.8%**
SUEZ Energy Europe	3,339	2,953	13.1%
SUEZ Energy International	1,589	1,414	12.4%
SUEZ Energy Services	**743**	**500**	**48.6%**
SUEZ Environment	**1,824**	**1,785**	**2.2%**
Other Services	**(228)**	**(269)**	**(15.2)%**
SUEZ Group	**7,267**	**6,383**	**13.8%**

On a reported basis, **cash generated from operations before income tax and working capital requirements** came in 13.8% higher year-on-year, at €7,267 million in 2007, outpacing growth in gross operating income (12.4%). This cash flow line reflects a decrease in dividends received from associates further to the sale of a portion of the Group's interests in the inter-municipal companies during 2006, more than offset by lower net impairment charges against current assets and a fall in cash disbursements relating to restructuring measures.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €244 million increase in **working capital requirements**, mainly at SUEZ Energy Europe. The €50 million increase in operating working capital requirements at Electrabel reflects the structural impact of the transfer of Walloon and Brussels customers to Electrabel at January 1, 2007, and severe weather conditions at the end of 2007. Gas operations saw a rise of €181 million in working capital requirements, attributable to the timing of its payments for certain supplies, which had a positive impact on 2006 that was not carried over into 2007. SUEZ Energy International reported a €71 million decrease in working capital requirements, thanks mainly to the positive impact of marking-to-market commodity instruments contracted in North America.

Overall, operating activities generated surplus cash of €6.0 billion in 2007.

9.4.2 CASH GENERATED FROM INVESTING ACTIVITIES

Investments in 2007 totaled €6.0 billion and include:

- financial investments amounting to €2.9 billion,[4] including €1 billion on the purchase of additional interests in Gas Natural, €0.5 billion for the squeeze-out on Electrabel, and €0.4 billion for investments in the wind power sector (Compagnie du Vent, Ventus);
- maintenance expenditure totaling €1.5 billion (€1.4 billion in 2006), to which the main contributors were Electrabel (€0.5 billion, relating to conventional power plants and nuclear facilities in Belgium and the Netherlands) and SUEZ Environment (€0.7 billion, including €0.3 billion for European water services and €0.4 billion for European waste services);
- development expenditure of almost €1.6 billion (€1 billion in 2006), concerning mainly facilities in Belgium (Amercoeur 1 and Sidmar), the Netherlands (Maasvlakte and Flevo), Germany, Italy (Leini and Napoli 4), and Brazil (San Salvador).

Disposals totaled €1.1 billion in 2007, compared with almost €3 billion in 2006, and related mainly to:

- Agbar's sale of Applus for €0.2 billion;
- the sale of a portion of the Group's interests in inter-municipal companies in the Walloon and Brussels regions for €0.1 billion. Following the divestments in 2006 and 2007, SUEZ now owns 30% of Flemish inter-municipal companies, around 40% of inter-municipal companies in the Walloon region and around 30% of inter-municipal companies in the Brussels region;

4. This figure does not reflect the impact of the public tender offer for Agbar shares, as there were no related cash flows in 2007. However, as a binding commitment was given to minority shareholders of Agbar in connection with the offer in progress at the balance sheet date, financial debt was recognized in the balance sheet in an amount of €918 million.

- sales of various other non-strategic listed investments for approximately €0.4 billion.

Interest and dividends from non-current financial assets generated €0.3 billion in cash inflows.

In total, investing activities resulted in a €4.7 billion cash shortfall.

9.4.3 CASH GENERATED FROM FINANCING ACTIVITIES

Dividends paid in 2007 amounted to nearly €2 billion (€1.7 billion in 2006), including dividends paid by SUEZ SA to its shareholders (€1,514 million versus €1,260 million in 2006), due to the increase in both dividends per share as well as the number of shares carrying dividend rights. This item also includes €455 million in dividends paid by various subsidiaries to minority shareholders, which were in line with dividends paid in 2006. Net interest expense totaled €958 million, compared with €754 million in 2006.

Borrowings over the period outpaced repayments (net cash inflow of €900 million), reflecting the fast-paced growth of investment expenditure.

Capital increases carried out almost exclusively by the parent company relate to subscriptions within the scope of the employee share ownership plan and stock subscription plan offered to the Group's employees, representing a cash inflow of €833 million. The implementation of the share buyback program resulted in a cash outlay of €1.1 billion over the period.

Overall, financing activities resulted in a cash outflow of €2.5 billion in 2007.

9.4.4 NET DEBT AT DECEMBER 31, 2007

Net debt totaled €13.1 billion at end-2007 versus €10.4 billion at end-2006. The gearing ratio stood at 52.7% compared with 46.3% at December 31, 2006, thanks to a parallel increase in total equity. As a binding commitment was given to the minority shareholders of Agbar in connection with the public tender bid for Agbar shares in progress at the balance sheet date, financial debt was recognized in the balance sheet at end-2007 in an amount of €918 million, corresponding to the Group's share in the offer.

Including the impact of financial instruments, 57% of net debt is denominated in euros, 25% in US dollars and 6% in pounds sterling (48%, 32%, and 7%, respectively, at year-end 2006).

After taking into account the impact of financial instruments, 49% of gross debt is at fixed rates.

Due to the high levels of cash and cash equivalents at December 31, 2007 (€6.7 billion) and the Group's policy of favoring fixed-rate debt when interest rates are at record lows, 78% of net debt is at fixed rates. The average maturity of net debt is 6.9 years.

At December 31, 2007, the Group had undrawn confirmed credit facilities and commercial paper back-up lines totaling €9.1 billion, versus €8.6 billion at December 31, 2006.

9.5 OTHER BALANCE SHEET ITEMS

Property, plant and equipment, net stands at €22.6 billion, compared to €21 billion at end-2006. This €1.6 billion increase was driven primarily by capital expenditure (€3.1 billion) and changes in the scope of consolidation (€1.1 billion), which offset €1.8 billion in depreciation and impairment charges recognized in the period.

Goodwill was €1.5 billion higher at €14.9 billion, reflecting the impact of investments in the wind power sector (€0.7 billion) and goodwill recognized on acquisitions of minority interests (€0.5 billion on the public tender offer for minority Agbar shares and €0.3 billion on the acquisition of minority interests in Electrabel within the context of the squeeze-out bid).

Investments in associates remained stable at €1.2 billion. **Available-for-sale securities** climbed €1.3 billion to €4.1 billion at December 31, 2007, mainly driven by the investment in Gas Natural.

Total equity rose €2.3 billion year-on-year to €24.9 billion, despite the €2 billion dividend payout and treasury stock transactions and translation adjustments, which had negative impacts of €1.1 billion and €0.4 billion, respectively. The increase in total equity was mainly attributable to net income for 2007 (€4.6 billion) and items dealt with directly through equity, which had a positive impact of €0.8 billion. These items included gains and losses on the remeasurement of available-for-sale securities and the revision of discount rates applied to pensions and other employee benefit obligations.

Provisions remained stable at €9.6 billion, compared with €9.8 billion at the end of 2006.

The net balance of **deferred taxes** was a €0.5 billion liability, representing a fall of €0.1 million on December 31, 2006. This reflects the afore-mentioned capitalization of tax losses carried forward by the SUEZ tax consolidation group whose utilization had become probable, and an increase in deferred tax liabilities relating to items recognized directly through equity.

9.6 PARENT COMPANY FINANCIAL STATEMENTS

The full version of the parent company financial statements is available from SUEZ on request.

Key figures of the parent company financial statements, prepared in accordance with French GAAP, are presented below:

In millions of euros	2007	2006
1. Income statement		
Income from operating activities	11	6,383
Exceptional income	5,575	401
Income tax, profit-sharing & incentive schemes	175	186
Net income	5,761	6,970
2. Cash flow statement		
Cash generated from (used in) operating activities	236	2,513
of which gross cash flow	170	2,583
Cash generated from (used in) investing activities	16,721	(11,439)
Cash generated from (used in) financing activities	(12,528)	7,381
3. Balance sheet		
Property, plant and equipment & intangible assets	20	16
Financial assets	36,905	48,039
Prepaid expenses and other current assets	634	315
Marketable securities and cash & cash equivalents	178	217
TOTAL ASSETS	**37,737**	**48,587**
Shareholders' equity	36,793	31,723
Provisions	250	244
Borrowings	500	16,480
Deferred income and other liabilities	194	140
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**37,737**	**48,587**

The 2007 financial statements reflect the sale of SUEZ-TRACTEBEL shares to Electrabel for €18,200 million, as well as acquisitions of treasury shares as part of the share buyback program. The amount received on the sale of SUEZ-TRACTEBEL shares allowed SUEZ to repay most of its debt.

The year-on-year decrease in net income to €5.8 billion reflects:

- a decrease in income from operating activities, to €11 million in 2007 from €6,383 million one year earlier. In 2006, this item had been boosted by interim dividends paid by SUEZ-TRACTEBEL and Electrabel for €4,199 million and €944 million, respectively, whereas no such interim dividend payment was made in 2007;
- a sharp rise in exceptional income to €5,575 million, inflated by the €5,393 million capital gain on the disposal of SUEZ-TRACTEBEL to Electrabel. Exceptional income for 2006 included write-backs of provisions on shares, notably further to the sale of 9Cegetel.

9.7 OUTLOOK FOR 2008

The Group enjoys excellent prospects. The effectiveness of the SUEZ business strategy is supported by accelerated changes in the businesses where the Group is present and by Europe's energy price dynamics. These latter are principally a function of higher fossil fuel prices, growing environmental concerns, new infrastructure requirements, and energy supply security considerations.

Ambitious 2008 objectives

Based on its commercial successes and particularly promising growth prospects for all its businesses, the Group has established ambitious financial objectives for 2008:

- EBITDA growth in the +10% range;
- more investment in 2008 than in 2007;
- pursuit of share buyback program (EUR300 million till the end of first semester 2008);
- maintenance of an "A" credit rating;
- another dividend increase for 2008 and a policy of higher dividend payouts than 50% of recurring net income.

Acceleration in industrial investments

The Group's objective for 2008 is to exceed level of investment in 2007.

These investments will respect the Group's stringent financial discipline (maintain an "A" rating for medium-term debt and observe strict in-house investment criteria) and will focus principally on renewable and conventional electricity generating capacity, mainly in Europe, Latin America, and North America.

Continued dynamic shareholder remuneration policy

Given 2007 results and a favorable outlook for each of the Group's businesses, the Board of Directors decided at its February 25, 2008 meeting to recommend to the May 6, 2008 Annual General Shareholders' Meeting an ordinary dividend of EUR 1.36 for 2007, representing an increase of +13.3% over the dividend paid for 2006.

Continuous dividend increases since 2003 (+70%) reflect the Group's dynamic shareholder remuneration program, in step with its profit trend, offering a return on investment that is competitive with the entire sector.

Since 2007 this dividend payout policy has been matched with share buyback programs that will be continued in 2008.

5-year recruitment program to hire 110,000 new employees

The Group intends to hire 110,000 new employees between 2008 and 2012, including 52,000 in France and 10,000 in Belgium. This active hiring policy responds to trends in SUEZ businesses, to anticipated structural changes in operations' requirements, and the necessity to match Group resources to customer needs.

This comprehensive recruitment program reflects the Group's confidence in a future where it will hire, invest, and share the fruits of its performance with employees. The program positions SUEZ as one of Europe's leading recruiters.

A future bolstered by the Gaz de France merger

The Group's promising outlook is fortified by its Gaz de France merger project. GDF SUEZ will be a leading global player in energy and public utilities industry leader.

Throughout 2007, SUEZ and Gaz de France continued their active development efforts. Even before considering the merger's operational synergies, their 2007 performances bear out the profitability of their respective business activities.

Already, a joint GDF SUEZ integration team is at work to ensure the new Group will be operational from the first day of the merger, scheduled for first-half 2008.

GDF SUEZ has set performance targets to match its ambitions:

- EUR 17 billion in EBITDA by 2010;
- 10% to 15% average annual growth in dividends per share for dividends paid between 2007[5] and 2010;
- strong "A" credit rating.

5 *Based on the Gaz de France dividend paid in 2007 for 2006 (EUR 1.10 per share); SUEZ shareholders will also receive a SUEZ Environment dividend.*

10 CASH FLOW AND SHARE CAPITAL

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10.1 ISSUER CAPITAL

Total equity rose €2.3 billion year-on-year, to €24.9 billion, despite the €2 billion dividend payout and translation losses of €0.4 billion. Equity was boosted by net income for the year (€4.6 billion) and the impact of IAS 32/39 (€0.4 billion).

As indicated below in paragraph 10.3.1, the Group's net debt amounted to €13.1 billion. As a result, the gearing ratio (net debt divided by total equity) went from 46.3% at end-2006 to 52.7% at December 31, 2007.

10.2 SOURCE AND AMOUNT OF ISSUER CASH FLOWS AND DESCRIPTION OF CASH FLOWS

10.2.1 CASH FLOW FROM OPERATING ACTIVITIES

CASH GENERATED FROM OPERATIONS BEFORE INCOME TAX AND WORKING CAPITAL REQUIREMENTS

In millions of euros	2007	2006	% change (reported basis)
Electricity and Gas	**4,928**	**4,367**	**12.8%**
SUEZ Energy Europe	3,339	2,953	13.1%
SUEZ Energy International	1,589	1,414	12.4%
SUEZ Energy Services	**743**	**500**	**48.6%**
SUEZ Environment	**1,824**	**1,785**	**2.2%**
Other Services	**(228)**	**(269)**	**(15.2)%**
SUEZ Group	**7,267**	**6,383**	**13.8%**

On a reported basis, cash generated from operations before income tax and working capital requirements came in 13.8% higher year-on-year, at €7,267 million for 2007, outpacing growth in gross operating income (12.4%). This cash flow line reflects a decrease in dividends received from associates further to the partial sale of inter-municipal companies in 2006, more than offset by lower net impairment charges against current assets and a fall in cash disbursements relating to restructuring measures.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €244 million increase in **working capital requirements**, mainly at SUEZ Energy Europe. The €50 million increase in operating working capital requirements at Electrabel reflects the structural impact of the transfer of Walloon and Brussels customers to Electrabel at January 1, 2007, and severe weather conditions at the end of 2007. Gas operations saw a rise of €181 million in working capital requirements, attributable to the timing of its payments for certain supplies, which had a positive impact on 2006 that was not carried over into 2007. SUEZ Energy International reported a €71 million decrease in working capital requirements, thanks mainly to the positive impact of marking-to-market commodity instruments contracted in North America.

Overall, operating activities generated surplus cash of €6.0 billion in 2007.

10.2.2 CASH FLOW FROM INVESTING ACTIVITIES

Investments in 2007 totaled €6.0 billion and include:

- financial investments amounting to €2.9 billion,[1] including €1 billion for the purchase of additional interests in Gas Natural, €0.5 billion for the acquisition of minority interests in Electrabel, and €0.4 billion for investments in the wind power sector (La Compagnie du Vent, Ventus);
- maintenance expenditure totaling €1.5 billion (€1.4 billion in 2006), to which the main contributors were Electrabel (€0.5 billion, relating to conventional power plants and nuclear facilities in Belgium and the Netherlands) and SUEZ Environment (€0.7 billion, including €0.3 billion for European water services and €0.4 billion for European waste services);
- development expenditure of almost €1.6 billion (€1 billion in 2006), concerning mainly facilities in Belgium (Amercoeur 1 and Sidmar), the Netherlands (Maasvlakte and Flevo), Germany, Italy (Leini and Napoli 4), and Brazil (San Salvador).

1. *This figure does not reflect the impact of the public tender offer for Agbar shares, as there were no related cash flows in 2007. However, as a binding commitment was given to minority shareholders of Agbar in connection with the offer in progress at the balance sheet date, financial debt was recognized in the balance sheet in an amount of €918 million.*

Disposals totaled €1.1 billion in 2007, compared with almost €3 billion in 2006, and related mainly to:

- Agbar's sale of Applus for €0.2 billion;
- the sale of interests in inter-municipal companies in the Walloon and Brussels regions for €0.1 billion. Following the divestments in 2006 and 2007, SUEZ now owns 30% of Flemish inter-municipal companies, around 40% of inter-municipal companies in the Walloon region and around 30% of inter-municipal companies in the Brussels region;
- sales of various other non-strategic listed investments for approximately €0.4 billion.

Interest and dividends from non-current financial assets generated €0.5 billion in cash inflows.

In total, investing activities resulted in a €4.7 billion cash outflow.

10.2.3 CASH FLOW FROM FINANCING ACTIVITIES

Dividends paid in 2007 amounted to nearly €2 billion (€1.7 billion in 2006), including dividends paid by SUEZ SA to its shareholders (€1,514 million versus €1,260 million in 2006), due to the increase in both dividends per share as well as the number of shares carrying dividend rights. This item also includes €455 million in dividends paid by various subsidiaries to minority shareholders, which were in line with dividends paid in 2006. Net interest expense totaled €958 million, compared with €754 million in 2006.

Borrowings over the period outpaced repayments (net cash inflow of €900 million), reflecting the fast-paced growth of investment expenditure.

Capital increases carried out almost exclusively by the parent company relate to subscriptions within the scope of the employee share ownership plan and stock subscription plan offered to the Group's employees, representing a cash inflow of €833 million. The implementation of the share buyback program resulted in a cash outlay of €1.1 billion over the period.

Overall, financing activities resulted in a cash outflow of €2.5 billion in 2007.

10.3 FINANCIAL STRUCTURE AND BORROWING CONDITIONS APPLICABLE TO THE ISSUER

10.3.1 DEBT STRUCTURE

The Group was able to finance its investments without being affected by the turmoil that hit the financial markets in the second half of 2007. During the year, the Group also looked to optimize its debt sourcing.

At December 31, 2007, gross debt (excluding bank overdrafts) was higher than the prior-year figure, at €20.1 billion versus €18.4 billion at end-2006. Gross debt consists primarily of bonds for €9.3 billion (€9.6 billion at end-2006), and bank borrowings (including finance leases) for €8.6 billion (€7.1 billion at end-2006).

Short-term loans represent 27% of total gross debt in 2007 versus 29% in 2006.

Excluding derivative instruments and measurement at amortized cost, net debt totaled €13.5 billion at December 31, 2007, compared to €10.7 billion at end-2006.

Excluding derivative instruments and measurement at amortized cost, 57% of net debt is denominated in euros, 25% in US dollars and 6% in pounds sterling (48%, 32%, and 7%, respectively, at the end of 2006).

49% of gross debt and 78% of net debt are at fixed rates. Despite a significant rise in interest rates, the average cost of gross debt comes to 5.4%, compared with 5.2% in 2006. The average maturity of net debt is 6.9 years at end-2007 compared with 8.1 years at end-2006.

10.3.2 MAIN DEVELOPMENTS IN 2007

In 2007, the Group continued to roll out the automated cash pooling system aimed at optimizing its management of banking assets and liabilities by circulating cash among its various subsidiaries. Improved circulation of cash has enabled the Group to limit its use of external debt, in particular to fund its higher level of investment expenditure in 2007.

To increase its liquidity, in April 2007 Electrabel SA issued 18-month floating rate notes (FRN) for a total amount of €1 billion. SUEZ Finance SA also issued 18-month floating rate notes for the same amount in April 2007, and a four-year private placement for €400 million in May 2007.

In the first quarter of 2007, the Group bought back bonds issued by GIE SUEZ Alliance for an amount of €1,346 million (€746 million on the bond maturing in February 2009 and €600 million on the bond maturing in June 2010), in order to even out the repayment profile of its bond debt.

The Group was also extremely active on banking markets in 2007.

In the six months to June 30, 2007, the Group, together with various local partners, set up the largest non-recourse financing facility for the electricity sector in the Middle East. The facility was intended to fund the development of a power plant and desalination unit in Saudi Arabia (Marafiq – financing totaling USD3,200 million) and a project to acquire and extend Barka II in Oman for an amount of USD800 million. These two facilities have received various awards from the specialist press. Due to the percentage interest and control and in these companies, the financing facilities are not fully consolidated within the Group's consolidated financial statements.

The Group's international energy division also put in place a non-recourse financing facility for USD400 million in Chile and a USD400 million financing program in Peru.

The Group also refinanced its subsidiary Tirreno Power with its Italian partners in an amount of €1.2 billion, as well as its Taweelah A1 power plant in Abu Dhabi, also with a number of partners (€1.1 billion).

In July 2007, Electrabel SA set up a €11.6 billion bank facility to finance part of its acquisition of SUEZ Tractebel SA. The purpose of this intercompany transfer was to increase operating synergies and to prepare the future organization of the Group for the merger with Gaz de France.

The loan was partly refinanced by the transfer of €3.6 billion in bond debt held by SUEZ SA, GIE SUEZ Alliance and SUEZ Finance to a Luxembourg-based subsidiary of Electrabel SA, Belgelec Finance SA.

In August 2007, the Group raised the total amount of its EMTN program by €5 billion to €10 billion. The program includes Electrabel SA and Belgelec Finance SA as issuers along with GIE SUEZ Alliance and SUEZ Finance SA. All bond issues under this program are guaranteed by GIE SUEZ Alliance.

In the context of the upcoming merger with Gaz de France and the new terms approved by the respective Boards of Directors on September 2, 2007, SUEZ shareholders are to receive shares in a new company holding the Group's environment assets.

Prior to the share distribution, certain SUEZ Environment subsidiaries will withdraw from GIE SUEZ Alliance. A consultation process was launched in November 2007 with holders of bonds guaranteed by GIE SUEZ Alliance with the aim of discharging these companies from their contractual obligations with holders of bonds due or guaranteed by GIE SUEZ Alliance. The transaction was approved by the required quorum for all the bond issues concerned, and will be effective as of the date of the merger with Gaz de France.

In January 2008, the Group set up external financing of €814 million to fund its portion of the public tender offer for minority Agbar shares launched by SUEZ Environment, La Caixa and their jointly-owned subsidiary Hisusa, which ran from December 2007 through January 18, 2008.

10.3.3 GROUP CREDIT RATINGS

SUEZ and some of its subsidiaries have been given a senior debt rating by Standard & Poor's and Moody's. On February 27, 2006, Standard & Poor's and Moody's placed their ratings for GIE SUEZ Alliance and SUEZ SA on review in light of the planned merger with Gaz de France. Pending the results of this review, GIE SUEZ Alliance maintains its rating of A2/P-1 from Moody's and A-/A-2 from S&P. SUEZ SA also maintains its A- ratings with S&P.

Ratings agencies have made the following adjustments to the calculation of the Group's net debt:

- inclusion of provisions concerning nuclear power generation (site dismantling and reprocessing of nuclear fuel, see Section 20, Note 19);
- inclusion of the pension fund deficit (see Section 20, Note 20);
- inclusion of unconditional discounted future minimum payments under operating leases (see Section 20, Note 23).

10.4 RESTRICTIONS REGARDING THE USE OF CAPITAL

At December 31, 2007, the Group had €9 billion in undrawn confirmed credit facilities (that can be used as back-up lines for commercial paper). 89% of these facilities are managed centrally and are not subject to financial covenants or credit ratios.

The Group also arranges credit facilities to cover subsidiaries' funding requirements. Drawdowns on the facilities depend on compliance with financial covenants set for the borrower. These lines of credit are not guaranteed by SUEZ SA or GIE SUEZ Alliance.

The definition and the level of these covenants are determined in agreement with lenders and may be reviewed during the life of the loan.

With most loans subject to covenants, lenders require subsidiaries to comply with certain ratios assessing their ability to service the debt (debt-service cover ratio, equal to free cash flow divided by principal plus interest costs) or the related interest (interest cover ratio, equal to EBITDA divided by interest costs).

In the case of project financing, a loan life cover ratio is sometimes requested in addition to the debt-service cover ratio. This is equal to the net present value of cash available for debt service divided by outstanding debt.

For other financing facilities that are not guaranteed by the parent company, banks sometimes require compliance with a balance sheet ratio – chiefly either a debt-equity ratio or a stipulated minimum level of equity.

At December 31, 2007, there were no reported payment defaults on the Group's consolidated debt. All Group companies comply with the covenants and representations stipulated in their financial documentation, with the exception of:

- one SEI company which has not complied with information disclosure requirements regarding financing for a total amount of USD43.7 million;
- three SES companies which have not complied with financial covenants for loans totaling €20 million.

However, these companies have not defaulted on their payment obligations and their failure to comply with the requirements indicated above has no impact on the financing facilities available to the Group.

10.5 PLANNED SOURCES OF FINANCING TO MEET THE COMMITMENTS STEMMING FROM INVESTMENT DECISIONS

10.5.1 CONTRACTUAL COMMITMENTS

The following table presents an estimate of contractual commitments at December 31, 2007 which may have an impact on the Group's future cash flows. This estimate takes account of Group gross borrowings, operational finance leases and irrevocable commitments made by the Group to acquire fixed assets, and other long-term commitments.

AT DECEMBER 31, 2007

In millions of euros	Amounts by maturity: Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Net debt	(1,030)	8,128	6,416	13,514
Operating leases	296	913	1,105	2,314
Non-cancelable purchase commitments	1,929	2,578	208	4,715
Firm purchases and sales of commodities and fuels	(4,506)	3,760	12,774	12,028
Financing commitments given	774	8,130	182	9,056
Financing commitments received	343	289	253	885

Contractual commitments may have a material impact on operating income or Group sources of financing, in the event of changes in the parameters underlying these specific arrangements.

The table above does not include commitments related to pensions and other employee benefits. At December 31, 2007, payment commitments relating to pension and employee benefit obligations exceeded plan assets in an amount of €2,298 million, excluding (i) the amount due to the Group from Belgian inter-municipal companies following the outsourcing of part of the distribution activities; and (ii) the fair value of the assets of Contassur – SUEZ Group's pension fund management company in Belgium. For further information on these obligations, please refer to Section 20, Note 20 of this Reference Document.

Capital expenditure commitments in an amount of approximately €885 million are also included in the above table under "Other long-term commitments". These commitments are primarily related to the construction of several power generation plants, and include purchases of turbines, gas power plants, cogeneration plants and incinerators (€595 million), and investments in connection with concession contracts (€290 million).

CONTRACTUAL COMMITMENTS AT DECEMBER 31, 2006

In millions of euros	Amounts by maturity: Due in less than 1 year	Due in 1 to 5 years	Due in more Than 5 years	Total
Net debt	(2,302)	8,067	4,955	10,720
Operating leases	221	663	821	1,705
Non-cancelable purchase commitments (*)	842	752	241	1,835
Firm purchases and sales of commodities and fuels	(2,753)	5,392	18,127	20,766
Financing commitments given	661	409	2,547	3,617
Financing commitments received	1,095	2,218	5,834	9,147
Other long-term commitments	298	281	290	869

(*) Net of sale commitments

10.5.2 PLANNED SOURCES OF FINANCING

The Group expects that its funding requirements will be covered by cash on hand, cash flows from operating activities and, if need be, existing credit facilities.

The Group may set up specific financing facilities on a project-by-project basis.

A total of €4 billion of the Group's credit facilities and financing matures in 2008. SUEZ Group also has €6.5 billion in available cash (net of bank overdrafts) at December 31, 2007 and, as described in paragraph 10.4, €9 billion in available lines of credit (excluding drawdowns on the commercial paper program).

11

INNOVATION, RESEARCH AND DEVELOPMENT, PATENTS AND LICENSE POLICY

11.1 INNOVATION INITIATIVE AWARDS P.140

11.2 THE VALUE-CREATION LABEL P.141

11.3 PATENTS AND LICENSES P.141

At SUEZ, innovation is a strategic element that enables the Group to meet the expectations of its customers with respect to their current and future needs, improve the productivity of its production capacity, and increase financial profitability.

This policy is developed based on the work of experts in the business units, research programs developed in the Group's R&D Centers, and the sharing of results and exchange of information among researchers and experts.

The Group has also established a proactive approach to stimulate and promote initiatives and innovative projects in the technical, sales and managerial fields by carefully examining proposals for various projects submitted by teams in the field.

In 2007, three goals underpinned this strategy:

- satisfying an increasingly strict and demanding need in terms of sustainable development thanks to its presence in both the energy sector and environmental sector; reduction of CO_2 emissions, improved energy efficiency for all customer uses, reduction of environmental pollution, increased use of renewable forms of energy;
- developing new services for private, municipal and industrial customers with targeted offers to match their expectations;
- improving the productivity of production capacity, especially through the increased sharing of advances between entities, a high level of use of new information and communications technologies, and advances in the simulation field.

In the technical field, SUEZ relies on Research and Development (R&D), in which it spent a total of €99.6 million in 2007.

On a like-for-like basis, it spent €86 million in 2006, €84.8 million in 2005, and €85 million in 2004.

In all, there are over 730 researchers and experts working on technological Research and Development projects in the R&D centers and in expert networks.

Research activities are primarily conducted in specialized R&D centers:

- **Laborelec**, based near Brussels (with a subsidiary in Maastricht – the Netherlands) and specializes in activities related to the production, distribution, and use of electricity and related forms of energy and sustainable development.

  It is on the cutting edge in the control of energy quality and the knowledge of procedures and equipment for energy production, including renewable energy sources (particularly from biomass).

  The monitoring of the behavior of equipment, particularly the vibratory control of rotating machines, is a special strength, as well as expertise on the behavior of gas turbine materials, steam generators, and high-pressure boilers.

  Laborelec has developed and applied specialized services for industry essentially focused on energy efficiency.

  Its expertise is evident in all its four product lines:

  – «Electric and metrological systems»,

  – «Technology for sustainable procedures»,

  – «Electrotechnical engineering materials and equipment»,

  – «Materials and sound and vibratory control technology».

  A multi-functional management provides underlying support to these 4 areas of expertise:

  For certain highly sensitive activities, Laborelec's professionalism and impartiality are guaranteed by ISO 17025 and ISO 9001 certifications;
- **Elyo Cylergie**, based near Lyon. Its capabilities are used in the energy services business. Special emphasis is placed on energy efficiency, minimizing environmental impact, health and comfort, and monitoring performance commitments.

To this end, Elyo Cylergie has developed specialties in four primary areas:

– energy efficiency,

– maintenance and reliability of equipment,

– environment, health, and comfort,

– metrology and result indicators;

- **CIRSEE**, based in the Paris region. It specializes mainly in activities related to drinking water, waste water and waste businesses. It concentrates in four areas of expertise:

- drinking water: from the management of the water resources to the quality of tap water,
- sanitation and the environment: waste water treatment, the conversion of sludge and environmental control,
- environmental health and analytical expertise, where analytical tools necessary for the evaluation of potential risks are implemented,
- IT relevant to the business line;

- **CERDEG**, based in the Paris Region and **DENARD**, based in the United States. These two centers specialize in the design of new products and processes in the treatment of waste water, drinking water, and the desalination of sea water.

Cerdeg's research is concentrated in five areas of expertise:

- drinking water, reuse, desalination, and membrane products chains,
- sludge products and chains,
- biological reactors and chains,
- physicochemical products and separation,
- odors and improvement of the environment.

Additionally, DENARD specializes in 2 specific areas: UV disinfection and rapid separation;

- **CIRADE**, based in the Paris Region, specializes in:

- the management of facilities for storing household and related waste and their liquid and gaseous effluents,
- waste transformation and recovery;

- **SUEZ Environment** also draws on the expertise of its research centers and operational companies (water and solid waste):

- the Centre Technique Comptage de Lyonnaise des Eaux France in Lyon, the research laboratories of the AGBAR group in the field of water and waste treatment,
- the technical divisions and laboratories of SITA France and its subsidiaries, in particular the laboratories of SITA FD (Villeparisis) and SITA Remédiation (Lyon);

- **SCIP Water Research Center**, based in Shanghai, China, specializes in industrial waste water treatment projects;
- **ONDEO IS** has a European network dedicated to the industrial market. It specializes primarily in the delivery of industrial water to various sectors such as oil and energy, pharmaceuticals, microelectronics and agro-foods.

The research topics covered in 2006 include:

- the optimization of sludge reduction processes and the treatment of specific sludge types,
- the recycling of industrial waste water with the use of membranes.

The Group is stepping up its research and development efforts through partnerships with public entities (for example, CEA, Cemagref, CNRS, Univeristy of Tongii, University of California Los Angeles (UCLA), and Ecole des Mines de Paris) and private entities. Thus, for example, Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water, and SUEZ Environment have formed the partnership **R+i Alliance** to work together on joint research projects in the water businesses.

For technical development, SUEZ relies on the work of its experts in the business units, particularly in three engineering companies:

- **Tractebel Engineering**, with operations in Belgium, France, Italy, Poland, Romania, the Czech Republic, India, and Brazil, focuses its R&D activity on four lines:

- sustainable energy (thermal and hydroelectric energy production with low CO_2 emissions),
- nuclear energy,
- secure energy supplies (gas and electricity transmission and distribution networks),
- simulators;

- **SAFEGE**, with operations in France, Belgium, Argentina, Lithuania, Poland, Kuwait and Saudi Arabia, is a leading consulting engineering company specialized in the water and environment businesses;
- **FAIRTEC**, with operations in France, specializing in waste treatment, designs and implements high-performance responses to the major issue of reducing environmental impacts.

Some of the R&D achievements in 2007 are:

For SUEZ Energy Europe and International:

- the assessment and use of non-destructive techniques on «thermal barrier»-type coatings for quality control, and calculation of the remaining useful life of gas turbine components;
- the modeling of gas turbine blades to extend their useful life with a view to reducing maintenance costs;
- the development of an artificial intelligence-based regulating system for the control of gas emissions from electrical power plants;
- the study and implementation of advanced emission-purification technologies for electrical power plants
- continuing the program of studies of CO_2 capture technologies in solid-fuel electricity production units;
- implementation of an infrasound-based technology coupled with sonar to reduce the industrial impact on aquatic life;
- assessment of the processing of the water cycle by new combined-cycle power plants;
- in order to perform a remote diagnostic, the diagnostic center that collects sensitive monitoring data from electrical power plants has been enhanced by remote monitoring of alternators (partial discharges, vibrations from stator bars, the air gap between stator and rotor) and wind generators (vibrations);
- the study of transformer oils, specifically the problem of corrosive sulfur and the use of biodegradable oils
- the start of a plan to study the use of LEDs for lighting;

- enhancement of an accelerated growth method for defects (water treeing) on medium-tension cables, to study their useful life;
- the startup of a pilot electrical micro-network consisting specifically of photovoltaic panels, and low-power batteries and wind generators to test the dynamic behavior and reliability of micro-networks;
- the evaluation of existing intelligent metering technologies and the specific study of the problem of signal propagation on electrical transmission networks;
- in 2007, Compagnie Nationale du Rhône had 22 projects underway. It seeks to advance most of these projects in partnership with public research institutes or universities (CEMAGREF, CETMEF, INSA de Lyon).

  The projects fall into four categories:

  – improvement of environmental management methods used in publicly-owned utilities,

  – enhancement of new design or calculation methods, particularly in the area of hydraulics,

  – industrial optimization, especially to predict the flow rates of the Rhône,

  – validation and perfecting of hydraulic measurement methods (*in situ* and at the CNR hydraulics laboratory).

For SUEZ Energy Services:

- SUEZ Energy Services often conducts its R&D in cooperation with its customers with a view to meeting their specific needs, which enables it to develop systems that do not yet exist on the market and to improve technical processes;
- For instance, INEO has developed both a bus and tramway fleet and a telecommunications management system;
- Elyo Cylergie continued to work on energy efficiency in buildings by, for example, perfecting an economical remote metering kit suitable for managing energy consumption and comfort parameters. Advances in the modeling of cold plates have also been achieved. The development of a high environmental performance operating methodology, as well as several high-level partnerships to control the risk of Legionnaires' Disease and improve air quality should also be noted;
- Tractebel Engineering took part in various research programs backed by the European Commission. In the field of electricity, it worked on preparing the emission-free power plants of the future, as well as facilitating the development of decentralized production and optimizing the reliability of networks with EU-DEEP, and defining R&D requirements for managers of tomorrow's networks with RELIANCE.

In the nuclear field, Tractebel Engineering contributes to work on the safety of facilities (OECD's PERFECT and CEA's GONDOLE projects), the issue of nuclear waste (VISIMODELLER, XADS-EUROTRANS) and new reactor concepts (RAPHAEL, EUR).

Tractebel Engineering is participating in basic works on the capture and isolation of CO_2.

Lastly, the Group shows its expertise in simulation with the modeling of electric power generating plants as well as simulation of railway networks.

For SUEZ Environment:

- significant work is currently being done on the renewal policy for functioning pipelines, to determine their remaining useful life depending on local conditions, their age, and the specific nature of the materials used. The goal of this very important program is to develop a «sustained maintenance» policy for underground systems;
- SUEZ Environment has brought together nine business units (Lyonnaise des Eaux, SITA France, Agbar, Degrémont, Fairtec, Théralys, United Water, Ondeo Industrial Solutions, France Déchets) around a major odor pollution control program in the vicinity of its sewage and sanitation facilities. Currently, the Group is experienced in measuring and model building for odor dispersal systems, it can identify emissions from numerous sources and has remedial resources at its disposal;
- a major program for the projecting and real-time control of flood waters was started in 2006. The purpose is to limit disruptions caused by storm flooding, and to offer new services to municipalities within the framework of regulatory restrictions on bathing waters and environmental restrictions on river waters;
- an innovative program on real-time residential water metering has also been launched. The purpose is to develop new offerings through private parties to allow greater general knowledge of network flows in order to optimize them;
- research efforts on programs dedicated to energy savings in operational activities and to flood management increased in 2006 in the context of the Group's sustainable development objectives;
- SUEZ Environment is continuing to invest significantly in sanitary monitoring programs related to drinking water quality, to ensure the perfect food quality of water distributed to its consumers' taps;
- continuing its leadership in the field of desalination and drinking water, Degrémont has patented a membrane pre-treatment process using micro-coagulation, a process which allows flow over the membranes to be increased significantly. The Group is active in the very large desalination markets (Perth, for example) through Degrémont, as well as in smaller markets, through Ondeo Industrial Solutions;
- in the field of disinfection using ultraviolet light, Degrémont has expanded its range of products in order to meet the needs for higher flow systems;
- more generally, in the area of industrial waste water, the startup of the research center in Shanghai in collaboration with the Shanghai Chemical Industrial Park has allowed it to strengthen its expertise in the classification of special effluents and optimization of their treatment, lending an additional advantage to Ondeo Industrial Solutions;
- moreover, SUEZ Environment has stepped up its R&D contribution in the area of sanitation. While continuing its major programs in the management of technical disposal centers involving research on bio-reactors, the Group has launched major programs to

improve the treatment of solid organic waste, through composting or methanization;

- household waste collection, waste compression at the receptacle (cyclabelle), and pneumatic transfer are innovations intended to reduce disruptions caused by collection trucks;
- in upstream sorting methods, SUEZ Environment is working on improving automated sorting techniques such as, for example, optical sorting of bottles, or flotation sorting of demolition wood. The purpose is to reduce the burden of the work as well as to increase global sorting efficiency, allowing for an increase in business recycling rates;
- research efforts are intensifying on materials recycling as a result of market threats. SUEZ Environment is developing methods for the disassembly of large equipment items, such as aircraft, to allow it to reuse these items, through materials recycling (metals, for example), or methanization;
- the impact of the incineration directive has placed emphasis on the need to optimize incineration. Instruments to simulate fluid dynamics, calculated by computer and developed several years earlier in the water area, have begun to spread to incineration activities, to provide real-time tools to control the operations of incineration plants;
- regarding innovation, SUEZ is continuing its approach of encouraging the stimulation and promotion of initiatives and innovative projects in the technical, commercial, and management fields, by applying a methodical examination of proposals issued by teams in the field. This policy applies primarily to two tools for promotion and management.

11.1 INNOVATION INITIATIVE AWARDS

These reward the employees or teams for operational achievements in four categories: technical, sales, management, and cross-category.

The twenty-first campaign that was launched at the end of 2006 recognized 43 innovations, including 17 First Prizes:

- Efficient real estate management with Geoweb **(Tractebel Energia);**
- A specific «business development» process **(SUEZ Energy International);**
- Masters of Energy: a field elite addressing HR's challenges **(INEO);**
- Sustainable insertion: a training and monitoring method for prisoners **(GEPSA);**
- Optimizing the startup of thermal power plants **(SUEZ Energy Generation NA);**
- Industrialization of a technique to detect invisible leaks with helium **(PALYJA);**
- Wet-method cooling system without aerosol: a solution to the health risk of Legionnaires' Disease **(Climespace);**
- Combined installation of electrical production and sea water desalination **(SUEZ Energy International);**
- www.empreinte.sita.fr: more ecological waste collection **(SITA France);**
- NOSE®: controlling odor pollution **(SUEZ Environment);**
- Trophy URE: an internal contest to support the external campaign **(Electrabel);**
- CYCLOR – nitrates shunt: an alternative method of treating high-nitrogen effluent **(Degrémont / SUEZ Environment);**
- Research and innovation in the water sector **(R+i Alliance);**
- «Plug and Play» module: accelerate the speed of ship construction **(AXIMA);**
- Powering of an electricity plant by «coconut fuel» on a Pacific island **(Unelco);**
- An innovative financing model **(SITA UK);**
- A CO_2 emissions-free plant **(Electrabel).**

11.2 THE VALUE-CREATION LABEL

It is awarded for projects that won an Innovation Initiatives Trophy three or four years earlier and that created maximum value when they were implemented.

In 2007, the winners of the 2003, 2004, and 2005 Trophies were reviewed.

Four winners received the label:

- **DARWIN:** Optimize the behavior of networks and facilities **(Laborelec),** 2004 Award – «Technical» category;
- **AMI**: Mobile Intervention Assistant (Lyonnaise des Eaux) - 2005 Award, «Management» Grand Prize;
- **ESPACES SERVICES:** Payment of invoices in local stores **(Lydec)** - 2005 Award, «Management» Grand Prize;
- **DYNAMIC SPARK SPREAD HEDGING:** Model to allow for analysis of electricity price risks (SUEZ Energy North America)- 2004 Award, «Commercial» Grand Prize.

11.3 PATENTS AND LICENSES

In 2007, SUEZ filed 16 patents. The Group filed 21 patents in 2006, 13 patents in 2005, 15 patents in 2004, and 13 patents in 2003.

Licensing policy is the responsibility of each entity. It is therefore addressed in the corresponding paragraphs.

Nevertheless, the company considers that its business does not depend on any particular license.

12 INFORMATION ON TRENDS

See Sections 6.1.1 and 9.7.

13

PROFIT FORECASTS OR ESTIMATES

None.

14 CORPORATE GOVERNANCE

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14.2 CONFLICTS OF INTEREST IN ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT P.166

14.1 INFORMATION CONCERNING THE MANAGEMENT STRUCTURES

In 2007, the SUEZ Board of Directors comprised 13 Directors, including six French Directors, five non-French Directors and two Directors with dual nationality (French and one other).

At its meeting of March 7, 2007, the SUEZ Board of Directors reviewed the status of the Directors. 5 Directors were deemed to be independent and eight other Directors to be non-independent.

AS OF DECEMBER 31, 2007

	First appointment	Most recent appointment	Expiration of current term of office	Address
Gérard Mestrallet (58 years old) Chairman and Chief Executive Officer	June 15, 1994	2005	2009	SUEZ, 16, rue de la Ville l'Evêque 75008 PARIS, France
Albert Frère (81 years old) Vice-Chairman	June 19, 1997	2004	2008	Groupe Bruxelles Lambert avenue Marnix 24, B-1000 BRUSSELS
Edmond Alphandéry (64 years old)* Director	April 27, 2004	2004	2008	CNP Assurances 4, place Raoul-Dautry, 75015 PARIS
René Carron (65 years old) Director	April 27, 2004	2004	2008	Crédit Agricole SA 91-93, boulevard Pasteur, 75015 PARIS
Etienne Davignon (75 years old) Director	August 3, 1989	2004	2008	SUEZ-TRACTEBEL place du Trône, 1, B-1000 BRUSSELS
Paul Desmarais Jr. (53 years old) Director	April 14, 1998	2005	2009	Power Corporation du Canada 751 Square Victoria, MONTREAL, H2Y 2J3 QUEBEC
Richard Goblet d'Alviella (59 years old)*	May 13, 2005	2005	2009	Sofina Rue de l'industrie, 31 B-1040 BRUSSELS
Jacques Lagarde (69 years old)* Director	June 14, 1995	2007	2011	1314 Arch Street, BERKELEY, CA 94708, USA
Anne Lauvergeon (48 years old)* Director	May 5, 2000	2007	2011	Areva 33, rue la Fayette, 75009 PARIS
Jean Peyrelevade (68 years old) Director	June 22, 1983	2004	2008	Leonardo and Co 73, rue d'Anjou, 75008 PARIS
Thierry de Rudder (58 years old) Director	April 27, 2004	2004	2008	Groupe Bruxelles Lambert avenue Marnix 24, B-1000 BRUSSELS
Jean-Jacques Salane (56 years old) Director	April 26, 2002	2006	2010	Lyonnaise des Eaux Pays basque 15, avenue Charles Floquet BP 87 64202 BIARRITZ Cedex
Lord Simon of Highbury (68 years old)* Director	May 4, 2001	2005	2009	53 Davies Street, LONDON W1K 5JH, UK
Secretary of the Board of Directors: Patrick van der Beken				

* *Independent Director.*

"A Director is considered "independent" when he/she has no relations of any kind with the Company, its group or its management, which could impair the free exercise of his/her judgment." (Source: Bouton report which lays down a list of criteria based on which the Board of Directors reached its decision of March 7, 2007).

INFORMATION CONCERNING DIRECTORS

1. Directors in office

Gérard Mestrallet, born April 1, 1949 in Paris (18th district), is a French citizen.

A graduate of the prestigious French engineering school, Polytechnique, and the Ecole Nationale d'Administration (ENA), Gérard Mestrallet joined Compagnie de SUEZ in 1984 as Vice-President, Special Projects. In 1986, he was appointed Executive Vice-President, Industry and then in February 1991, Executive Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de SUEZ and in June 1997, Chairman of the SUEZ Lyonnaise des Eaux Executive Board. On May 4, 2001, Gérard Mestrallet was appointed Chairman and Chief Executive Officer of SUEZ. He is also Chairman of the Association Paris Europlace and a member of the Board of the Institut Français des Administrateurs (French institute of corporate directors).

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chairman of the Board of Directors of SUEZ Energy Services, SUEZ Environment, Electrabel, Houlival, SUEZ-TRACTEBEL (Belgium) Chairman of Hisusa (Spain) Vice-Chairman of Aguas de Barcelona*, (Spain) Director of Saint-Gobain* (France), Pargesa Holding SA* (Switzerland) Member of the Supervisory Board of Axa*	Vice-Chairman of Hisusa (Spain)	Chairman of Hisusa (Spain) Chairman of the Board of Directors of Houlival

* *Listed companies.*

Over the last five years, Mr. Mestrallet has ceased to exercise the following functions:

- Chairman of the Board of Directors of Tractebel (Belgium);
- Chairman of Hisusa (Spain);
- Vice-Chairman of Hisusa (Spain);
- Director of Crédit Agricole S.A.;
- Member of the Supervisory Board of Métropole Télévision M6, Société du Louvre, Taittinger;
- Non-voting Director of Casino.

Gérard Mestrallet holds 54,652 SUEZ shares.

Paul Desmarais Jr., born July 3, 1954 in Sudbury, Ontario (Canada), is a Canadian citizen.

Paul Desmarais Jr. studied at McGill University in Montreal and then at INSEAD in Fontainebleau. He has a Masters in Business Administration. In 1984, he was appointed Vice-Chairman of Power Financial Corporation, a company he helped set up, becoming Chairman of the Board in 1990 and Chairman of the Executive Committee in May 2005. He was appointed Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada in 1996.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chairman of the Board of Directors and Co-Chief Executive Officer of Power Corporation of Canada* (Canada) Chairman of the Executive Committee of Power Financial Corporation* (Canada) Vice-Chairman of the Board of Directors and Executive Director of Pargesa Holding SA* (Switzerland) Vice-Chairman of the Board and member of the Strategy Committee of Imérys* (France) Director and member of the Management Committee of Great-West Lifeco Inc.* and its main subsidiaries, and of IGM Financial Inc* (Canada) and its main subsidiaries Director and member of the Permanent Committee of Groupe Bruxelles Lambert* (Belgium) Director of Lafarge* and Total SA* (France) Member of the International Board, Board of Directors and Audit Committee of INSEAD Chairman of the International Advisory Board of HEC business school (Canada) Chairman of the Advisory Committee of Sagard Private Equity Partners (France) Member of the International Advisory Board of Merrill Lynch	Member of the International Advisory Board of the La Poste group (France)	Director of Lafarge* Member of the International Advisory Board of Merrill Lynch

* *Listed companies.*

Over the last five years, Mr. Desmarais has ceased to exercise the following functions:

- Director of Tractebel (Belgium);
- Member of the International Advisory Board of the La Poste group (France).

Paul Desmarais Jr. holds 2,222 SUEZ shares. He is a member of the Compensation Committee.

Richard Goblet d'Alviella, born July 6, 1948 in Brussels (Belgium), is a Belgian citizen.

Mr. Goblet d'Alviella holds a commercial engineer's degree from the Free University of Brussels and an MBA from the Harvard Business School. He has a background in investment banking, specializing for fifteen years in international finance, both in London and New York.

He was Managing Director of the Paine Webber Group before joining Sofina where he has been Executive Director since 1989.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Executive Director of Sofina* (Belgium) Director of Danone*, Eurazeo* (France), Delhaize*, Finasucre, Henex*, SUEZ-TRACTEBEL, Union Financière Boël (Belgium), Caledonia Investments* (United Kingdom)	Director of Glaces de Moustier* (Belgium)	None

* *Listed companies.*

Over the last five years, Mr. Goblet d'Alviella has ceased to exercise the following functions:

- Director of ADSB Télécommunications (Belgacom), Glaces de Moustier, TRACTEBEL (Belgium), SES Global (Luxembourg).

Richard Goblet d'Alviella holds 2,000 SUEZ shares. He is a member of the Audit Committee.

Jacques Lagarde, born May 2, 1938 in Rennes (Ille-et-Vilaine), holds dual French-US nationality.

Jacques Lagarde is a graduate of the prestigious French business school HEC and of Harvard Business School. He has been Director of the Lyon Business School, Chief Executive Officer of Gillette France, President of Oral-B Laboratories (USA), Chairman of the Executive Board of Braun AG (Germany), Chairman of the Supervisory Board of Braun AG and Executive Vice-President of The Gillette Company (USA).

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
None	None	None

Over the last five years, Mr. Lagarde has ceased to exercise the following functions:

- Director of Eukarion (USA);
- Member of the Supervisory Board of Braun AG (Germany).

Jacques Lagarde holds 7,000 SUEZ shares. He is Chairman of the Audit Committee.

Anne Lauvergeon, born August 2, 1959 in Dijon (Côte d'Or), is a French citizen.

A graduate of the prestigious French engineering school, the Ecole des Mines, Anne Lauvergeon is a qualified lecturer *(agrégée)* in physics. After holding various positions in the industry, in 1990, she was appointed Deputy General Secretary as well as Aide to the French President for the organization of international summits (G7). In 1995 she was appointed Managing Partner of Lazard Frères et Cie. From 1997 to 1999, she was Executive Vice-Chair and member of the Executive Committee of Alcatel in charge of industrial holdings. Anne Lauvergeon has been Chair of the Areva group Executive Board since July 2001 and Chair and Chief Executive Officer of the Areva NC (previously Cogema) group since June 1999.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chair of the Areva* Group Executive Board Chair of the Board of Directors of Areva NC (previously Cogema) Chair of Areva Enterprises Inc. (United States) Vice-Chair of the Supervisory Board of Safran SA* Director of Areva T&D Holding SA, Total*, Vodafone Group Plc* (United Kingdom)	None	None

* *Listed companies.*

Over the last five years, Ms. Lauvergeon has ceased to exercise the following function:

- Permanent representative of Areva on the Board of Directors of FCI.

Anne Lauvergeon holds 3,390 SUEZ shares.

She is a member of the Ethics, Environment and Sustainable Development Committee and a member of the Compensation Committee.

Jean-Jacques Salane, born September 16, 1951 in Bayonne (Pyrénées-Atlantiques), is a French citizen.

After having trained as an accountant, Jean-Jacques Salane joined Lyonnaise des Eaux in March 1972. From 1990-1996, he was a member of the Board of Directors of Lyonnaise des Eaux, where he represented the Central Workers' Council.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
CGT union representative Union representative on the Lyonnaise des Eaux SUEZ Pays Basque Workers' Council since 1996 Union representative on the Lyonnaise des Eaux Central Workers' Council since 1996 President of the French Supervisory Board of Spring Funds	Union representative on the SUEZ Workers' Council	None

Over the last five years, Mr. Salane has ceased to exercise the following function:

- Union representative on the SUEZ Workers' Council.

Jean-Jacques Salane holds 2,000 SUEZ shares. He is a member of the Ethics, Environment and Sustainable Development Committee.

Lord Simon of Highbury, born July 24, 1939 in London (Great Britain), is a British citizen.

Lord Simon has an MA from Cambridge and an MBA from INSEAD, Fontainebleau. In 1961 he joined British Petroleum, where he occupied a number of management positions before being appointed Chairman in 1995. After exercising several ministerial positions from May 1997, he became advisor to the British Prime Minister for the modernization of government. He was also appointed advisor to President Prodi for the reform of the European Union. Lord Simon entered the House of Lords in 1997.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Senior Advisor Morgan Stanley International (Europe)	None	None
Director of Unilever plc*		
Member of the International Advisory Board of Fitch (Belgium)		
Member of the Advisory Board of Dana Gas International		
Member of Cambridge University Council		
Trustee Hertie Foundation		

* *Listed companies.*

Over the last five years, Lord Simon has ceased to exercise the following functions:

- Director of Britain in Europe;
- Member of the International Advisory Board of Fortis (Belgium);
- Member of the Advisory Board of L.E.K.;
- Member of the Supervisory Board of Volkswagen Group (Germany);
- Chairman of the Cambridge Foundation;
- Trustee of the Cambridge Foundation.

Lord Simon of Highbury holds 2,000 SUEZ shares. He is Chairman of the Compensation Committee.

2. Directors whose term of office is submitted to the Shareholders' Meeting for approval

Edmond Alphandéry, born September 2, 1943 in Avignon (Vaucluse), is a French citizen.

Edmond Alphandéry is a graduate of the Paris Institute of Political Studies (IEP) and a qualified lecturer *(agrégé)* in economics. He is Professor Emeritus at the University of Paris II as well as Mayor of Longué-Jumelles and departmental councilor of Maine-et-Loire. He was the French Minister of the Economy from March 1993 to May 1995.

He chaired the Supervisory Board of CNP from 1988 to 1993 and was Chairman of Electricité de France from 1995 to 1998. Since July 1998, he has once again served as Chairman of the Supervisory Board of CNP Assurances. In addition, he has been a Director of Calyon since 2002 and a Director of Icade since 2004. He has also been Chairman of the Centre National des Professions Financières since June 2003 and a member of the European Advisory Board of Lehman Brothers since June 2007.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chairman of the Board of Directors of CNP Assurances Chairman of CNP International Director of Calyon, Icade, (France), Caixa Seguros (Brazil), CNP Fineco Vita (Italy) Chairman of the Centre National des Professions Financières Member of the European Advisory Board of Lehman Brothers	Chairman of the Supervisory Board of CNP Assurances	Chairman of the Board of Directors of CNP Assurances Member of the European Advisory Board of Lehman Brothers

Over the last five years, Mr. Alphandéry has ceased to exercise the following functions:

- Chairman of the Supervisory Board of CNP Assurances
- Director of Affiches Parisiennes, a publishing company;
- Member of the Supervisory Board of GT Finances.

Edmond Alphandéry holds 2,223 SUEZ shares. He is a member of the Audit Committee.

René Carron, born June 13, 1942 in Yenne (Savoie), is a French citizen.

René Carron operates a farm in Yenne. He is a Knight of the Legion of Honor and the National Order of Merit and a Commander of the Order of Agricultural Merit. He has held a variety of elected offices in the Savoie region of France. In 1981, René Carron joined the Crédit Agricole group. In 1992, he became Chairman of Caisse Régionale de la Savoie, which became Caisse Régionale des Savoie after its merger with Caisse de Haute-Savoie in 1994. In 1995, he joined the committee of the Fédération Nationale du Crédit Agricole, where he was Chairman from July 2000 to April 2003 and subsequently appointed Vice-Chairman. In December 2002, he was appointed Chairman of the Board of Directors of Crédit Agricole SA.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chairman of the Board of Directors of Crédit Agricole SA*	None	Director of Fiat S.p.A.* (Italy)
Chairman of Caisse Régionale de Crédit Agricole des Savoie, Confédération Internationale du Crédit Agricole («CICA»), Fondation pour l'Agriculture et la Ruralité dans le Monde («FARM»)		
Vice-Chairman of Confédération Nationale de la Mutualité de la Coopération and Crédit Agricole («CNMCCA»), Fédération Nationale du Crédit Agricole		
Director of Crédit Agricole Solidarité et Développement, Fondation du Crédit Agricole Pays de France, Sacam, Sacam Participations, Scicam (France), Fiat S.p.A.* (Italy)		
Member of the Supervisory Board of Lagardère*		
Member of the Management Committee of GIE GECAM		
Permanent representative of Crédit Agricole SA		
Director of Fondation de France		

* *Listed companies.*

Over the last five years, Mr. Carron has ceased to exercise the following functions:

- Chairman of Caisse Locale de Crédit Agricole de Yenne, Fédération Nationale du Crédit Agricole, GIE GECAM, SAS de la Boétie;
- Director and Vice-Chairman of Banca Intesa (Italy);
- Director of Crédit Agricole Indosuez, Crédit Lyonnais, Fonds Coopération Crédit Agricole Mutuel, Rue Impériale, SAS SAPACAM, Sofinco;
- Member of the Supervisory Board of Eurazeo;
- Advisor to Banque de France de la Savoie;
- Mayor of the commune of Yenne;
- Departmental councilor, member of the permanent commission of Conseil Général de la Savoie.

René Carron holds 3,500 SUEZ shares. He is Chairman of the Nomination Committee and a member of the Ethics, Environment and Sustainable Development Committee.

Etienne Davignon, born October 4, 1932 in Budapest (Hungary), is a Belgian citizen.

Etienne Davignon successively occupied the functions in Belgium of Principal Private Secretary to the Foreign Minister (1964-1969), Chairman of the International Energy Agency Management Committee (1974-1977), Vice-Chairman of the European Community Commission (1981-1985), and Chairman of the Royal Institute of International Relations. In 1985, he joined Société Générale de Belgique, where he was Chairman from April 1988 to February 2001 and Vice-Chairman until the merger of Société Générale de Belgique and TRACTEBEL on October 31, 2003. He then became Vice-Chairman of SUEZ-TRACTEBEL.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Chairman of Compagnie Maritime Belge, Compagnie des Wagons-Lits, Recticel*, SN Airholding (Belgium) Vice-Chairman of SUEZ-TRACTEBEL (Belgium) Director of Accor* (France), Cumerio*, Sofina SA*, SN Brussels Airlines (Belgium) and Gilead* (United States)	Director of Real Software* (Belgium)	None

* *Listed companies.*

Over the last five years, Mr. Davignon has ceased to exercise the following functions:

- Chairman of Société Générale de Belgique;
- Vice-Chairman of Accor, Fortis, Tractebel, Umicore and Sibeka (Belgium);
- Director of BASF (Germany), Biac, Petrofina, Real Software and Solvay (Belgium).

Etienne Davignon holds 11,111 SUEZ shares. He is Chairman of the Ethics, Environment and Sustainable Development Committee and a member of the Compensation Committee.

Albert Frère, born February 4, 1926 in Fontaine l'Evêque (Belgium), is a Belgian citizen.

After having occupied a number of positions in the family company and acquiring in-depth knowledge of the iron and steel industry in the Charleroi basin, Albert Frère founded the company Pargesa Holding in 1981, in Geneva, in association with several other businessmen. In 1982, this company acquired an interest in Groupe Bruxelles Lambert.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Honorary manager of Banque Nationale de Belgique Chairman of the Board of Directors and Executive Director of Groupe Bruxelles Lambert* (Belgium) Chairman of the Board of Directors of ERBE, Frère-Bourgeois, Financière de la Sambre and Fingen SA (Belgium), Stichting Administratiekantoor Frère-Bourgeois (the Netherlands) Vice-Chairman, Executive Director and member of the Management Committee of Pargesa Holding SA* (Switzerland) Chairman of the Supervisory Board of Métropole Télévision M6* (France) Honorary Chairman of the Chamber of Commerce and Industry of Charleroi (Belgium) Director of LVMH*, Château Cheval Blanc and Raspail Investissements (France), Grupo Banca Leonardo (Italy) Permanent representative of Frères Bourgeois and Manager of GBL Verwaltung SARL (Luxembourg) Permanent representative of Beholding Belgium SA on the Board of Directors of Groupe Arnault Member of the International Committee of Assicurazioni Generali S.p.A.* (Italy)	None	Permanent representative of Frères Bourgeois and Manager of GBL Verwaltung SARL (Luxembourg) Permanent representative of Beholding Belgium SA on the Board of Directors of Groupe Arnault

* *Listed companies.*

Over the last five years, Mr. Frère has ceased to exercise the following functions:

- Chairman of Petrofina (Belgium);
- Commissioner of Agesca Nederland N.V., Frères-Bourgeois Holding BV, Parjointco N.V.;
- Member of the International Advisory Board of Power Corporation of Canada*.

Albert Frère holds 2,000 SUEZ shares.

Jean Peyrelevade, born October 24, 1939 in Marseilles (Bouches-du-Rhône), is a French citizen.

A graduate of the prestigious French engineering school, Polytechnique, and the Paris Institute of Political Studies (IEP), Jean Peyrelevade successively held the positions of Chairman of Compagnie de SUEZ, Banque Stern, UAP and Crédit Lyonnais. He resigned as Chairman of the latter in October 2003. Since September 1, 2004 he has been a partner of Toulouse & Associés, successively renamed Leonardo France and Leonardo and Co. He was subsequently appointed as its Vice-President in November 2006.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Vice-Chairman of Leonardo and Co. Director of Bouygues*, DNCA Finance and VP Finance (France) and Société Monégasque de l'Electricité et du Gaz (Monaco)	None	Director of DNCA Finance and VP Finance
Member of the Supervisory Board of CMA/CGM and KLM		Member of the Supervisory Board of KLM*

* *Listed companies.*

Over the last five years, Mr. Peyrelevade has ceased to exercise the following functions:

- Chairman of Crédit Lyonnais;
- Chairman of the Supervisory Board of Clinvest;
- Director of AGF, Air Liquide, Club Méditerranée, LVMH (France), and Power Corporation of Canada;
- Member of the Supervisory Board of Lagardère*;
- Partner of Toulouse & Associés.

In February 2006, Jean Peyrelevade entered into an Alford Guilty Plea agreement with the federal prosecutor in California and a cease and desist order was issued against him by the FED in the Executive Life case. Pursuant to these documents, he paid a $500,000 fine, is refused entry to the US for three years and is banned from working for banks operating in the US.

Jean Peyrelevade holds 3,694 SUEZ shares.

Thierry de Rudder, born September 3, 1949 in Paris (8th district), holds dual Belgian and French nationality.

Thierry de Rudder has a degree in mathematics from the University of Geneva and the Free University of Brussels and an MBA from the Wharton School of Business in Philadelphia. He began his career in the United States, joining Citibank in 1975 and holding various positions in New York and Europe. He joined Groupe Bruxelles Lambert in 1986 and is now Executive Director.

Current directorships and offices held	Directorships and offices ceasing during fiscal year 2007 or at the beginning of 2008	New directorships and offices accepted during fiscal year 2007 or at the beginning of 2008
Executive Director of Groupe Bruxelles Lambert* (Belgium) Director of Imerys*, Lafarge*, Total* (France), Compagnie Nationale à Portefeuille*, and SUEZ-TRACTEBEL (Belgium)	None	Director of Lafarge*

* *Listed companies.*

Over the last five years, Mr. de Rudder has ceased to exercise the following functions:

- Director of Petrofina (Belgium), SI Finance (France).

Thierry de Rudder holds 2,222 SUEZ shares.

Membership of the Board of Directors following the Shareholders' Meeting of May 6, 2008 (subject to approval of the resolutions by the Shareholders' Meeting)

Based on the renewal of the terms of office of Messrs. Albert Frère, Edmond Alphandéry, René Carron, Etienne Davignon, Jean Peyrelavade and Thierry de Rudder proposed to the Shareholders' Meeting:

		Directors deemed to be	
		Independent «I»	Non independent «NI»
		In accordance with the criteria of the Bouton report	
Gérard Mestrallet	Chairman and Chief Executive officer		NI – Executive
Albert Frère	Vice-Chairman		NI (a)
Edmond Alphandéry	Director	I	
René Carron	Director		NI (b)
Etienne Davignon	Director		NI (c)
Paul Desmarais Jr.	Director		NI (a)
Richard Goblet d'Alviella	Director	I	
Jacques Lagarde	Director	I	
Anne Lauvergeon	Director	I	
Jean Peyrelevade	Director		NI (d)
Thierry de Rudder	Director		NI (a)
Jean-Jacques Salane	Director		NI – Group employee
Lord Simon of Highbury	Director	I	
		5	8

(a) Executive officer or representative of a group, Groupe Bruxelles Lambert, holding more than 10% of SUEZ's voting rights.
(b) Chairman of a banking group, Crédit Agricole, which is one of SUEZ's main banks.
(c) Executive officer of subsidiaries of the SUEZ group.
(d) Important agreements entered into with Leonardo France of which he is Vice-Chairman.

There is no family link between the members of the Board of Directors and SUEZ's other main senior managers.

To the best of SUEZ's knowledge, none of the members of the Board of Directors or the executive officers of SUEZ has been convicted of fraud over the last five years. None of these members has been involved as an executive officer in a bankruptcy, receivership or liquidation over the last five years and none have been incriminated and/or subject to an official public sanction issued by a statutory or regulatory authority. None of these members has been prevented by a court to act as a member of an administrative, management or supervisory body of an issuer or to take part in managing or conducting the business of an issuer over the last five years.

Jean Peyrelevade was indicted by a grand jury in the Central District of California in 2004 at the request of the federal prosecutor in connection with the «Executive Life» case. This indictment was lifted after Jean Peyrelevade entered an Alford Guilty Plea early in 2006, whereby he accepted a certain number of sanctions, while continuing to claim his innocence. These sanctions do not affect his ability to administer or manage non-banking companies, or banks outside of the United States.

There are no potential conflicts of interests between the Board members' duties with regard to SUEZ and their private interests. It should be noted that SUEZ maintains extensive business relationships with the Crédit Agricole group, represented on SUEZ's Board of Directors by René Carron, and with Areva, represented by Anne Lauvergeon. In addition, in 2005, Calyon, a subsidiary of the Crédit Agricole group, granted SUEZ a line of credit to finance SUEZ's cash and share bid for Electrabel described in Section 7.1 of the revised version of the 2004 Reference Document, filed with the French securities regulator (AMF) on September 7, 2005 under no. D.05-0429-A01. SUEZ has given an investigative and analytical assignment to Leonardo France, of which Jean Peyrelevade is the Vice-Chairman.

In the interests of transparency and public information, SUEZ has incorporated the recommendations of the task force for improving corporate governance headed by Daniel Bouton which were presented to the public on September 23, 2002. These principles underlie the SUEZ Board of Directors' Internal Regulations and Directors' Charter.

The Group confirms its commitment to maintain a high level of discipline with regard to internal control and to deal directly and openly with US investors, and its demands in terms of financial information, in spite of its delisting from the NYSE on September 21, 2007 and its deregistration from the SEC on December 21, 2007. Financial information on the Group will be published in English on SUEZ's website (www.suez.com). SUEZ will also maintain high standards in terms of corporate governance, in particular with regard to the independence and global representation of its Directors.

Consultative meetings of Directors

In line with the recommendations of the first evaluation of the performance of the Board of Directors and its committees at the end of 2002, periodic consultative meetings of the Directors regarding Group strategy were instituted in order to prepare the decisions of the Board of Directors.

One meeting of this type was held in 2007. The Board of Directors met eight times in 2007 and two meetings have already been held this year, at the end of February.

Board of Directors' Committees

In order to help it in its work, the Board of Directors has set up four Committees whose general task is to study specific subjects as preparatory work for certain of the Board's deliberations, issue opinions and recommendations concerning decisions to be taken and finally draft proposals.

The Audit Committee

The Audit Committee comprises three members, all deemed to be «independent»* according to the criteria set out in the Bouton report and «financial experts» according to the US Sarbanes-Oxley Act:

- Jacques Lagarde*, Chairman;
- Edmond Alphandéry*;
- Richard Goblet d'Alviella*.

Article 4 of the Board of Directors' Internal Regulations defines the rules and operating procedures of this Committee. This article was modified on January 19, 2005 in order to review and reinforce the role of the Audit Committee in light of the changes in French legislation, the Loi de Sécurité Financière (Financial Security Act) and US legislation (the Sarbanes-Oxley Act).

This committee has two key roles. The first is to examine in detail the draft financial statements, the relevance and consistency of the accounting principles and policies that are used and the content of the documents that are made public. The second role is to gain an understanding of the internal and external control procedures in order to ensure that such procedures provide appropriate coverage of all risk areas.

The Audit Committee met six times during 2007 and the overall attendance rate was 78%. The Statutory Auditors attended four of the Audit Committee Meetings.

Six meetings have been scheduled for 2008, of which two were held at the end of February.

The Ethics, Environment and Sustainable Development Committee

The Committee has four members, including one Director who is deemed to be «independent*» according to the criteria set out in the Bouton Report on corporate governance:

- Etienne Davignon, Chairman;
- René Carron;
- Anne Lauvergeon*;
- Jean-Jacques Salane.

Article 5 of the Board of Directors' Internal Regulations defines the rules and operating procedures of this Committee. It ensures compliance with individual and collective values on which the Group bases its actions and the rules of conduct that must be adhered to by each employee. It also examines the channels and resources available to achieve the Group's objectives with respect to the environment and sustainable development.

The Ethics, Environment and Sustainable Development Committee met four times during 2007 and the overall attendance rate was 88%. It has met once this year, at the end of February.

The Nomination Committee

The Nomination Committee has two members, including one Director who is deemed to be «independent» according to the criteria set out in the Bouton Report on corporate governance:

- René Carron, Chairman;
- Anne Lauvergeon*.

Article 6 of the Board of Directors' Internal Regulations defines the rules and operating procedures of this Committee. It reviews and makes recommendations to the Board of Directors regarding any candidates for membership on the Board of Directors as well as any appointment to Group executive management positions or proposed appointment of a Chairman of any company heading one of the Group's Divisions.

The Nomination Committee did not meet in 2007. It has met once at the end of February 2008.

The Compensation Committee

The Committee has three members, including one Director who is deemed to be «independent»* according to the criteria set out in the Bouton Report on corporate governance:

- Lord Simon of Highbury, Chairman*;
- Etienne Davignon;

- Paul Desmarais Jr.

Article 7 of the Board of Directors' Internal Regulations defines the rules and operating procedures of this Committee. It reviews and makes recommendations to the Board of Directors regarding the compensation of the Board, including the Chairman.

This Committee is also consulted with respect to compensation conditions for the members of group's Executive Committee.

The Compensation Committee met three times during 2007 and the overall attendance rate was 89%. The Committee has already met twice at the end of February 2008.

Composition of the Executive Committee as of December 31, 2007 (10 members)

The Executive Committee reviews, at the request of the Chairman and Chief Executive Officer, strategic, development and organizational issues concerning the Group.

Composition of the Executive Committee as of December 31, 2007 (10 members)

Gérard Mestrallet	Chairman and Chief Executive officer
Jean-Pierre Hansen	Chief Operating Officer, Executive Vice-President of the Executive Committee, head of SUEZ Energy Europe
Gérard LaMarche	Executive Vice-President, Finance (Chief Financial Officer)
Dirk Beeuwsaert	Executive Vice-President in charge of SUEZ Energy International
Jean-Louis Chaussade	Executive Vice-President in charge of SUEZ Environment
Jérôme Tolot	Executive Vice-President in charge of SUEZ Energy Services
Valérie Bernis	Executive Vice-President in Charge of Communications and Sustainable Development
Emmanuel van Innis	Executive Vice-President in charge of Group Human Resources
Yves de Gaulle	General Secretary
Alain Chaigneau	Executive Vice-President in charge of Business Strategy

In addition to these 10 members, the following individual has the right to attend Executive Committee Meetings:

Henry Masson	Group Senior Vice-President for Risk, Organization and Central Services

Composition of the Central Management Committee until November 1, 2007 (14 members)

The Central Management Committee is consulted on matters submitted to the Chairman and Chief Executive Officer or Board of Directors for decision.

Its members are as follows:

The Executive Committee members, other than the two Division heads, Dirk Beeuwsaert and Jean-Louis Chaussade, and with the addition of Henry Masson, whose functions are set out above, together with:

Isabelle Kocher	Group Senior Vice-President in charge of Performance and Organization
Robert-Olivier Leyssens	Group Senior Vice-President in charge of Corporate Finance, Tax and Treasury
Christelle Martin	Group Senior Vice-President in charge of Strategic Planning, Control and Accounting
Paul Rorive	Group Senior Vice-President in charge of the Monitoring and Development of Nuclear Activities
Xavier Votron	Group Senior Vice-President in charge of the Promotion of Technological Innovation and Renewable Energy

Composition of the Central Management Committee as of November 2, 2007

The Executive Committee members, other than the two Division heads, Dirk Beeuwsaert and Jean-Louis Chaussade, and with the addition of Henry Masson, whose functions are set out above, together with:

Marc Pannier	Group Senior Vice-President in charge of Performance and Organization
Robert-Olivier Leyssens	Group Senior Vice-President in charge of Corporate Finance, Tax and Treasury
Christelle Martin	Group Senior Vice-President in charge of Strategic Planning, Control and Accounting
Paul Rorive	Group Senior Vice-President in charge of the Monitoring and Development of Nuclear Activities
Xavier Votron	Group Senior Vice-President in charge of the Promotion of Technological Innovation and Renewable Energy

During 2007, Gérard Mestrallet systematically held meetings of the Executive Committee and the Central Management Committee at the same time.

REPORTS OF THE BOARD OF DIRECTORS' COMMITTEES

Audit Committee Report

The Audit Committee, which has had three members since the beginning of 2007, met six times during fiscal year 2007 and twice at the beginning of 2008, with the main individuals responsible for the Company's accounting, financial, internal audit, internal control and risk issues attending these meetings. The Statutory Auditors attended five of these meetings (four in 2007 and one at the beginning of 2008).

The Audit Committee focused particularly on the following issues:

1. Financial statement review

- Before their presentation to the Board, the Committee analyzed:

– the quarterly, half-yearly and annual consolidated financial statements prepared in accordance with IFRS as well as the updated (approved) forecasts for 2007 earnings, the 2008 budget, the 2008-2013 medium-term plan and the results of the 2013 value creation analysis,

– the parent company's half-yearly and annual financial statements prepared according to French GAAP as well as the Company's forecast financial statements as of December 31, 2007, prepared in relation to the planned merger between SUEZ and Gaz de France and the spin-off of SUEZ Environment.

In this respect, the Statutory Auditors presented to the Committee the main conclusions of their work with regard to the financial statements and internal control procedures.

- As the shares of SUEZ were traded as ADRs on the New York Stock Exchange until September 21, 2007, the Committee was provided with a presentation of the consolidated financial statements for fiscal year 2006 in accordance with US GAAP and it reviewed the reconciliation of these statements with the financial statements prepared in accordance with IFRS.

  The Committee also reviewed the statements as of June 30, 2007 which will be set out in Gaz de France's Form F-4 within the scope of the planned merger of SUEZ and Gaz de France.

  The Committee took note of Form 20-F filed with the Securities and Exchange Commission (SEC) on June 29, 2007. The measures set up in the Group in relation to the CODIS program (see below) enabled the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) to sign the documents required under US law.

- The Committee closely followed the valuation process used for the Group's assets as of the end of 2007.

  The Committee was duly informed of the Group's financial situation and, more specifically, the cash generated, its debt, gearing, investments and disinvestments, financial flexibility, progress in the principal disputes pending and the financial key performance indicators.

- The Committee approved the financial information provided in the draft press releases.

The Committee then discussed the Group's prospects for the next quarter.

2. Performance programs

The structuring of the Group in 2007 also involved the integration of:

- "support functions" with Sherpa, the organization program that involves the creation/overhaul of expertise centers, globalized management and operating subsidiaries across the Group, the launch of cross-functional projects, the definition of performance indicators and ongoing development plans, and the creation of Shared Service Centers (SSC) to deal with accounting, HR and Information Technology matters;
- purchases with the first "Group Purchase" plan, accompanied by an increase of almost double the purchases centralized and negotiated at the Group level, the implementation of purchasing plans in more operating entities, a firm professional approach to the function, the implementation of a data warehouse in order to facilitate bulk buying, and the preparation of a Group purchasing plan for 2008-2010 ("Operandi Purchasing" project).

These activities contributed to achieving the objectives of the synergies program relating to the buyout of minority interests in Electrabel in two years (2006-2007) instead of three.

3. Dividend distribution policy

Various financial actions were adopted: the net dividend was increased (by 20% compared to the dividend distributed in respect of fiscal year 2005), a generous dividend policy was implemented with a dividend payout ratio of more than 50% of consolidated net earnings, and a share buyback program totaling €1.2 billion was put in place. The Committee examined the appropriateness of this policy to ensure balance sheet optimization, market consensus and the dynamic, competitive return expected by shareholders.

4. SUEZ/Gaz de France merger plan and the spin-off of SUEZ Environment

After having analyzed the SUEZ/Gaz de France merger plan in 2006, and after the Boards of Directors of the two groups had approved new merger strategies on September 2, 2007, the Committee wished to review various topics before presenting them to the Board.

The Committee analyzed the following with regard to the merger:

- the terms of the merger plan and whether the plan would be accepted by the market in light of the reactions gauged at the road-shows held in the autumn of 2007 and changes in the price of SUEZ and Gaz de France shares;
- negotiations with the tax authorities regarding the relevant tax ruling requests;
- corporate governance principles (composition of the Board of Directors and its various Committees, authority, delegations, etc.) similar to those adopted in 2006 based on a memorandum of agreement;
- the updated merger schedule;
- the common business plan (profitable growth, strong financial structure), guidance and the new risk profile;
- as well as the risks inherent in providing information to and seeking the opinion of employee representative bodies.

The Committee analyzed the following with regard to the spin-off of SUEZ Environment:

- progress of the procedure;
- the scope of SUEZ Environment;
- the valuation of SUEZ Environment;
- the finance policy adopted; and
- governance procedures which would be defined in a shareholders' agreement, based on the procedures in place within SUEZ.

5. Delisting of ADRs and deregistration from the SEC

The Committee reviewed the new US regulations on deregistration and proposed to:

- file Form 20-F and obtain SOX certification in respect of the 2006 financial statements;
- maintain its proposal to launch the Spring 2007 Plan for US employees before the end of August;
- simultaneously convert the stock-option plans into SARs («Stock Appreciation Rights»); and
- delist SUEZ's shares in September and deregister the company in December.

6. Progress report on internal control procedures

First, the Committee reviewed the report on the evaluation of SUEZ's internal control procedures in 2006.

In 2007, the CODIS program, which is part of the Group implementation of the French Loi de Sécurité Financière (Financial Security Act) and the US Sarbanes-Oxley Act and has led to attestation reports being issued, as required under the provisions of these Acts, focused on the performance of analyses and tests which did not reveal any material weakness in internal control. They did, however, highlight various areas for improvement that must be closely monitored.

In 2007, following the first assessment of internal control procedures with regard to accounting and financial information, management and the Statutory Auditors issued an unqualified attestation with regard to the efficiency of the Group's internal control procedures.

The procedures put in place for 2007-2008, after SUEZ has been deregistered from the SEC, aim to draw on the experience acquired in 2006 and to promote a positive dynamic for improving control in the most sensitive areas, in order to ensure compliance with the European directives on governance and internal control that will come into force in the second quarter of 2008.

In addition to «projects» becoming «processes», which involves ensuring the stabilization, appropriateness and strengthening of internal control standards, the Group will continue to screen the measures implemented to remedy the deficiencies identified in 2006 and to review internal control in order to meet the more stringent requirements (introduced in 2006) applicable to external audit procedures.

As part of the drive to improve internal control, the following principles, among others, will apply:

- management will be fundamentally responsible for control procedures;
- periodic self-assessments will be carried out;
- tests will be conducted by internal auditors.

The Committee was informed of the above actions implemented in response to the deficiencies noted by management and the Statutory Auditors.

7. Internal Audit activity report

The Audit Committee listened to a presentation by the head of Group Internal Audit on the audits and assignments conducted in 2006 and 2007 and the audit plan for 2007 and 2008.

As part of the existing process to implement the 2007 plan, information was provided on the internal audit activities which primarily involved testing the operational effectiveness of the CODIS program, compliance and business ethics, as well as monitoring key 'business line' risks, including those inherent in commodities, trading and portfolio management. Major assignments were conducted across the Group in these areas and with regard to major projects and contracts, and the Group assessed the progress made in the support processes and in the organization of the Group's headquarters and branches.

In collaboration with the legal department, a compliance reporting action plan was prepared to underpin the key phases involved in filing SUEZ's Reference Document and Form 20-F.

In connection with the transfer of internal audit responsibilities (see point 8 below), a global business report in respect of 2004-2007 (during which time the Global Internal Audit Community was created) on the progress in objectives for 2007 and the internal audit challenges set by the Core Management Team was presented.

The reports regularly provided to members of the Audit Committee also concerned the evaluation of objectives and the progress and development of the organization and business reporting methods.

The Audit Committee asked management to ensure that the 2008 audit plan will strike a balance between work under the Codis program and other work.

8. Creation of a single internal audit and internal control management team

The Committee was informed that SUEZ executive management has decided to combine the internal audit and internal control teams under a single leadership. The Committee approved this decision.

9. Risk management – compliance management

As part of their review of the risk assessment and management procedures put in place, members of the Audit Committee were informed of the progress in SUEZ's corporate risk management system.

The Committee was also informed of the compliance system, whose two-fold objective is to:

- anticipate the occurrence of risks that may lead to a financial loss, undermine the Group's integrity or reputation or implicate the criminal liability of the Group and its senior executives;
- help maintain excellent visibility and foster the trust of markets, clients and others by meeting the demands of the Statutory Auditors and rating agencies.

In order to achieve these objectives, it is necessary to draw up various procedures and specifications for the reporting program, to develop the program and to integrate compliance procedures into the Sherpa organizational model; the Audit Committee was informed of the various phases of deployment involved.

10. Pre-approval procedures for engagements performed by the Statutory Auditors

As the term of office of Ernst & Young et Autres expires at the end of the Shareholders' Meeting approving the financial statements of SUEZ as of December 31, 2006, the Committee accepted the Executive Management's proposal not to issue an invitation for bids given the time required to implement such a procedure and the proposed merger between SUEZ and Gaz de France. On May 4, 2007, Ernst & Young et Autres was reappointed as Statutory Auditor for a further six-year term.

In accordance with the procedure put in place to ensure that Statutory Auditors remain independent, which involves, among other things, the pre-approval of certain engagements, the Audit Committee duly reviewed the tasks entrusted to the Statutory Auditors that do not form part of their audit engagement.

Statutory Auditors' fees and fees paid to members of audit networks by the Group during 2007

	Ernst & Young				Deloitte			
In thousands of euros	Amount 2007	Amount 2006	% 2007	% 2006	Amount 2007	Amount 2006	% 2007	% 2006
Audit								
Statutory audit, attest engagements, review of individual and consolidated financial statements [(a)]								
SUEZ SA	2,327	5,164	17.0%	26.6%	2,399	5,924	13.2%	19.7%
Fully and proportionally consolidated subsidiaries	10,021	12,365	73.3%	63.8%	13,035	20,742	71.5%	68.8%
Other audit procedures and incidental assignments in relation to Auditor's engagement								
SUEZ SA	212	148	1.6%	0.8%	209	148	1.1%	0.5%
Fully and proportionally consolidated subsidiaries	638	1,483	4.7%	7.7%	1,996	2,428	10.9%	8.1%
Sub-total	**13,198**	**19,160**	**96.5%**	**98.9%**	**17,639**	**29,242**	**96.7%**	**97.0%**
Other services								
Tax	180	145	1.3%	0.7%	491	707	2.7%	2.3%
Other Services	296	73	2.2%	0.4%	102	197	0.6%	0.7%
Sub-total	**477**	**218**	**3.5%**	**1.1%**	**594**	**904**	**3.3%**	**3.0%**
TOTAL [(b)]	**13,675**	**19,378**	**100%**	**100%**	**18,232**	**30,146**	**100%**	**100%**

(a) *The 2007 amounts in relation to the Group's internal control audit are €1,672,000 for DTT (2006: €10,907,000) and €1,342,000 for E&Y (2006: €6,982,000).*

(b) *The amounts in relation to proportionally consolidated entities which essentially concern the Statutory Auditor engagements are €111,000 in 2007 for E&Y (2006: €256,000) and €1,770,000 in 2007 for Deloitte (2006: €1,460,000).*

14

Ethics, Environment and Sustainable Development Committee Report

The Ethics, Environment and Sustainable Development Committee held four meetings: on January 17, May 4, July 3 and November 14. A report on each of these meetings was presented by the Committee Chairman to the Board of Directors.

In general, the Committee monitored the development of ethical programs within the Group in order to ensure that they had been correctly implemented and that they had been subject to application and control procedures in order to maintain the high standards and reputation of the Group, its subsidiaries and affiliated companies.

Certain specific points should be highlighted:

As is the case each year, a report was submitted to the Committee on the results of the compliance letter procedure, which requires the Chairmen of the Group's principal subsidiaries to confirm their company's compliance with the Group's Ethical Charter during the last year. The Committee therefore reviewed the annual report prepared by the Group's Compliance Officer and a summary of the reports prepared by each entity's Compliance Officer, which give details of the deployment of SUEZ's new ethics procedures, in particular the new Charter and the ethics training program, as well as the introduction of control and prevention processes and the compliance policy.

The Committee spent a substantial part of its meetings reviewing the positions, actions and measures taken by SUEZ with respect to the environment and sustainable development. The Committee spent an entire meeting analyzing the Group's ethics policy. It also reviewed the diversity policy prepared by HR Management with regard to Corporate Social Responsibility. In terms of environmental compliance and reporting processes, the various processes related to the treatment of environmental information, control methods and external verification procedures were presented to the Committee.

Similarly, the Committee paid close attention to issues regarding health and safety in the workplace. In collaboration with management, the Committee reviewed the action plan prepared by the Group's Executive Committee, on which it receives an update each year.

In terms of governance, as is the case each year, the Committee also wished to continue the evaluation process relating to the functioning of the Board of Directors. Once again, the evaluation was conducted under the responsibility of the Chairman, Etienne Davignon, in partnership with an outside expert. It revealed the improvements made in the functioning of the Board through the application of the previous studies and made it possible to assess the functioning of the Board during the preparatory stage of the proposed merger with Gaz de France.

Regarding the proposed merger, the Committee determined the timetable and the conditions for the award of stock-options, the exercise price of the options or the disclosure requirements applicable to insiders.

Lastly, it should be noted that the Chairman, Etienne Davignon, presented, for the third time, the Committee's activities directly to the shareholders during the Shareholders' Meeting of May 4, 2007.

Nomination Committee

The Nomination Committee did not meet in 2007. The Board of Directors considered the proposal to reappoint Jacques Lagarde and Anne Lauvergeon as Directors and, as is the case each year, it carried out checks to ensure that each Board member remains independent according to the criteria set out in the Bouton Report on corporate governance.

Compensation Committee

The Compensation Committee proposed to the Board the terms of the fixed and variable compensation in 2007 for corporate officers, the Chief Operating Officer and Vice-President of the Executive Committee, Finance. It was informed by the Chairman and Chief Executive Officer of the proposed compensation terms for other members of the Executive Committee. It also proposed, at the decision of the Board, the content and features of the 2007 stock option plan, and set the number of options to be allotted to Gérard Mestrallet and the Chief Operating Officer and the Vice-President of the Executive Committee, Finance. The same procedure was followed for the bonus share award scheme. Lastly, as mentioned in Section 15 on compensation, the Committee also reviewed and proposed to the Board the procedures for implementing two new systems: the first regarding the availability of shares issued in connection with the exercise of stock options and the sale of performance shares applicable to the entire Executive Committee, and the second regarding the adoption of a programmed system for managing stock options exercised by the Group's senior executives.

14.2 CONFLICTS OF INTEREST IN ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT

See Section 14.1.

15 COMPENSATION AND BENEFITS

15.1 COMPENSATION PAID AND BENEFITS GRANTED P.167

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15.2 AMOUNT ACCRUED P.178

15.1 COMPENSATION PAID AND BENEFITS GRANTED

The following table presents, firstly, the total compensation received by members of the Board of Directors, excluding the Chairman and Chief Executive Officer, and, secondly the total compensation received by members of the Executive Committee, including the Chairman and Chief Executive Officer. With regard to 2007 and 2006, the total amount paid to members of the Board of Directors equally included compensation to SUEZ SA directors who are also directors of SUEZ-TRACTEBEL, a wholly-owned SUEZ subsidiary.

	2007		2006		2005	
In millions of euros	Members	Total compensation	Members	Total compensation	Members	Total compensation
Board of Directors	13	1.15*	15	1.57*	15	1.24*
Executive Committee and Central Departments Committee	19 [(a)]	23.04*	17	17.12*	15	14.09*

(a) *This figure corresponds to the cumulative number of members of the Executive Committee and the Central Departments taking into account the changes of personnel in 2006 (variable remuneration paid in 2007 in respect of 2006) and in 2007 (fixed and variable pay including severance pay).*

* *Excluding social security charges.*

A table showing total compensation received by the senior managers is presented in Note 28 of Section 20 relating to financial information included in this report.

EXECUTIVE COMPENSATION

There is both a fixed and variable component to the compensation of senior management.

The change in the fixed part of the compensation is linked to changes in specific situations, such as an increase or material change in specific responsibilities, adjustments in light of the principles of equity applied internally within the Group or as a result of blatant discrepancies in relation to the external «market».

The main purpose of the variable part is to compensate the contribution of senior management to the results of the company and the Group.

The variable part of the compensation, the balance of which was paid in 2007 in respect of fiscal year 2006, for Gérard Mestrallet, Jean-Pierre Hansen and Gérard Lamarche, was 25% based on qualitative objectives and 75% based on quantitative criteria. The quantitative criteria applied were current operating income for 50% and cash flow from operating activities before disposals for 50%.

For Executive Committee members who are responsible for a business sector within the Group, half the variable compensation was based on qualitative criteria and half on quantitative criteria. The quantitative criteria applied (current operating income, net income Group share and net cash flow from operating activities were calculated at the level of SUEZ Group for 40% and 60% at division level.

For the other members of the Executive Committee, the variable portion was calculated in the same way, save in respect of the quantitative criteria, which were based solely on the performance of SUEZ.

The following table presents total compensation paid to all members of the Executive Committee and the Central Departments Committee during fiscal years 2007 and 2006.

GROSS COMPENSATION INCLUDING BENEFITS IN KIND

In millions of euros	2007	2006	2007/2006
Fixed	7.9	8.0	-1.3%
Variable	15.2	9.1	+67%
TOTAL	**23.1**	**17.1**	**+35.1%**
Number of members of the Executive Committee and the Central Departments Committee	19	17	

Variable compensation in 2007 represented 65.8% of total compensation, up from 53.2% in 2006.

Total average compensation paid to members of the Executive Committee and the Central Departments Committee increased from €1.005 million in 2006 to €1.21 million in 2007. The Executive Committee comprises all deputy Vice Presidents in charge of divisions, several of whom are subject to the benchmark criteria of the Belgian market.

CORPORATE OFFICER COMPENSATION

The Group paid Gérard Mestrallet, Chairman and Chief Executive Officer, total compensation of €2,746,915 in 2007 (€2,715,792 in 2006) of which €1,253,249 (€1,253,026 in 2006), was fixed, including a company car benefit in kind (€3,249). The variable part of €1,493,666 (€1,462,766 in 2006) represents 54.4% of total compensation (compared with 54% in 2006), an increase of 2.1% compared with 2006. This variable part includes €243,923 (€220,261 in 2006) paid in respect of directors fees received in Gérard Mestrallet's capacity as director of several Group companies.

Pursuant to the recommendation of the Compensation Committee, as approved by the Board of Directors, the variable part of his remuneration for 2007 will amount to €1,442,350.

In terms of pension benefits, Gérard Mestrallet has no special entitlements. He enjoys the same conditions as all SUEZ SA employees under the Group plan, which combines an individualized defined-contribution plan (pursuant to a company agreement signed in 1988 and amended in 2005) and a defined-benefit plan (pursuant to company agreement signed in 1991 and amended in 1998 and 2005). Payments under the defined-benefit plan are not guaranteed, as they depend on the employee being active within the company at the time of retirement. The plan concerns employees earning 4 to 50 times the annual French social security ceiling. Neither Gérard Mestrallet nor any other director is currently entitled to any severance pay or severance benefit in kind.

The company does not currently apply any system for paying directors bonuses for joining or leaving the company.

Availability of shares resulting from the exercise of stock options and sales of performance shares

Article 62 of the Law of December 30, 2006 concerning employee shareholders introduced a new restriction on the availability of shares derived from the exercise of options or of bonus shares granted to the chairman of the Board of Directors, the chief executive officer, the chief operating officers, members of the supervisory board or manager of a limited partnership. It stipulates that in accordance with the law, there can be two alternative categories of restrictions:

- either the total options may not be exercised nor bonus shares sold by the interested parties before the termination of their duties;
- or a fraction of shares derived from the exercise of options and bonus shares must be kept as registered shares by the interested parties until the termination of their duties.

On the proposal of the Compensation Committee, the Board of Directors of SUEZ, at its Meeting of July 4, 2007, implemented this rule on the following principles:

- the restrictions imposed by the Law only apply to company officers, i.e., in the case of SUEZ, solely to the Chairman and CEO. The Board of Directors nevertheless wished to extend this provision to all the members of the Executive Committee;
- this provision only applies to options granted and bonus shares allocated on or after the date of publication of the Law of December 30, 2006, that is to say on or after January 1, 2007. Its aim is to freeze a fraction of the shares derived from the exercise of options and bonus shares which must be kept as registered shares until the termination of their duties;
- the number of registered shares to be kept by the interested parties under this new provision is determined as a percentage of the gross capital gains realized through the exercise of options or the sale of bonus shares. The percentage decided is 25% of the gross capital gains realized through the exercise of options and 25% of the volume of preference shares;
- this restriction ends in 2012 when the interested parties will have frozen as registered shares a number of SUEZ shares representing a value of (i) 200% of the annual basic salary of the Chairman and CEO, (ii) 150% of the annual basic salary of the two Senior Executive Vice Presidents (iii) 100% of the annual basic salary for the other members of the Executive Committee;
- in the implementation of this ceiling, the shares already held by the interested party either through the exercise of previous options or through the conservation of bonus shares, or from any other source, shall be taken into account, subject, for the company officer alone, (i) to their having resulted from the previous exercise of options (or previous bonus shares) and (ii) to their having been kept as registered shares. Once the ceiling is reached, and so long as the interested party keeps a sufficient number of shares, the sales restriction plan by plan no longer applies;
- the Compensation Committee is responsible each year for monitoring the situation for each of the members concerned as regards their personal situation and the individual ceiling levels, and for making the appropriate recommendations. These recommendations may concern the way to achieve these individual levels or the adaptation of these levels after the initial term of five years (2012). In the case of Gérard Mestrallet, on the basis of his fixed remuneration for 2007 and taking into account a reference price of €45 for the SUEZ share, the share ceiling level to be reached at the end of five years has been set at 55,000 shares.

Programmed management of stock options

At its Meeting of July 4, 2007 the Board of Directors of SUEZ decided to adopt a programmed management of stock options granted to the Group's senior managers. The principle of such programmed management is that the interested parties shall give an irrevocable power of attorney to a financial institution to exercise the options to subscribe or purchase SUEZ shares, in their name and on their behalf, at the dates and under the conditions previously established by a yearly instruction, and to sell the corresponding shares on the market, with or without a reserve unit price. This annual instruction will include the number and quarterly allocation of transactions to be executed plan by plan over the next twelve months. Within each quarterly period the proxy acts freely at the dates and for the volumes that he judges appropriate within the limits of the annual instruction, in the exercise of options and sale of shares. Once this instruction has been given it is irrevocable and the interested party undertakes not to exercise the options other than through the delegated power of attorney. The ban on exercising options and selling shares during the negative windows preceding the publication of the annual and half-yearly reports is maintained.

In addition the Board of Directors of SUEZ decided that this system is obligatory for the Chairman and CEO and the Senior Executive Vice Presidents of SUEZ (Gérard Mestrallet; Jean-Pierre Hansen; Gérard Lamarche) and optional for the other members of the Executive Committee. The Board also indicated that its implementation should start as soon as possible without waiting for the end of the first quarter of 2008, immediately after the publication of the annual financial statements for 2007. It therefore considered that it should be planned to come into force for December 2007, with three scheduled periods, the first running for the period remaining until December 31 and the two following covering the first two quarters of 2008, with the second annual instruction covering the period from July 1, 2008 to March 31, 2009.

Messrs. Gérard Mestrallet, Chairman and CEO, Jean-Pierre Hansen, Senior Executive Vice President in charge of Operations, and Gérard Lamarche, Senior Executive Vice President in charge of Finances, both members of the Executive Committee, have established irrevocable powers of attorney for the scheduled exercise of their stock options with simultaneous sale of shares resulting from such exercise with a banking institution that will act in complete independence on the basis of a minimum price fixed in advance.

These proxies were signed at the start of December 2007 and concern sales during a period extending until June 30 next year (an initial period until the end of the year and two quarterly periods corresponding to the first two calendar quarters of 2008), when the SUEZ merger General Meeting is to be held, with the concomitant listing of SUEZ Environment shares, whose distribution to the current shareholders in SUEZ will result in the application of the provisions of articles L. 225-181 and L. 228-99 of the French Commercial Code (with modification of the exercise prices and amounts of stock options in force). Another irrevocable power of attorney concerning the thus adjusted stock option will be signed for the period from July 1, 2008 to March 31, 2009. These proxies will subsequently be agreed on an annual basis (from March to March of the following year), always on the basis of quarterly exercise windows.

The sales instructions attached to these proxies concern the 2000 and 2003 plans for Messrs Mestrallet and Hansen and the 2003 plan for Mr. Lamarche. As regards Mr. Mestrallet, they provide for exercise of the options for 2003 during the first quarter of 2007 at a minimum price, such exercise to be carried over to following quarters if the conditions are not met or if the minimum price is not reached, and an exercise of options from 2000 to be executed during the first and second quarters of next year subject to the same conditions of minimum price. As regards Mr. Hansen, the sales instruction that he gave to his proxy covers the two plans referred to for execution to be carried out exclusively before the end of the year. Mr. Lamarche has only given instructions for the 2003 plan, with a transaction order to be executed before December 31.

As the conditions were met, the proxy banks have already exercised the options and sold the resulting shares to the benefit of the three interested parties for the 2003 scheme. The same applies to the first quarter with regard to the proxy bank appointed by M. Mestrallet for the scheme for 2000.

The transactions concerning company officer Gérard Mestrallet were communicated to the AMF within the period of five trading days in accordance with article L. 621.18-2 of the French Monetary and Finance Code and Articles 223-22 and 223-25 of the General Regulations of the AMF.

BONUS SHARES

Refer to the Section below.

INFORMATION ON STOCK OPTIONS AND BONUS SHARES KNOWN AS PERFORMANCE SHARES

STOCK SUBSCRIPTION OPTIONS OF JANUARY 17, 2007

By virtue of the 18th resolution of the Combined Ordinary and Extraordinary General Meeting of April 27, 2004 and the 16th resolution of the Combined Ordinary and Extraordinary General Meeting of May 13, 2005, at its Meeting of September 6, 2006 the Board of Directors, approved in principle the grant of a stock option plan and bonus shares, known as Performance Shares, under the same conditions as in 2005. The Board established the principal methods of allocation and the list of beneficiaries at its Meeting of October 18, 2006. The Meeting of the Board of Directors of January 17, 2007 implemented this allocation and set the exercise price at €38.89.

This decision was not made until January 2007 because the Board of Directors, at its meeting of October 18, 2006, did not want to risk possibly contravening the provisions of Article L.225-177 of the French Commercial Code. Said article stipulates that, within a certain period of time (“negative window”), options may not be awarded, and in particular their exercise price may not be set, if the governing bodies of the company have knowledge of privileged information that has not been disclosed and is liable to have a material impact on the price of the stock. The Board preferred to wait for the merger with Gaz de France to be publicly suspended before it could finally implement the plan, which had been decided in principle in the fall of 2006.

The principal aim of the annual SUEZ stock option plan is to associate the directors, senior managers, and high potential executives with the future development of the company and the creation of shareholder value.

The allocation of share subscription options is also a factor in loyalty development that takes account of adherence of the Group’s values in addition to any contribution to strategic orientations.

The conditions under which options are allocated and the list of beneficiaries are decided by the Board of Directors as authorized by the General Meeting.

The allocation was in line with the directors’ desire to keep a broad scope of beneficiaries so as to maintain the consistency of SUEZ’s policy in this matter.

The decision not to apply discounts in determining the option price, initially taken in 2000, has been maintained.

As in 2005, the Board of Directors has decided to reduce the number of options allocated and to partially replace them by the award of Performance Shares in SUEZ (refer to the Section below); this award also concerns a population not concerned by stock options.

In addition, the exercise of a portion of the options will be subject to conditional terms as regards senior management and to stricter conditions for the members of the Group's Executive Committee.

Conditional terms

For around half the subscription options granted to the senior management of the Group and for around half the subscription options allocated to the members of the Group's Executive Committee, exercise is subject to a performance condition. Exercise of these options will be possible if the price of SUEZ shares during the period from December 7, 2010 to December 6, 2014 is greater or equal to the level reached by the Eurostoxx Utilities Index over the period from December 7, 2006 to December 7, 2010 and applied to the exercise price of the option.

Stricter conditions

For the members of the Group's Executive Committee only, around 10% of the options awarded to them are subject to a stricter performance condition while the balance is divided between options with no performance condition and options subject to the conditional terms described above. The exercise of this 10% of the options will be possible if on December 7, 2010 the price of SUEZ shares measured by the arithmetic mean of the prices quoted during the previous 20 trading sessions is greater or equal to the Eurostoxx Utilities Index for the period from December 7, 2006 to December 7, 2010 increased by 1% per year and applied to the exercise price of the option; if this condition is fulfilled the corresponding options may be exercised. They will be definitively lost if such is not the case.

PERFORMANCE SHARE PLAN OF FEBRUARY 12, 2007

In accordance with the 2005 French Finance Act, voted on December 30, 2004, the Combined Ordinary and Extraordinary Shareholders' Meeting of SUEZ held on May 13, 2005, decided in its sixteenth resolution to authorize the Board of Directors to award SUEZ shares for a period of 26 months. The amount of bonus shares thus awarded is limited to 1% of the share capital (by number of shares). The total number of bonus shares granted will be deducted from the total number of shares which can be subscribed for or purchased pursuant to stock options under the terms of the eighteenth resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of April 27, 2004, the total number of such shares being limited to 3% of the share capital.

The Board of Directors of SUEZ, at its Meeting of October 18, 2006, renewed the principles established in 2005 including the following two objectives:

- change the terms for current stock option holders, by replacing some stock options by Performance Shares;
- grant Performance Shares to those employees not covered by the stock option plans. This is expected to identify other employees and encourage their commitment to the business and SUEZ Group.

A) Timing and conditions

The timing and conditions established by the Board of Directors are as follows:

1. vesting period for rights grant of SUEZ shares: from February 12, 2007 to March 14, 2009 inclusive;
2. vesting date for the shares, subject to compliance with the conditions outlined below: March 15, 2009.

Conditions:

1. presence on company payroll on March 15, 2009, i.e., current employment contract with a Group company at that date, except in cases of retirement, death or disability;
2. performance condition based on the Group's return on capital employed (ROCE) for fiscal 2008;
3. length of the mandatory retention period for the Performance Shares: two years from the vesting date of March 15, 2009, meaning that a sale will be allowed from March 15, 2011.

B) Conversion rate for exchanges of stock options for Performance Shares

The Board of Directors considered that a conversion rate of one Performance Share for five stock options seemed reasonable and acceptable to the beneficiaries.

C) Target population and number of shares granted

1. Partial substitution of stock options

All beneficiaries under the January 17, 2007 stock option plan will be concerned by this substitution. The substitution rate is differentiated based on beneficiaries' levels of responsibility (reflected in the number of options). The breakdown is as follows:

- up to 4,000 stock options:
  - 50% of the stock options will be replaced by Performance Shares;
- from 4,001 to 7,000 stock options:
  - 40% of the stock options will be replaced by Performance Shares;
- from 7,001 to 19,000 stock options:
  - 30% of the stock options will be replaced by Performance Shares;
- over and above 19,000 stock options:
  - 20% of the stock options will be replaced by Performance Shares.

The Board of Directors also decided to limit to 3,000 Performance Shares the maximum grant attributable per person. This restriction applies to all Group employees, including members of the Executive Committee and the Chairman and Chief Executive Officer.

2. Other beneficiaries

The Board of Directors Meeting of October 18, 2006 decided to grant Performance Shares to persons other than recipients of stock options. Given the success of the previous program, this plan has been extended to around 2,188 employees.

The number of Performance Shares granted per person ranged from 50 to 150.

Overall, the distribution policy for Performance Shares concerned 4,350 individuals and involved a total number of 963,474 shares. As regards Group senior management (Chairman and Chief Executive Officer, members of the Executive Committee), in accordance with the rule limiting the total number of shares that can be granted per person, the Board of Directors granted 3,000 Performance Shares to each of these individuals.

RETENTION OF SHARES ARISING FROM THE EXERCISE OF OPTIONS AND PERFORMANCE SHARES

With effect from January 1, 2007, Article 62 of the law dated December 30, 2006 regarding employee shareholders imposed restrictions on the availability of shares issued following the exercise of options and Performance Shares granted to corporate officers.

The Board of Directors decided to apply this legislation as follows:

People concerned: all members of the Executive Committee.

Conditions:

- **for options**, 25% of the gross capital gain must be capitalized as shares following the exercise of options,
- **for Performance Shares**, 25% of bonus shares must be retained;

Ceiling:

- 200% of basic annual salary for the Chairman and Chief Executive Officer,
- 150% of basic annual salary for the two Senior Executive Vice Presidents,
- 100% of basic annual salary for the other members of the Executive Committee.

Shares already retained by the beneficiary, either due to prior exercise of options or retaining Performance Shares, or by any other means, are included in the calculation of this ceiling, provided, in respect of the Chairman and Chief Executive Officer only, that they do indeed arise from the prior exercise of options (or Performance Shares) and that they are held as registered shares.

Once the ceiling is reached and if the beneficiary holds enough shares, the sales restriction for each plan no longer applies.

PERFORMANCE SHARES PLAN OF JULY 16, 2007

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007, in its 14th resolution, authorized the Board of Directors to grant SUEZ bonus shares known as Performance Shares, for a period of 38 months, up to 1% of the share capital (in number of shares) which are included in the 3% limit of share capital regarding the grant of stock options authorized by said Shareholders' Meeting in its 13th resolution.

The Board of Directors Meeting of May 4, 2007 approved the principle of the award of existing or future Performance Shares (bonus shares) to employees of SUEZ and its fully consolidated subsidiaries as of March 31, 2007, for a total amount of some €80,000,000, which represents some 2,000,000 shares and around 145,000 total beneficiaries, or 14 shares per beneficiary.

This decision was implemented by the Board of Directors Meeting of July 4, 2007 following the Group agreement on this plan signed by the relevant trade unions on July 3, 2007.

For tax and social security reasons, the terms and conditions pertaining to the Performance share plan are different both for SUEZ SA employees and its French subsidiaries, and for employees of its subsidiaries outside France.

1. Performance Share Plan of July 16, 2007 – France

A) Timing and conditions

1. vesting period of the SUEZ Performance Shares: two years with effect from July 16, 2007;
2. vesting date for the Performance Shares, subject to compliance with the conditions outlined below: July 16, 2009.

Conditions:

1. presence on the payroll as of July 16, 2009 in a Group company with the exception of cases of retirement, death or disability;
2. performance condition based on the Group's return on capital employed (ROCE) for fiscal 2008;

3. length of the mandatory retention period for the Performance Shares (except death or disability) two years with effect from the vesting date of July 16, 2009, which means a sale is permitted as from July 16, 2011.

B) Number of Performance Shares issued

Each beneficiary will be entitled to 14 SUEZ Performance Shares issued free of charge.

In the event of transactions that are liable to change of the value of SUEZ shares, the number of Performance Shares issued will be adjusted.

2. International bonus Performance Share Plan of July 16, 2007 (excluding France – excluding Spain and Italy)

A) Timing and conditions

1. vesting period for rights grant of SUEZ Performance Shares: four years with effect from July 16, 2007;
2. vesting date for the Performance Shares subject to compliance with the conditions outlined below: July 16, 2011.

Conditions:

1. presence on company payroll as of July 16, 2011 in a Group company with the exception of cases of retirement, death and disability;
2. performance condition based on the Group's return on capital employed (ROCE) for fiscal year 2008;
3. length of the mandatory retention period for the Performance Shares. The retention period does not apply, which means a sale is permitted as from July 16, 2011.

B) Number of Performance Shares issued

Each beneficiary will be entitled to 14 SUEZ Performance Shares issued free of charge.

In the event of transactions that are liable to change of the value of SUEZ shares, the number of Performance Shares issued will be adjusted.

3. Bonus Performance Share plan of July 16, 2007 – Spain and Italy

A) Timing and conditions

1. vesting period for rights grant of SUEZ Performance Shares: two years with effect from July 16, 2007;
2. vesting date for the Performance Shares subject to compliance with the conditions outlined below: July 16, 2009.

Conditions :

1. presence on company payroll as of July 16, 2009 in a Group company with the exception of cases of retirement, death and disability;
2. performance condition based on the Group's return on capital employed (ROCE) for fiscal year 2008;
3. length of the mandatory retention period for the Performance Shares (except death or disability) three years with effect from July 16, 2009 which means a sale is permitted as from July 16, 2012.

B) Number of Performance Shares issued

Each beneficiary will be entitled to 14 SUEZ Performance Shares issued free of charge.

In the event of transactions that are liable to change of the value of SUEZ shares, the number of Performance Shares issued will be adjusted.

STOCK SUBSCRIPTION OPTION PLAN OF NOVEMBER 14, 2007

Pursuant to the 13th and 14th resolutions of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007, the Board of Directors, at its Meeting of November 14, 2007 approved the decision to grant a stock option plan and bonus shares known as Performance Shares, based on the same terms as the plan of January 2007. The Board of Directors established the exercise price of the stock options at €44.37.

The principal objective of the SUEZ stock subscription option plan is to give a financial interest in the company's future growth and value creation for shareholders to directors, executives and high-potential managers.

The allocation of stock subscription options is also a way to build loyalty and commitment to Group values as well as to contribute to the Group's strategy.

The terms for allocating the options, and the list of beneficiaries are established by the Board of Directors pursuant to the authorization of the Shareholders' General Meeting.

The allocation on November 14, 2007 bears witness to general management's determination to maintain the expanded number of beneficiaries with a view to conserving SUEZ' consistent policy on this matter.

As previously, the Board of Directors decided to reduce the number of options allocated to replace them in part by a free issue of SUEZ Performance Shares (see the Section below); this allocation also concerns people not concerned by stock options.

The delisting in the United States makes it impossible to award stock options to employees of the US subsidiaries. Consequently a Stock

Appreciation Right (SAR) program is offered to them involving cash payment of an amount equal to the gain on exercising an option followed by immediate sale.

Furthermore, the exercise of a portion of the options will be subject to conditional terms as regards senior management (Conditional terms) and to stricter conditions for the members of the Group's Executive Committee and to the retention program for the plan of January 17, 2007.

Conditional terms

For around half the subscription options granted to the senior management of the Group and for around half the subscription options awarded to the members of the Group's Executive Committee, exercise is subject to a performance condition. These options may be exercised if the price of SUEZ shares during the period from November 14, 2011 to November 13, 2015 is greater or equal to the level reached by the Eurostoxx Utilities Index over the period from November 13, 2007 to November 13, 2011 and applied to the exercise price of the option.

Stricter conditions

For the members of the Group's Executive Committee only, around 10% of the options awarded to them are subject to a stricter performance condition while the balance is divided between options with no performance condition and options subject to the conditional terms described above. The exercise of this 10% of the options will be possible if on November 14, 2011 the price of SUEZ shares measured by the arithmetic mean of the prices quoted during the previous 20 trading sessions is greater or equal to the Eurostoxx Utilities Index for the period from November 13, 2007 to November 13, 2011 increased by 4% per year and applied to the exercise price of the option; if this condition is fulfilled the corresponding options may be exercised. They will be definitively lost if such is not the case.

PERFORMANCE SHARES PLAN OF NOVEMBER 14, 2007

The SUEZ Board of Directors, in its Meeting of November 14, 2007, renewed the principles established previously including the following two objectives:

- change the terms for current stock option holders, by replacing some stock options by Performance Shares;
- Grant Performance Shares to those employees not covered by the stock option plans. This is expected to identify other employees and encourage their commitment to the business and SUEZ Group.

A) Timing and conditions

The timing and conditions established by the Board of Directors are as follows:

France Plan

1. vesting period for rights grant of SUEZ Performance Shares: from November 14, 2007 to March 15, 2010 inclusive;
2. vesting date for the shares, subject to compliance with the conditions outlined below: March 14, 2010.

Conditions:

1. presence on company payroll on March 14, 2010, i.e., current employment contract with a Group company at that date, except in cases of retirement, death or disability;
2. performance condition based on the Group's return on capital employed (ROCE) for fiscal 2009;
3. length of the mandatory retention period for the Performance Shares: two years from the vesting date of March 15, 2010, meaning that a sale will be allowed from March 15, 2013.

International Plan (excluding Spain and Italy)

1. vesting period for rights grant of SUEZ Performance Shares: from November 14, 2007 to March 14, 2012;
2. vesting date for the Performance Shares subject to compliance with the conditions outlined below: March 15, 2012.

Conditions:

1. presence on company payroll as of March 14, 2012, i.e., current employment contract with a Group company at that date, except in cases of retirement, death or disability;
2. performance condition based on the Group's EBITDA for fiscal 2009;
3. length of the mandatory retention period for the Performance Shares: this condition no longer applies.

International Plan (Spain and Italy)

1. vesting period for rights grant of SUEZ Performance Shares: from November 14, 2007 to March 14, 2010;
2. vesting date for the Performance Shares subject to compliance with the conditions outlined below: March 15, 2010.

Conditions:

1. presence on company payroll as of March 14, 2010, i.e., current employment contract with a Group company at that date, except in cases of retirement, death or disability;
2. performance condition based on the Group's EBITDA for fiscal year 2009;
3. length of the mandatory retention period for the Performance Shares (except death or disability): three years with effect from the vesting date of March 15, 2010, which means a sale is permitted as from March 15, 2013.

B) Conversion rate of stock options or SAR for Performance Shares

The Board of Directors considered that the conversion rate of one Performance Share for five stock options seemed reasonable and acceptable for the beneficiaries.

C) Target population and number of shares granted

1. Partial substitution of stock options or SAR

All beneficiaries under the November 14, 2007 stock option or SAR plan are concerned by this substitution. The rate of substitution varies based on the level of responsibility of the beneficiaries (reflected in the number of options).

The breakdown is as follows:

- up to 5,000 stock options or SAR:

– 60% will be replaced by Performance Shares,

- from 5,001 to 8,000 stock options or SAR:

– 50% are replaced by Performance Share,

- from 8,001 to 20,000 stock options or SAR:

– 40% are replaced by Performance Shares,

- over and above 20,000 stock options or SAR:

– 30% are replaced by Performance Shares.

The Board of Directors also decided to limit to 5,000 Performance Shares the maximum grant attributable per person. This restriction applies to all Group employees, including members of the Executive Committee.

2. Other beneficiaries

The Meeting of the Board of Directors of November 14, 2007 decided to grant Performance Shares to persons other than recipients of stock options. Given the success of the previous program, this plan has been extended to around 2,263 employees.

The number of Performance Shares granted per person ranged from 50 to 150.

Overall, the distribution policy for Performance Shares concerned 4,498 individuals and involved a total number of 1,182,048 shares. As regards Group directors (members of the Executive Committee), in accordance with the rule limiting the total number of shares that can be granted per person, the Board of Directors granted 5,000 Performance Shares to each of these individuals.

The Chairman, on his own request, did not receive any stock options or Performance Shares, since, in view of the forthcoming merger with Gaz de France, he prefers to cede the decision on his remuneration to the Compensation Committee of the merged company in due time.

Programmed management of stock options

At its Meeting of July 4, 2007 the Board of Directors of SUEZ decided to adopt a plan for the programmed management of stock options with effect from publication of the fiscal 2007 financial statements, which is mandatory for the Chairman and Chief Executive Officer and the two Senior Executive Vice Presidents and is optional for the other members of the Executive Committee.

The principle is that the interested parties shall give an irrevocable power of attorney to a financial institution to exercise the options to subscribe or purchase SUEZ shares, in their name and on their behalf, at the dates and under the conditions previously established by a yearly instruction, and to sell the corresponding shares on the market, with or without a reserve unit price. This annual instruction will include the number and quarterly allocation of transactions to be executed scheme by scheme over the next twelve months.

Once this instruction has been given it is irrevocable and the interested party undertakes not to exercise his options other than through the delegated power of attorney.

The ban on exercising options and selling shares during the negative windows preceding the publication of the annual and half-yearly reports is maintained.

STOCK SUBSCRIPTION OPTIONS GRANTED BY THE COMPANY AND ALL OTHER GROUP COMPANIES DURING FISCAL 2007 TO SERVING CORPORATE OFFICERS AS OF DECEMBER 31, 2007

	Number of subscription options issued	Subscription price	Plan	Expiration date
Gérard Mestrallet	380,000	38.89 euros	Jan. 17, 2007**	Jan. 16, 2015
	0	44.37 euros	Nov. 14, 2007**	Nov. 13, 2015

STOCK OPTIONS EXERCISED DURING FISCAL 2007 BY SERVING CORPORATE OFFICERS AS OF DECEMBER 31, 2007

	Number of stock options exercised	Subscription price	Plan	Expiration date
Gérard Mestrallet	317,660	28.54 euros	Nov. 15, 1999*	Nov. 15, 2007
	370,552	16.69 euros	Nov. 20, 2002**	Nov. 19, 2012
	100,479	13.16 euros	Nov. 19, 2003**	Nov. 18, 2013

* *Stock purchase options.*

** *Stock subscription options.*

SUMMARY OF TRANSACTIONS DECLARED BY THE DIRECTORS AND CORPORATE OFFICERS DURING FISCAL 2007

SUEZ shares

	Date of the transaction	Type of transaction	Quantity	Price
Jacques Lagarde	May 30, 2007	purchase	1,222	41.50

Stock options

	Date of transaction	Type of transaction	Plan concerned	Number of stock options exercised	Exercise price (€)	Net sale price (€)
Gérard Mestrallet	March 16, 2007	Sale	Nov. 16, 1998*	10,000	28.16	37.20
	March 19, 2007	Sale	Nov. 16, 1998*	40,000	28.16	37.41
	March 19, 2007	Sale	Nov. 16, 1998*	50,000	28.16	37.71
	March 20, 2007	Sale	Nov. 16, 1998*	50,000	28.16	38.02
	March 21, 2007	Exercise/sale	Nov. 15, 1999*	50,000	28.54	38.47
	March 21, 2007	Exercise/sale	Nov. 15, 1999*	50,000	28.54	38.45
	March 21, 2007	Exercise/sale	Nov. 15, 1999*	50,000	28.54	38.60
	March 21, 2007	Exercise/sale	Nov. 15, 1999*	50,000	28.54	38.54
	March 21, 2007	Exercise/sale	Nov. 15, 1999*	50,000	28.54	38.50
	March 22, 2007	Exercise/sale	Nov. 15, 1999*	67,660	28.54	39.00
	April 5, 2007	Exercise/sale	Nov. 20, 2002**	70,552	16.69	39.01
	April 12, 2007	Exercise	Nov. 20, 2002**	300,000	16.69	
	Dec. 6, 2007	Exercise/sale	Nov. 19, 2003**	100,479 (a)	13.16	46.22
	Jan. 2, 2008	Exercise/sale	Nov. 28, 2000**	100,000 (a)	34.39	41.90
Person related to Mr. Mestrallet as defined by Article L. 621.18.2 of the French Monetary and Financial Code	April 26, 2007	Sale	Nov. 20, 2002**	20,000	16.69	40.50
	May 3, 2007	Sale	Nov. 20, 2002**	10,000	16.69	41.76
	May 4, 2007	Sale	Nov. 20, 2002**	5,000	16.69	42.30
	May 18, 2007	Sale	Nov. 20, 2002**	10,000	16.69	42.69
	June 12, 2007	Sale	Nov. 20, 2002**	20,000	16.69	39.55
	June 13, 2007	Sale	Nov. 20, 2002**	35,000	16.69	39.57
Jean-Pierre Hansen	March 23, 2007	Exercise/sale	Nov. 20, 2002**	137,635	16.69	38.32
	March 23, 2007	Exercise/sale	Nov. 28, 2001**	185,311	32.59	38.32
	Nov. 21, 2007	Exercise/sale	Dec. 21, 2000**	51,454 (a)	35.74	45.00
	Nov. 21, 2007	Exercise/sale	Nov. 19, 2003**	211,704 (a)	13.16	44.63
	Nov. 22, 2007	Exercise/sale	Dec. 21, 2000**	54,423 (a)	35.74	45.00
Gérard Lamarche	March 19, 2007	Exercise	Nov. 20, 2002**	23,822	16.69	
	March 20, 2007	Sale	Nov. 20, 2002**	23,822		37.03
	Oct. 9, 2007	Exercise/sale	Nov. 28, 2000**	31,763	34.39	41.15
	Oct. 9, 2007	Exercise/sale	Nov. 28, 2001**	31,768	32.59	41.15
	Nov. 21, 2007	Exercise/sale	Nov. 19, 2003**	127,022 (a)	13.16	44.70
Etienne Davignon	March 16, 2007	Exercise	June 30, 1999*	7,276	30.56	
	June 15, 2007	Exercise/sale	June 30, 1999*	24,492	30.56	41.00
	Jan. 3, 2008	Exercise/sale	Jan. 31, 2000*	24,146	28.46	46.88
	Jan. 4, 2008	Exercise	Jan. 31, 2000*	7,616	28.46	

* *Stock purchase options.*

** *Stock subscription options.*

(a) *Options exercised via an independent professional intermediary following the implementation of a SUEZ stock option programmed exercise system described above.*

Number of shares and stock options held by members of the board of directors as of December 31, 2007

	Number of shares held as of December 31, 2007	Number of stock options held as of December 31, 2007
Gérard Mestrallet	54,652	2,272,679
Albert Frère	2,000	-
Edmond Alphandéry	2,223	-
René Carron	3,500	-
Etienne Davignon	11,111	63,526
Paul Desmarais Jr.	2,222	-
Richard Goblet of Alviella	2,000	-
Jacques Lagarde	7,000	-
Anne Lauvergeon	3,390	-
Jean Peyrelevade	3,694	-
Thierry de Rudder	2,222	-
Jean-Jacques Salane	2,000	-
Lord Simon of Highbury	2,000	-

Loans and guaranties granted or established in favor of directors or executives

Not applicable

15.2 AMOUNT ACCRUED

The total of pension accruals as of December 31, 2007 with respect to members of the Executive Committee and of the Central Departments Committee amounts to €15 million.

16 FUNCTIONING OF THE BOARD OF DIRECTORS AND MANAGEMENT STRUCTURES, ACTIVITIES OF THE BOARD OF DIRECTORS

16.1 DATES ON WHICH DIRECTORS' TERMS OF OFFICE EXPIRE P.181

16.2 INFORMATION ON AGREEMENTS INVOLVING DIRECTORS P.181

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16.3 INFORMATION ON THE AUDIT COMMITTEE AND THE COMPENSATION COMMITTEE P.182

16.4 COMPLIANCE WITH RULES OF CORPORATE GOVERNANCE REGULATIONS IN THE ISSUER'S HOME COUNTRY P.182

Article 15 of the Bylaws defines the powers of the Board of Directors.

"The Board of Directors determines the strategic direction of the Company's activities and oversees its implementation. It considers all issues concerning the proper functioning of the Company and settles all matters relating thereto, within the scope of the corporate purpose and subject to those powers expressly granted by law to shareholders' meetings.

The Board of Directors performs all controls and verifications it considers appropriate. Each Director receives all information necessary to the performance of his or her duties and may request any documents he or she considers necessary."

Reaffirming its commitment to rules of corporate governance, the Board of Directors adopted Internal Regulations in May 2001, which have subsequently been amended on several occasions, and a Directors' Charter in January 2002. These documents provide the Board with the modus operandi necessary to operate efficiently, while serving the interests of the Company and its shareholders, and set out the rights and obligations of Directors in a fully transparent manner (these documents may be consulted at the Company's headquarters and on its website: www.suez.com).

In addition, the SUEZ Ethics Charter and related documents, notably the Confidentiality and Privileged Information Guide, are applicable to Directors. These documents forbid Directors, in particular, from trading in SUEZ securities or the securities of any of its listed subsidiaries during the period of preparation and approval of the financial statements which begins thirty calendar days prior to the date of the Board of Directors' meeting held to approve the annual and interim financial statements and terminates two business days after this information has been published. This general measure is supplemented by Article 8 of the Directors' Charter, which requires Directors to seek and obtain the advice of SUEZ's Company Secretary before transacting with or having a transaction carried out by a third party in the securities of Group companies.

Article 5 of the aforementioned Charter also provides for the completion of regular evaluations of the Board of Directors' performance by an independent Director. Jacques Lagarde was asked to perform such evaluations of the Board of Directors and its committees in 2002 and 2003.

In October 2004, the Ethics, Environment and Sustainable Development Committee chose a methodology for evaluating the Board and its committees based on a document prepared by an external consultancy firm and, after an invitation for bids from three specialized firms, it appointed an external consultant to carry out this evaluation. This procedure has been repeated each year since 2004.

For 2006, the summary report on the evaluation work carried out under the responsibility of Etienne Davignon was approved by the Ethics, Environment and Sustainable Development Committee at its meeting of May 4, 2007.

For 2007, the Committee resolved at its meeting of November 14, 2007 to carry out a further evaluation using the same methodology. The results of this evaluation were presented in February 2008.

Pursuant to Article 11 of the Company's Bylaws, each Director must hold at least 2,000 SUEZ shares throughout his/her term of office.

The Board of Directors meets whenever required by the interests of the Company and, in any event, at least four times a year.

It met 8 times during fiscal year 2007 and the overall attendance rate was 90%. From January 1, 2008 to the end of February 2008, the Board of Directors met twice.

Directors receive attendance fees, the total amount of which was set during the General Shareholders' Meeting of April 26, 2002 at an aggregate of €800,000 per year for fiscal year 2002 and all subsequent fiscal years until a new decision is made in this respect.

Pursuant to the recommendation of the Compensation and Nomination Committee made on April 27, 2004, the Board of Directors' meeting held on the same day set the following allocation rules:

Directors	
Fixed fee	€35,000 per year
Variable fee, dependent on attendance	€1,500 per meeting
Committee Chairman (other than Audit Committee)	
Fixed fee	€15,000 per year
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be held in the absence of its Chairman.
Committee member (other than Audit Committee)	
Fixed fee	€7,000 per year
Variable fee, dependent on attendance	€1,000 per meeting

Taking into account the substantial increase in the Audit Committee's workload due to the implementation of the French Financial Security Act (*Loi de Sécurité Financière*) and the US Sarbanes-Oxley Act, the Board of Directors, acting on a recommendation from the Compensation and Nomination Committee, decided at its meeting held on May 13, 2005 to increase the Audit Committee's annual fees as follows:

Audit Committee Chairman	
Fixed fee	€25,000 per year
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be held in the absence of its Chairman.
Audit Committee member	
Fixed fee	€10,000 per year
Variable fee, dependent on attendance	€1,000 per meeting

Gérard Mestrallet, as Chairman of the Board, and Jean-Jacques Salane, as a Group employee, do not receive attendance fees. On this basis, the following attendance fees were paid to Directors in respect of fiscal year 2007:

Albert Frère	44,000[a]
Edmond Alphandéry	59,500
René Carron	66,000
Gerhard Cromme	22,500[a]
Etienne Davignon	69,000[a][b]
Paul Desmarais Jr.	51,500[a]
Richard Goblet d'Alviella	60,500[a][b]
Jacques Lagarde	70,500[a]
Anne Lauvergeon	63,500
Jean Peyrelevade	45,500
Thierry de Rudder	45,500[a][b]
Lord Simon of Highbury	60,500[a]

(a) *Before deduction of the 25% withholding tax levied on attendance fees paid to Directors who are not French residents.*

(b) *In fiscal year 2007, Etienne Davignon, Richard Goblet d'Alviella and Thierry de Rudder received €134,129, €89,419.44 and €89,419.44 gross respectively in their capacity as Directors and members of the Audit Committee of SUEZ-TRACTEBEL.*

In 2007, the total amount of attendance fees paid was €658,500, compared with €793,500 in 2006.

16.1 DATES ON WHICH DIRECTORS' TERMS OF OFFICE EXPIRE

See Section 14.1 "Members and functioning of the Board of Directors and management structures".

16.2 INFORMATION ON AGREEMENTS INVOLVING DIRECTORS

REGULATED RELATED-PARTY AGREEMENTS APPROVED IN 2007

The Board of Directors' prior approval was required for three operations due to the fact that certain Directors are members of the Board of both contracting parties.

Sale by SUEZ of SUEZ-TRACTEBEL to Electrabel

The proposal to sell SUEZ-TRACTEBEL to Electrabel was presented to SUEZ's Board of Directors at its meeting of March 7, 2007.

This sale is consistent with Group strategy: it will make it possible to accelerate the growth of Electrabel, strengthen the synergy between gas and electricity within Electrabel and roll out expertise in nuclear power on an international level. In addition, the operation will allow an integrated organization to be put in place, in keeping with the Pax Electrica agreement (SUEZ's commitments to the Belgian government).

Through SUEZ-TRACTEBEL, the principal assets contributed to Electrabel are as follows:

- Suez Energy International (SEI);
- the engineering consultancy company Tractebel Engineering;
- 57.2% interests in Distrigaz and Fluxys.

which account for €9 billion of the Group's revenue.

At its meeting of May 4, 2007, SUEZ's Board of Directors approved the proposal to sell SUEZ-TRACTEBEL to Electrabel based on the enterprise value of SEI (approximately €13.5 billion) and the equity value of SUEZ-TRACTEBEL (approximately €18.2 billion).

This operation will boost SUEZ's net earnings and have a positive impact on the company's financial statements.

The sale took place for the sum of €18.2 billion, with a transfer of ownership on July 24, 2007.

The sale agreement contains a seller's warranty for up to €1.5 billion that will expire on March 31, 2013.

In addition the sale price is also subject to a price adjustment, upward or downwards, linked to the sale price in the framework of a possible sale of Distrigas shares outside the SUEZ Group. This adjustment mechanism will expire on July 19, 2008

At its meeting of July 4, 2007, the Board of Directors approved the sale and the sale agreement and authorized its Chairman, Gérard Mestrallet, Chairman and Chief Executive Officer of SUEZ and Chairman of the Board of Electrabel, to sign the sale agreement.

Appointment of Calyon as advisory bank

In connection with SUEZ's squeeze-out bid on the remaining capital of Electrabel and its proposal to sell SUEZ-TRACTEBEL to Electrabel, management appointed Calyon to provide SUEZ with assistance and advice.

The payment of Calyon's fee was made contingent on the completion of both operations. As both operations were successfully completed, Calyon will receive a commission of €1,000,000 (excl. taxes), for which a provision was made at December 31, 2007.

The appointment of Calyon as advisory bank was approved by the Board of Directors at its meeting of March 7, 2007, as Edmond Alphandéry is a Director of both SUEZ and Calyon.

Electrabel's membership of the GIE SUEZ Alliance

Electrabel wished to join the GIE SUEZ Alliance when SUEZ-TRACTEBEL left this grouping.

As a new member, Electrabel agreed to abide by the grouping's agreements and was granted an unlimited guarantee by SUEZ in accordance with Article 2 of the internal agreement.

In accordance with Electrabel's request, at its meeting of July 4, 2007, the Board of Directors approved Electrabel's commitment to abide by the grouping's agreements, to which SUEZ is party, and the aforementioned guarantee given by SUEZ, as Gérard Mestrallet is both Chairman and Chief Executive Officer of SUEZ and Chairman of the Board of Directors of Electrabel.

Electrabel joined the SUEZ Alliance economic interest group as of August 28, 2007.

16.3 INFORMATION ON THE AUDIT COMMITTEE AND THE COMPENSATION COMMITTEE

See Section 14 "Corporate Governance".

16.4 COMPLIANCE WITH RULES OF CORPORATE GOVERNANCE REGULATIONS IN THE ISSUER'S HOME COUNTRY

See Section 16 "Functioning of the Board of Directors and management structures, activities of the Board of Directors".

17 EMPLOYEES

17.1 NUMBER OF EMPLOYEES AND BREAKDOWN BY PRINCIPAL BUSINESS SEGMENT AND BY SITE P.183

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17.3 AGREEMENT WITH REGARD TO EMPLOYEE OWNERSHIP OF THE ISSUER'S CAPITAL P.184

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Stock options exercised during 2007 by the ten group employees who are not corporate officers who exercised the greatest number of stock options 185

17.1 NUMBER OF EMPLOYEES AND BREAKDOWN BY PRINCIPAL BUSINESS SEGMENT AND BY SITE

See Section 6.6.2. "Human resources policies."

17.2 EMPLOYEE SHAREHOLDINGS AND STOCK OPTIONS

Refer to Section 15.1, which contains a table showing the number of shares and stock options owned by the members of the Board of Directors as of December 31, 2007 and Note 26 of Section 20 relating to financial information.

17.3 AGREEMENT WITH REGARD TO EMPLOYEE OWNERSHIP OF THE ISSUER'S CAPITAL

EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

Each year, SUEZ employees benefit from profit-sharing schemes. In accordance with French law, the amounts paid do not give rise to an additional contribution by the employer. Amounts paid in this respect during the last six years were as follows:

2002	2003[a]	2004	2005	2006	2007
€112,051	–	€1,137,170	€321,406	€654,551	€3,016,287

[a] *Pursuant to the application of derogatory formulae and applicable French ordinary law, profit-sharing equals zero because of the 2003 loss.*

An incentive agreement was signed on June 30, 1997. In accordance with French law, the amounts paid do not give rise to an additional contribution by the employer. Amounts paid in this respect during the last six years were as follows:

2002	2003	2004	2005	2006	2007
€598,455	€353,465	€288,547	€275,092	€472,165	€270,090

EMPLOYEE SHAREHOLDINGS

SUEZ promotes a voluntary employee share ownership policy.

As of December 31, 2007, employees held 3.1% of the share capital (1.8% of which through a corporate investment fund), which they acquired through employee shareholding plans offering both a standard subscription formula and a leveraged formula with guaranteed capital, in connection with the Spring 1999, 2000, 2002, 2004, 2005 and 2007 programs.

Employees benefited from a 20% discount on the share price.

Since the launch of its first international leveraged employee shareholding plan in 1999, SUEZ has renewed its offer to employees of the Group including the offer of new products developed using new techniques.

The Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 authorized the Board of Directors to increase the share capital through the issue of shares reserved exclusively for employees of the Company and/or its subsidiaries, within the scope of the Group Savings Plan. Thus, in 2007, SUEZ once again launched a major international leveraged employee shareholding plan.

Under this plan, 13,148,576 new shares were subscribed to by 53,845 employees in 20 countries.

STOCK OPTIONS GRANTED BY THE COMPANY AND BY ALL COMPANIES INCLUDED WITHIN THE STOCK OPTION PLAN DURING FISCAL 2007 TO THE TEN EMPLOYEES OF THE ISSUER AND SUCH COMPANIES WHO ARE NOT CORPORATE OFFICERS AND TO WHOM THE GREATEST NUMBER OF STOCK OPTIONS WAS ALLOCATED

Number of options allocated	Subscription price	Plans	Expiration date
863,000	38.89	01/17/2007**	16/01/2015
804,000	44.37	11/14/2007**	13/11/2015

STOCK OPTIONS EXERCISED DURING 2007 BY THE TEN GROUP EMPLOYEES WHO ARE NOT CORPORATE OFFICERS WHO EXERCISED THE GREATEST NUMBER OF STOCK OPTIONS

Number of options allocated	Subscription price	Plans	Expiration date
307,073	28.54	11/15/1999*	11/15/2007
38,644	28.46	01/31/2000*	01/31/2008
174,696	34.39	11/28/2000**	11/28/2010
211,755	35.74	12/21/2000**	12/20/2010
614,178	32.59	11/28/2001**	11/27/2011
442,606	16.69	11/20/2002**	11/19/2012
698,624	13.16	11/19/2003**	11/18/2011

* *Stock purchase options.*

** *Stock subscription options.*

18 MAJOR SHAREHOLDERS

18.1 BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2007 P.187

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Major changes in shareholdings during the last three fiscal years 188

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Disclosures of shareholdings made since January 1, 2007 189

18.2 DIFFERENT VOTING RIGHTS P.190

18.3 CONTROL P.190

18.4 AGREEMENT RELATING TO CHANGE OF CONTROL P.190

As of December 31, 2007, the share capital of SUEZ was €2,614,087,044, made up of 1,307,043,522 fully paid-up shares with a par value of €2 each, representing 1,512,954,699 voting rights.

As of December 31, 2007, SUEZ performed a survey of all identifiable bearer shares and identified approximately 400,000 individual shareholders.

18.1 BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2007

At December 31, 2007	% share capital[a]	% voting rights[a]
Groupe Bruxelles Lambert (GBL)	9.4%	13.9%
Crédit Agricole group[b]	3.3%	5.2%
Employee shareholdings[b]	3.0%	4.3%
CDC group	2.7%	3.0%
Areva	2.1%	3.7%
CNP Assurances group	1.6%	1.4%
Sofina	1.2%	1.8%
Treasury stock	2.3%	–
Management	n.m.	n.m.
Public (to the Company's knowledge, no single shareholder in this category holds more than 5% of the share capital)	74.4%	66.7%
	100%	**100%**

(a) *Calculated based on the number of shares and voting rights outstanding as of December 31, 2007.*

(b) *See "Exceeding statutory threshold disclosure requirements" below.*

BREAKDOWN OF THE SHARE CAPITAL AS OF JANUARY 16, 2008
(AFTER TAKING ACCOUNT OF CRÉDIT AGRICOLE'S SALE OF ITS DIRECT INTEREST)

As of January 16, 2008, the share capital of SUEZ was €2,615,529,924 made up of 1,307,764,962 fully paid-up shares with a par value of €2 each, representing 1,487,614,599 voting rights.

	% share capital[(a)]	% voting rights[(a)]
Groupe Bruxelles Lambert (GBL)	9.3%	14.1%
Employee shareholdings	3.0%	4.3%
CDC Group	2.9%	3.3%
Areva	2.1%	3.7%
CNP Assurances Group	1.9%	1.7%
Sofina	1.3%	1.9%
Crédit Agricole Group	1.2%	1.7%
Treasury stock	2.3%	–
Management	n.m.	n.m.
Public (to the Company's knowledge, no single shareholder in this category holds more than 5% of the share capital)	76.0%	69.3%
	100%	**100%**

(a) *Calculated based on the number of shares and voting rights outstanding as of January 15, 2008.*

MAJOR CHANGES IN SHAREHOLDINGS DURING THE LAST THREE FISCAL YEARS

	December 31, 2005		December 31, 2006		December 31, 2007		January 15, 2008	
	% share capital	% voting rights	% share capital	% voting rights	% share capital	% voting rights	% share capital	% voting rights
Groupe Bruxelles Lambert (GBL)	7.3	11.5	8.0	11.9	9.4	13.9	9.3	14.1
Employee shareholdings	3.3	3.5	3.1	4.2	3.0	4.3	3.0	4.3
CDC Group	2.8	3.3	2.8	3.2	2.7	3.0	2.9	3.3
Cogema/Areva	2.2	2.0	2.2	1.9	2.1	3.7	2.1	3.7
CNP Assurances	1.6	1.5	1.6	1.4	1.6	1.4	1.9	1.7
Sofina	1.1	1.0	1.2	1.9	1.2	1.8	1.3	1.9
Crédit Agricole Group*	3.4	5.5	3.4	5.3	3.3	5.2	1.2	1.7
Treasury stock	1.0	–	0.3	–	2.3	–	2.3	–

* *See "Exceeding statutory threshold disclosure requirements" below.*

The difference observed between percentage interests in the share capital and voting rights is due to the following:

- the Company's bylaws confer double voting rights on SUEZ shares held by the same shareholder for over two years in registered form;
- applicable law cancels voting rights attached to treasury stock held by the Company.

To the Company's knowledge, there are no shareholder agreements with regard to the capital of SUEZ.

EXCEEDING STATUTORY THRESHOLD DISCLOSURE REQUIREMENTS

For technical reasons relating to regulations governing transparency, the Crédit Agricole group's disclosures include the SUEZ shares (14.1 million shares as of December 31, 2007 and as of January 15, 2008) held to cover the Crédit Agricole group's commitments with regard to SUEZ Group employees within the scope of international employee savings plans, which are the subject of agreements according to which the voting rights attached to these shares are exercised as decided by a body comprised (in the same way as the supervisory boards of French corporate investment funds) of employees and representatives of companies of the SUEZ Group.

In the light of these agreements, the shares held as mentioned above are entered in our various tables showing the breakdown of capital under the heading "Employee shareholdings" and not under Crédit Agricole.

The company is not aware of any other shareholders that hold 1% or more of the share capital of SUEZ and that have declared crossing the statutory threshold disclosure requirements.

DISCLOSURES OF SHAREHOLDINGS MADE SINCE JANUARY 1, 2007

January 3, 2007	Downwards	0%	Negocio De Finanzas E Inversiones ISL
January 4, 2007	Upwards	9.1%	Groupe Bruxelles Lambert
January 11, 2007	Upwards	13%*	Groupe Bruxelles Lambert
January 26, 2007	Upwards	2.0%	UBS Investment Bank
January 29, 2007	Downwards	1.4%	UBS Investment Bank
January 31, 2007	Upwards	2.1%	UBS Investment Bank
February 1, 2007	Downwards	1.3%	UBS Investment Bank
March 7, 2007	Upwards	2.1%	UBS Investment Bank
March 22, 2007	Downwards	1.9%	UBS Investment Bank
March 23, 2007	Upwards	2.0%	UBS Investment Bank
March 26, 2007	Downwards	1.9%	UBS Investment Bank
June 20, 2007	Downwards	0.9%	UBS Investment Bank
July 2, 2007	Upwards	1.1%	UBS Investment Bank
July 2, 2007	Upwards	3.4%	Natixis Asset Mgt
August 30, 2007	Upwards	2.3%	UBS Investment Bank
January 10, 2008	Upwards	1.03%	BNP Paribas Asset Management
January 14, 2008	Downwards	1.2%**	Crédit Agricole

* *Disclosure of the number of voting rights held.*

** *This disclosure includes the shares held to cover the Crédit Agricole S.A. group's commitments with regard to SUEZ Group employees within the scope of international employee savings plans, which are the subject of agreements according to which the voting rights attached to these shares are exercised as decided by a body comprised (in the same way as the Supervisory Boards of French corporate investment funds) of employees and representatives of companies of the SUEZ Group.*

18.2 DIFFERENT VOTING RIGHTS

Double voting rights, with regard to those attached to other shares, in terms of the portion of share capital they represent, are attributed to all fully paid-up shares held in registered form for at least two years in the name of the same shareholder or of this shareholder and individuals whose rights he or she holds, either intestate or by virtue of a will, the division of marital property between spouses or *inter vivos* donation to a spouse or relative entitled to a share in the deceased's estate.

In the event of an increase in share capital by capitalization of earnings, reserves or additional paid-in capital, double voting rights shall be conferred, from issuance, on registered shares allotted without consideration to shareholders in respect of existing shares which benefit from such rights.

Double voting rights attached to shares cease on the conversion of such shares to bearer shares or their transfer to another shareholder, with the exception of registered to registered transfers as a result of an inheritance or family gift.

Double voting rights can only be cancelled:

- by a decision made at an Extraordinary Shareholders' Meeting by all the shareholders with a view to amending the bylaws; and
- subject to the ratification of such decision by the Special Meeting of shareholders that hold double voting rights, which must approve this cancellation by a two-thirds majority.

As of December 31, 2007, after deduction of treasury stock, the Company had 205,911,177 shares carrying double voting rights. As of January 16, 2008, after deduction of treasury stock, the Company had 179,849,637 shares carrying double voting rights.

18.3 CONTROL

Not applicable.

18.4 AGREEMENT RELATING TO CHANGE OF CONTROL

As of the date hereof, to SUEZ's knowledge, there is no agreement relating to an option with regard to any entity that is a member of the SUEZ Group or any agreement which, if implemented, could lead to a change in its control.

19 RELATED PARTY TRANSACTIONS

19.1 JOINT VENTURES P.191

19.2 ASSOCIATES P.192

This note describes material transactions between the Group and its related parties.

Compensation payable to key management personnel is disclosed separately in Section 20 – Note 28 – Executive compensation.

The Group's main subsidiaries (fully consolidated companies) are listed in Section 20 – Note 32. Only material transactions are described below.

19.1 JOINT VENTURES

Acea-ELECTRABEL group (Italy)

ELECTRABEL Italia is a wholly-owned subsidiary of ELECTRABEL, and has a 40.59% interest in Acea-ELECTRABEL which itself owns several subsidiaries.

Elettria was created during 2007 by Acea-ELECTRABEL Elettricita Spa, which owns 49% of its share capital. Elettria markets electricity sold by Acea-ELECTRABEL group entities.

In 2006, Alp Energie Italia with Acea-ELECTRABEL Elettricita Spa.

SUEZ sold electricity and gas to the Acea-ELECTRABEL group for an amount of €204.2 million in 2007, compared to €146.4 million one year earlier.

SUEZ has also granted loans to the Acea-ELECTRABEL group in 2006, on which €363.1 million remained outstanding at December 31, 2007 compared with €380.0 million at end-2006.

Zandvliet Power

Zandvliet Power is a 50%-50% joint venture between ELECTRABEL and RWE.

ELECTRABEL has granted a loan to Zandvliet Power of which €77.3 million was outstanding at December 31, 2007 compared with €95.8 million at December 31, 2006.

Hisusa

To finance its acquisition of Agbar shares owned by Torreal, Hisusa received a loan from its shareholders, including €104 million from SUEZ Environment.

19.2 ASSOCIATES

Elia System Operator (ESO)/Elia

Elia is a listed company and is 24.36%-owned by ELECTRABEL.

Elia, a subsidiary of Elia System Operator (ESO), was set up in 2001 as grid operator of the high-voltage electricity transmission network in Belgium. ESO and Elia have been accounted for under the equity method since ESO was appointed to manage the transmission network by the Belgian Federal Council of Ministers. Transmission fees are subject to the approval of the Belgian Electricity and Gas Regulatory Commission (CREG).

ELECTRABEL purchased electricity transmission services from ESO/Elia for an amount of €155.6 million during 2007, compared to €200.2 million in 2006.

The Group rendered services to ESO/Elia for a total amount of €79.5 million in 2007, compared to €97.0 million in 2006.

At December 31, 2007, outstanding loans granted to ESO/Elia amounted to €808.4 million (€354.8 million maturing in 2009 and €453.6 million maturing in 2010 and thereafter), unchanged from December 31, 2006. In 2007, the loan generated financial income of €41.0 million compared with €31.8 million in 2006.

Inter-municipal companies

Up until 2006, the equity-accounted inter-municipal companies in the Walloon and Brussels regions distributed gas and electricity produced by ELECTRABEL to residential Belgian customers. Since January 1, 2007, the Belgian gas and electricity markets have been fully deregulated, meaning that ELECTRABEL now sells gas and electricity directly to end customers rather than through the inter-municipal companies. Gas and electricity sold by ELECTRABEL to the inter-municipal companies in 2006 amounted to €931.1 million.

ELECTRABEL Customer Solutions (ECS) has purchased rights to use the gas and electricity network from the inter-municipal companies for an amount of €1,704.4 million at December 31, 2007 (€1,203.2 million at December 31, 2006). This increase stems from the afore-mentioned structural changes resulting from deregulation, whereby ECS rather than the inter-municipal companies now bears the cost of network usage.

At December 31, 2007, only the Walloon inter-municipal companies did not employ their own personnel. In accordance with the bylaws, ELECTRABEL makes personnel available to them with a view to carrying out network maintenance and distribution services. ELECTRABEL bills the inter-municipal companies for all work, supplies and services provided to them. Amounts billed totaled €480.3 million in 2007 compared with €582.7 million in 2006. This decrease results from the sale of the service provider for the Brussels region with effect from July 1, 2006.

Receivables relating to services provided and to gas and electricity supply (2006 only) stood at €37.2 million at December 31, 2007 compared with €111.4 million at December 31, 2006.

Payables due by ELECTRABEL and ELECTRABEL Customer Solutions to the inter-municipal companies stood at €148.9 million at December 31, 2007, compared with €274.8 million at December 31, 2006.

At December 31, 2007, ELECTRABEL had granted cash advances totaling €430.1 million to the inter-municipal companies, compared to €341.0 million at December 31, 2006. Amounts due to the inter-municipal companies by ELECTRABEL came to €208.4 million at end-2007, compared with €44.2 million at end-2006.

ELECTRABEL's reimbursement rights corresponding to the pension provisions set aside in its accounts for distribution employees seconded to Walloon inter-municipal companies totaled €309.7 million at December 31, 2007 and €377.9 million at December 31, 2006.

Contassur

Contassur is 10%-owned by SUEZ-Tractebel and 5%-owned by ELECTRABEL.

Contassur is a captive insurance company accounted for under the equity method. The pension fund trusts for certain employees of the Group have entered into insurance contracts with Contassur.

These insurance contracts give rise to reimbursement rights, and are therefore recorded under «Other assets» in the balance sheet in the amounts of €179.6 million and €186.6 million at December 31, 2007 and 2006, respectively.

20 FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF THE ISSUER

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20.1 CONSOLIDATED FINANCIAL STATEMENTS

KEY FIGURES

				IFRS
In millions of euros	**2007**	**2006**	**2005**	**2004**
1. Revenues	**47 475,4**	**44 289,2**	**41 488,9**	**38 057,7**
of which revenues generated outside France	35 542,9	33 480,3	31 769,2	29 481,1
2. Income				
- Gross operating income	7 964,7	7 083,3	6 508,2	5 932,4
- Current operating income	5 175,4	4 496,5	3 902,2	3 736,7
- Net income Group share	3 923,5	3 606,3	2 512,7	1 696,4
3. Cash flows				
Cash flow from (used in) operating activities	6 016,6	5 172,2	5 825,5	4 970,1
o/w cash generated from operations before income tax and working capital requirements	7 266,6	6 383,5	5 750,9	5 680,8
Cash flow from (used in) investing activities	(4 681,2)	(365,9)	(8 992,0)	124,0
Cash flow from (used in) financing activities	(2 517,5)	(6 938,1)	6 488,3	(8 083,4)
4. Balance sheet				
Shareholders' equity	22 192,8	19 503,8	16 255,9	7 773,8
Total equity	24 860,9	22 563,8	18 823,2	12 828,2
Total assets	79 127,2	73 434,6	80 443,1	60 292,3
5. Share data (in euros)				
- Average number of shares outstanding (a)	1 286 926 215	1 261 287 823	1 053 241 249	995 133 046
- Number of shares at year-end	1 307 043 522	1 277 444 403	1 270 756 255	1 020 465 386
- Earnings/(loss) per share (a)	3,09	2,86	2,39	1,70
- Dividend distributed	1,36	1,20	1,00	0,79
6. Total average workforce	**192 821**	**186 198**	**208 891**	**217 180**
- Fully consolidated companies	146 350	138 678	157 918	160 966
- Proportionately consolidated companies	37 592	38 567	41 673	50 614
- Equity-accounted companies	8 879	8 953	9 300	5 600

(a) Earnings per share is calculated based on the average number of shares outstanding, net of treasury shares.
2007 dividend: as recommended.

			French GAAP
In millions of euros	**2004**	**2003**	**2002**
1. Revenues	**40 739,4**	**39 621,8**	**46 089,8**
of which revenues generated outside France	31 278,7	29 871,3	36 119,5
Pro forma trading revenues (excluding energy trading)	40 739,4	39 621,8	40 783,9
of which revenues generated outside France	31 278,7	29 871,3	31 241,6
2. Income			
- Gross operating income	6 198,2	6 010,9	7 253,7
- Operating income	3 601,3	3 204,9	3 707,6
- Net income/(loss) Group share	1 804,4	(2 165,2)	(862,5)
3. Cash flows			
Cash generated from operating activities	4 376,5	4 495,6	4 826,5
of which gross cash flow	4 486,6	3 726,9	4 856,7
Cash generated from (used in) investing activities	(281,6)	3 607,9	(3 200,9)
Cash generated from (used in) financing activities	(7 084,1)	(6 190,0)	1 719,8
4. Balance sheet			
Shareholders' equity	7 922,5	6 895,7	10 577,5
Total equity	12 693,0	11 742,9	15 768,2
Total assets	62 981,9	69 950,2	84 151,3
5. Share data (in euros)			
- Average number of shares outstanding (a)	995 133 046	993 508 578	991 270 887
- Number of shares at year-end	1 020 465 386	1 007 679 806	1 007 422 403
- Earnings/(loss) per share (a)	1,81	(2,18)	(0,87)
- Dividend distributed	0,80	0,71	0,71
6. Total average workforce	**217 180**	**233 009**	**241 607**
- Fully consolidated companies	160 966	173 368	189 062
- Proportionately consolidated companies	50 614	49 694	26 680
- Equity-accounted companies	5 600	9 947	25 865

(a) *Earnings per share is calculated based on the average number of shares outstanding, net of treasury shares.*

CONSOLIDATED BALANCE SHEETS

ASSETS

In millions of euros	Notes	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Non-current assets				
Intangible assets, net	10	3,497.7	3,488.1	3,453.5
Goodwill	9	14,902.8	13,404.6	13,033.2
Property, plant and equipment, net	11	22,597.1	21,002.8	20,212.4
Available-for-sale securities	14	4,120.7	2,816.5	2,671.5
Loans and receivables carried at amortized cost	14	2,107.0	2,170.1	2,440.2
Derivative instruments (incl. commodity derivatives)	14	1,140.1	1,014.1	2,145.9
Investments in associates	12	1,214.3	1,259.7	3,154.9
Other non-current assets	17	730.5	778.8	1,686.5
Deferred tax assets	7	1,085.0	871.0	1,225.2
TOTAL NON-CURRENT ASSETS		**51,395.2**	**46,805.7**	**50,023.3**
Current assets				
Loans and receivables carried at amortized cost	14	331.3	298.8	194.0
Derivative instruments (incl. commodity derivatives)	14	3,363.3	3,318.6	4,533.3
Trade and other receivables	14	11,869.3	10,412.2	10,394.7
Inventories	16	1,571.8	1,483.4	1,344.8
Other current assets	17	2,556.5	2,336.6	2,693.1
Financial assets at fair value through income	14	1,319.5	833.0	885.6
Cash and cash equivalents	14	6,720.2	7,946.3	10,374.4
TOTAL CURRENT ASSETS		**27,732.0**	**26,628.9**	**30,419.8**
TOTAL ASSETS		**79,127.2**	**73,434.6**	**80,443.1**

LIABILITIES

In millions of euros	Notes	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Shareholders' equity		22,192.8	19,503.8	16,255.9
Minority interests		2,668.1	3,060.0	2,567.3
TOTAL EQUITY	**18**	**24,860.9**	**22,563.8**	**18,823.2**
Non-current liabilities				
Provisions	19	8,448.5	8,419.7	9,118.8
Long-term borrowings	14	14,526.0	13,000.6	16,406.9
Derivative instruments (incl. commodity derivatives)	14	800.9	711.7	2,191.7
Other financial liabilities	14	778.0	467.5	858.5
Other non-current liabilities		1,004.5	917.3	949.5
Deferred tax liabilities	7	1,643.6	1,444.5	1,165.8
TOTAL NON-CURRENT LIABILITIES		**27,201.5**	**24,961.3**	**30,691.2**
Current liabilities				
Provisions	19	1,106.6	1,366.1	1,724.4
Short-term borrowings	14	7,129.8	6,678.5	9,079.9
Derivative instruments (incl. commodity derivatives)	14	3,201.9	3,369.5	5,188.9
Trade and other payables	14	10,038.1	9,209.4	10,078.8
Other current liabilities		5,588.4	5,286.0	4,856.7
TOTAL CURRENT LIABILITIES		**27,064.8**	**25,909.5**	**30,928.7**
TOTAL EQUITY AND LIABILITIES		**79,127.2**	**73 434,6**	**80 443,1**

CONSOLIDATED INCOME STATEMENTS

In millions of euros	Notes	2007	2006	2005
Revenues		47,475.4	44,289.2	41,488.9
Purchases		(21,289.4)	(21,010.0)	(18,678.7)
Personnel costs		(8,141.5)	(7,640.8)	(7,902.9)
Depreciation, amortization and provisions		(1,912.7)	(1,684.8)	(1,701.9)
Other operating income and expenses, net		(10,956.4)	(9,457.1)	(9,303.2)
CURRENT OPERATING INCOME	**4**	**5,175.4**	**4,496.5**	**3,902.2**
Mark-to-market on commodity contracts other than trading instruments		67.8	17.1	(151.1)
Impairment of property, plant and equipment, intangible assets and financial assets		(132.0)	(150.3)	(657.9)
Restructuring costs		(42.6)	(88.8)	(101.5)
Disposals of assets, net		339.4	1,093.1	1,529.9
INCOME FROM OPERATING ACTIVITIES	**5**	**5,408.0**	**5,367.6**	**4,521.6**
Financial expenses		(1,709.5)	(1,610.6)	(1,582.2)
Financial income		987.3	879.6	856.9
Net financial loss	**6**	**(722.1)**	**(731.0)**	**(725.3)**
Income tax expense	7	(527.5)	(815.1)	(585.3)
Share in net income of associates	12	457.9	372.7	565.5
NET INCOME		**4,616.3**	**4,194.2**	**3,776.5**
Minority interests		692.7	587.9	1,263.8
Net income Group share		3,923.5	3,606.3	2,512.7
Earnings per share	**8**	**3.09**	**2.86**	**2.39**
Diluted earnings per share	**8**	**3.04**	**2.83**	**2.36**

CONSOLIDATED CASH FLOW STATEMENTS

In millions of euros	2007	2006	2005
Net income	**4,616.3**	**4,194.2**	**3,776.5**
- Share in net income of associates	(457.9)	(372.7)	(565.5)
+ Dividends received from associates	229.8	355.7	467.1
- Net depreciation, amortization and provisions	1,925.3	1,743.3	2,242.7
- Net capital gains on disposals (incl. reversals of provisions)	(339.4)	(1,097.7)	(1,652.9)
- Mark-to-market on commodity contracts other than trading instruments	(67.8)	(17.1)	151.1
- Other items with no cash impact	110.8	31.7	21.4
- Income tax expense	527.5	815.1	585.3
- Net financial loss	722.1	731.0	725.3
Cash generated from operations before income tax and working capital requirements	**7,266.6**	**6,383.5**	**5,750.9**
+ Tax paid	(1,005.6)	(985.4)	(722.9)
Change in working capital requirements	**(244.3)**	**(225.9)**	**797.5**
Cash flow from (used in) operating activities	**6,016.6**	**5,172.2**	**5,825.5**
Acquisitions of property, plant and equipment and intangible assets	(3,129.7)	(2,367.6)	(2,667.1)
Acquisitions of entities net of cash and cash equivalents acquired [(1)]	(1,508.3)	(1,088.2)	(9,060.2)
Acquisitions of available-for-sale securities	(1,361.9)	(315.6)	(526.6)
Disposals of property, plant and equipment and intangible assets	131.1	181.8	355.0
Disposals of entities net of cash and cash equivalents sold	554.9	2,009.9	1,972.9
Disposals of available-for-sale securities	406.3	777.8	650.1
Interest received on non-current financial assets	116.0	151.3	69.8
Dividends received on non-current financial assets	202.4	288.7	134.3
Change in loans and receivables originated by the Group and other	(92.1)	(4.0)	79.7
Cash flow from (used in) investing activities	**(4,681.2)**	**(365.9)**	**(8,992.0)**
Dividends paid	(1,968.5)	(1,720.9)	(1,521.6)
Repayment of borrowings and debt	(7,579.0)	(8,744.0)	(3,245.8)
Change in financial assets at fair value through income	(265.3)	346.3	(538.4)
Interest paid	(1,230.9)	(1,081.4)	(1,029.2)
Interest received on cash and cash equivalents	272.8	326.9	347.3
Increase in borrowings and debt	8,478.7	3,538.3	8,515.5
Increase in capital [(1)]	832.9	162.4	2,962.1
Assignment of litigious receivables			995.4
Treasury stock movements	(1,058.2)	234.3	2.9
Cash flow from (used in) financing activities	**(2,517.5)**	**(6,938.1)**	**6,488.3**
Effect of changes in consolidation method, exchange rates and other	(44.0)	(296.3)	166.3
TOTAL CASH FLOW FOR THE PERIOD	**(1,226.1)**	**(2,428.1)**	**3,488.2**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,946.3**	**10,374.4**	**6,886.2**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6,720.2**	**7,946.3**	**10,374.4**

(1) In 2005, this item does not include €2,414 million corresponding to the issue of SUEZ shares as part of the cash and share bid for Electrabel.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves and net income	Fair value adjustments and other	Treasury stock	Cumulative translation adjustment	Share-holders' equity	Minority interests	Total
Equity under IFRS at December 31, 2004	**1,020,465,386**	**2,040.9**	**6,621.8**	**(316.7)**	**(63.7)**	**(352.3)**	**(156.2)**	**7,773.8**	**5,054.4**	**12,828.2**
Income and expense recognized directly in equity				630.5	101.0	(3.0)	748.5	1,477.0	159.7	1,636.7
Net income				2,512.7				2,512.7	1,263.8	3,776.5
TOTAL RECOGNIZED INCOME AND EXPENSE				**3,143.2**	**101.0**	**(3.0)**	**748.5**	**3,989.7**	**1,423.5**	**5,413.2**
Conversion of bonds	11,665,701	23.3	183.5					206.8		206.8
Employee share issues and share-based payment	17,315,417	34.6	266.2	35.5				336.3		336.3
Capital increase	221,309,751	442.6	4,307.4					4,750.0		4,750.0
Dividends paid				(806.7)				(806.7)	(714.5)	(1,521.2)
Net acquisitions of treasury stock				3.3		(0.4)		2.9		2.9
Other changes				3.1				3.1	(3,196.1)	(3,193.0)
Equity under IFRS at December 31, 2005	**1,270,756,255**	**2,541.4**	**11,378.9**	**2,061.7**	**37.3**	**(355.7)**	**592.3**	**16,255.9**	**2,567.3**	**18 823,2**
Income and expense recognized directly in equity					842.9		(349.9)	493.0	(84.5)	408.5
Net income				3,606.3				3,606.3	587.9	4,194.2
TOTAL RECOGNIZED INCOME AND EXPENSE				**3,606.3**	**842.9**		**(349.9)**	**4,099.3**	**503.4**	**4,602.7**
Employee share issues and share-based payment	6,388,344	12.8	149.3	42.9				205.0		205.0
Non-cash capital increase	299,804	0.6	6.2					6.8		6.8
Dividends paid				(1,260.2)				(1,260.2)	(460.7)	(1 720,9)
Net acquisitions of treasury stock				10.7		223.5		234.2		234.2
Other changes				(37.2)				(37.2)	450.0	412.8
Equity under IFRS at December 31, 2006	**1,277,444,403**	**2,554.8**	**11,534.4**	**4,424.2**	**880.2**	**(132.2)**	**242.4**	**19,503.8**	**3,060.0**	**22,563.8**
Income and expense recognized directly in equity					787.1		(386.5)	400.7	36.5	437.2
Net income				3,923.5				3,923.5	692.8	4,616.3
TOTAL RECOGNIZED INCOME AND EXPENSE				**3,923.5**	**787.1**		(386.5)	**4,324.2**	**729.3**	**5,053.5**
Employee share issues and share-based payment	29,599,119	59.2	767.6	116.6				943.4		943.4
Dividends paid				(1,513.8)				(1,513.8)	(448.4)	(1,962.2)
Net acquisitions of treasury stock				17.6		(1,082.5)		(1,064.9)	3.6	(1,061.2)
Other changes									(676.4)	(676.4)
Equity under IFRS at December 31, 2007	**1,307,043,522**	**2,614.1**	**12,302.0**	**6,968.1**	**1,667.3**	**(1,214.7)**	**(144.1)**	**22,192.8**	**2,668.1**	**24,860.9**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Total at Dec. 31, 2007	Of which share-holders' equity	Of which minority interests	Total at Dec. 31, 2006	Of which share-holders' equity	Of which minority interests	Total at Dec. 31, 2005	Of which share-holders' equity	Of which minority interests
Available-for-sale financial assets	395.8	353.7	42.2	293.6	290.4	3.2	30.9	64.6	(33.7)
Net investment hedges	5.7	4.2	1.4	42.4	42.4		(105.8)	(117.7)	11.9
Cash flow hedges	(71.2)	(61.9)	(9.3)	89.9	87.3	2.6	(14.3)	(24.0)	9.7
Commodity cash flow hedges	351.6	342.8	8.8	640.0	658.5	(18.5)	(421.9)	(406.3)	(15.6)
Actuarial gains and losses	397.2	381.5	15.6	54.4	52.4	2.0	(241.2)	(261.5)	20.3
Deferred taxes	(254.3)	(247.4)	(6.9)	(314.3)	(318.3)	4.0	237.7	246.2	(8.5)
Translation adjustments	(387.8)	(372.4)	(15.4)	(397.5)	(319.7)	(77.8)	914.0	788.0	126.0
First-time adoption of IAS 32/39							241.9	192.3	49.6
Assignment of litigious receivables							995.4	995.4	
Income and expense recognized directly in equity	**437.2**	**400.7**	**36.5**	**408.5**	**493.0**	**(84.5)**	**1,636.7**	**1,477.0**	**159.7**
Net income	4,616.3	3,923.5	692.8	4,194.2	3,606.3	587.9	3,776.5	2,512.7	1,263.8
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD	**5,053.5**	**4,324.2**	**729.3**	**4,602.7**	**4,099.3**	**503.4**	**5,413.2**	**3,989.7**	**1,423.5**

20.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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INFORMATION ON THE SUEZ GROUP

SUEZ was incorporated on February 23, 1880. Its corporate life was extended for an additional 99 years in 1941.

The Company is headquartered at 16, rue de la Ville-l'Evêque 75008 Paris – France.

SUEZ is a French *société anonyme* with a Board of Directors that is subject to the provisions of Book II of the French Commercial Code, as well as all other provisions of French law applicable to commercial companies.

It is governed by current and future laws and by regulations applicable to *sociétés anonymes* and its bylaws.

SUEZ shares are listed on Euronext Paris, Euronext Brussels, and on the stock exchanges in Luxembourg, Milan, Frankfurt and Zurich.

On February 25, 2008, the Board of Directors of SUEZ approved and authorized for issue the consolidated financial statements of SUEZ and its subsidiaries for the year ended December 31, 2007.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

Pursuant to European Regulation (EC) 809/2004 dated April 29, 2004 regarding prospectuses, financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last three reporting periods (ended December 31, 2005, 2006 and 2007) and have been prepared in accordance with European Regulation (EC) 1606/2002 on international accounting standards (IFRS) dated July 19, 2002. The Group's consolidated financial statements for the year ended December 31, 2007 have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) andendorsed by European Union.

SUEZ has applied IFRIC 12 since December 31, 2006. SUEZ assessment is that IFRIC 12, although still under review by Europe, is compliant with the standards as endorsed by European Union, and believes that the provisions set out therein may be used as guidance[1].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2007 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2006, except for:

1.1.1 IFRS standards, amendments and IFRIC interpretations applicable in 2007 annual financial statements

- IFRS 7 – Financial Instruments: Disclosures.
- Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures.
- IFRIC 7 – Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 – Scope of IFRS 2 (clarification of the scope of IFRS 2).
- IFRIC 10 – Interim Financial Reporting and Impairment.

The application of IFRS 7 and the amendment to IAS 1 require additional disclosures provided in the consolidated financial statements, but have no effect on the performance or financial position of the Group.

The adoption of other interpretations does not have any effect on the consolidated financial statements.

It should be reminded that the Group early adopted IFRIC 9 – Reassessment of Embedded Derivatives with effect from 2006.

1.1.2 IFRS standards and IFRIC interpretations effective after 2007 that SUEZ has elected to early adopt

IFRIC 12 - Service Concession Arrangements, which was early adopted as from 2006.

On November 30, 2006, the IFRIC published IFRIC 12 – Service Concession Arrangements, effective for annual periods beginning on or after January 1, 2008, with earlier application permitted. As of December 31, 2005, in accordance with IAS 8 regarding the selection and application of accounting policies to be used in the absence of IFRS standard or interpretation, the Group exercised its judgment to determine the accounting policy to be applied in respect of concession arrangements. To exercise its judgment, and as expressed by the IFRIC, SUEZ management used as guidance the work carried out by the IFRIC, as set out in Draft Interpretations D12, D13 and D14. However, the Group had not applied the specific transitional provisions available in the Exposure Drafts and all concession arrangements had been restated at January 1, 2004. For the year ended December 31, 2006, SUEZ decided to apply the provisions of IFRIC 12 as adopted by the IASB.

1. *As stated in the Comments concerning certain Articles of European Regulation (EC) 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, the Fourth Council Directive 78/660/EEC of July 25, 1978 and the Seventh Council Directive 83/349/EEC of June 13, 1983 on accounting, as released in November 2003.*

1.1.3 IFRS standards and IFRIC interpretations effective after 2007 that SUEZ has elected not to early adopt

- IAS 1 (revised in 2007) – Presentation of Financial Statements: this amendment modifies certain captions of the consolidated financial statements and requires entities to produce a statement of comprehensive income.
- IFRS 8 – Operating Segments: this standard replaces IAS 14 and converges with segment reporting as prescribed by SFAS 131, segment reporting will «management approach» based.

The application of these two standards will have no effect on the financial position of SUEZ but may modify the presentation of the consolidated financial statements and the disclosures provided therein. SUEZ has not decided yet the application dates for IFRS 8 and the revised IAS 1.

- IAS 23 – Borrowing Costs: the revision to this standard issued in 2007 eliminates the benchmark treatment of recognizing borrowing costs as an expense.

The application of IAS 23 (revised in 2007) will have no effect on the consolidated financial statements as the Group has always applied the allowed alternative treatment whereby borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized as part of the cost of that asset.

- IFRIC 11 – Group and Treasury Share Transactions provides guidance on (i) accounting for share-based payments involving a buyback of the entity's own equity instruments, and (ii) accounting for share-based payments involving the equity instruments of the parent in the subsidiary's financial statements.

This interpretation does not apply to the Group.

- IFRIC 13 – Customer Loyalty Programmes, applicable for accounting periods beginning on or after July 1, 2008.
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, applicable for accounting periods beginning on or after January 1, 2008.

Theeffect of these interpretations is currently being assessed.

1.1.4 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for the transition to IFRS in 2005,. The options which continue to have an effect on the consolidated financial statements are:

- translation differences: the Group elected to reclassify cumulative translation differences within consolidated equity 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.

1.2 Measurement basis

The consolidated financial statements have been prepared using the historical cost convention, except for some financial instruments measured at fair value in conformity with IAS 39.

1.3 Use of judgements and estimates

1.3.1 Estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions to determine the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and 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 outcome could differ from those estimates.

The main estimates used in preparing the Group's consolidated financial statements relate chiefly to:

- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see section 1.4.7);
- the measurement of provisions, particularly for nuclear waste processing and storage, dismantling obligations, disputes, pensions and other employee benefits (see section 1.4.15);
- financial instruments (see section 1.4.10);
- unmetered revenues;
- the measurement of capitalized tax loss carry-forwards.

1.3.1.1 Recoverable amount of property, plant and equipment and intangible assets

The recoverable amount of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment expenses already booked.

1.3.1.2 Estimates of provisions

Parameters having a significant influence on the amount of provisions, and particularly, but not solely, those relating to nuclear power generation sites, 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. Further, the Group is not aware of any developments that are likely to have a material impact on the booked provisions.

1.3.1.3 Pensions and other employee benefit obligations

Pension commitments and other employee benefit obligations are measured on the basis of actuarial assumptions. The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any changes in these assumptions may have a material impact on the resulting calculations.

1.3.1.4 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.

1.3.1.5 Revenues

Revenues generated from types of customers whose energy consumption is metered during the accounting period, particularly customers supplied with low-voltage electricity or low-pressure gas, must be estimated at the balance sheet date based on historic data, consumption statistics and estimated selling prices. Network sales have become more difficult to calculate since the deregulation of the Belgian energy market in view of the larger number of grid operators. The Group is allocated a certain volume of energy transiting through the networks by the grid managers. The final allocations are often only known several months down the line, which means that revenue figures are only an estimate. However, the Group has developed measuring and modeling tools allowing 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.

1.3.1.6 Measurement of capitalized tax loss carry-forwards

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

1.3.2 Judgments

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions when the effective IFRS standards and interpretations do not specifically deal with related accounting issues.

This particularly applies in relation to the recognition of concession arrangements (see section 1.4.6), the classification of services contracts (see section 1.4.8), the accounting treatment of acquisitions of minority interests and the identification of «own use «operations, as defined by IAS 39 for electricity and natural gas purchase and sale contracts.

In accordance with IAS 1, the Group's current and non-current assets and liabilities are shown separately on the consolidated balance sheet. 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 balance sheet date are classified as current, while all other items are classified as non-current.

1.4 Significant accounting policies

1.4.1 Scope and methods of consolidation

The consolidation methods used by the Group consist of the full consolidation method, the proportionate consolidation method and the equity method:

- subsidiaries (companies over which the Group exercises exclusive control) are fully consolidated;
- companies over which the Group exercises joint control are consolidated by the proportionate method, based on the Group's percentage interest;
- the equity method is used for all associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognizes its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates".

The Group analyzes what type of control exists on a case-by-case basis, taking into account the situations illustrated in IAS 27, 28 and 31.

The special purpose entities set up in connection with the Group's securitization programs that are controlled by the Group are consolidated in accordance with the provisions of IAS 27 concerning consolidated financial statements and the related interpretation SIC 12 concerning the consolidation of special purpose entities.

All intra-group balances and transactions are eliminated on consolidation.

A list of the main fully and proportionately consolidated companies, together with investments accounted for by the equity method, is presented in the notes to the financial statements.

1.4.2 Foreign currency translation methods

1.4.2.1 Presentation currency of the consolidated financial statements

The Group's consolidated financial statements are presented in euros (€), which is the functional currency of SUEZ SA.

1.4.2.2 Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates, which in most cases corresponds to local currency. However, certain entities may have a functional currency different from local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

1.4.2.3 Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each balance sheet 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 consolidated statement of income 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.

1.4.2.4 Translation of the financial statements of subsidiaries with a functional currency other than the euro (the presentation currency)

The balance sheets of these subsidiaries are translated into euros at the official year-end exchange rates. Income statement and cash flow statement items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of these subsidiaries are recorded under "Cumulative translation differences" within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are qualified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

Translation differences previously recorded under equity are taken to the consolidated income statement on the disposal of a foreign entity.

1.4.3 Business combinations

For business combinations carried out since January 1, 2004, the Group applies the purchase method as defined in IFRS 3, which consists in recognizing the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

The Group may recognize any adjustments to provisional values as a result of completing the initial accounting of a business combination within 12 months of the acquisition date.

1.4.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

1.4.4.1 Goodwill

1.4.4.1.1 Recognition of goodwill

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) over 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 for each exchange transaction separately based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction. Any difference arising from the application of these fair values to the Group's existing interest and to minority interests is a revaluation and is therefore recognized in equity.

In the absence of specific IFRS guidance addressing acquisitions of minority interests, the Group continues not to recognize any additional fair value adjustments to identifiable assets and liabilities when it acquires additional shares in a subsidiary that is already fully consolidated. In such a case, the additional goodwill corresponds to the excess of the acquisition price of the additional shares purchased over the Group's additional interest in the net assets of the company concerned.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of the business combination, the excess is recognized immediately in the consolidated income statement.

Goodwill relating to associate companies is recorded under "Investments in associates".

1.4.4.1.2 Measurement of goodwill

Goodwill is not amortized but tested for impairment each year, or more frequently where 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 1.4.7 “Recoverable amount of property, plant and equipment and intangible assets”.

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

Impairment losses on goodwill relating to associate companies are reported under “Share in net income of associates”.

1.4.4.2 Other intangible assets

1.4.4.2.1 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.

1.4.4.2.2 Other internally-generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession contracts or public service contracts;
- customer portfolios acquired on business combinations;
- power station capacity rights: the Group helped to finance the construction of certain nuclear power stations operated by third parties and in consideration received the right to purchase a share of the production over the useful life of the assets. These rights are amortized over the useful life of the underlying assets, not to exceed 40 years;
- surface and underground water drawing rights, which are not amortized as they are granted indefinitely;
- concession assets.

Intangible assets are amortized on a straight-line basis over the following useful lives (in years):

	Useful life	
	Minimum	Maximum
Concession rights	10	65
Customer portfolios	10	40
Other intangible assets	1	40

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

1.4.4.2.3 Impairment tests

In accordance with IAS 36, impairment tests are carried out on intangible assets when 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.

These 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. After the recognition of an impairment loss, the amortization expense for the asset is adjusted in future periods to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Impairment losses recorded in relation to intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying amount. The increased carrying amount of an intangible attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized in prior periods. The methods used for performing these impairment tests are described in section 1.4.7.

1.4.5 Property, plant and equipment

1.4.5.1 Initial recognition and subsequent measurement

Items of property, plant and equipment are recognized at historical cost 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.

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 as the one of the component.

Property, plant and equipment acquired under finance leases are carried in the consolidated balance sheet at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognized under borrowings. These assets are depreciated using the same methods and useful lives as set out below.

The Group applies the allowed alternative treatment provided for in IAS 23, whereby borrowing costs that are directly attributable to the construction of the qualifying asset are capitalized as part of the cost of that asset.

1.4.5.2 Depreciation

In accordance with the components approach, each significant component of an item of property, plant and equipment with a different useful life from that of the main asset to which it relates is depreciated separately over its own useful life.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Main depreciation periods (years)		Minimum	Maximum
Plant and equipement			
-Energy:	Production - Transport	5	40
	Installation - Maintenance	3	10
	Hydraulic fixtures and fittings	20	65
-Environment		2	70
Other property, plant and equipment		2	33

The range of useful lives is due to the diversity of the assets in each category. The minimum periods relate to smaller equipment and furniture, while the maximum periods concern network infrastructures. In accordance with the law of January 31, 2003 adopted by the Belgian Chamber of Representatives with respect to the gradual phase-out of nuclear energy for the industrial production of electricity, the useful lives of nuclear power stations were reviewed and adjusted prospectively to 40 years as from January 1, 2003.

Fixtures and fittings relating to the hydro plant operated by the Group are depreciated over the shorter of the contract term and useful life of the assets, taking into account the renewal of the concession period if such renewal is considered to be reasonably certain.

1.4.5.3 Impairment tests

In accordance with IAS 36, impairment tests are carried out on items of property, plant and equipment where 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.

Items of property, plant and equipment are tested for impairment at the level of the individual asset or cash-generating unit (CGU) 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 item of property, plant and equipment concerned is revised.

Impairment losses recorded in relation to property, plant and equipment 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) had no impairment loss been recognized in prior periods.

The methods used for performing these impairment tests are described in section 1.4.7.

1.4.6 Concessions

SIC 29, Disclosure – Service Concession Arrangements was published in May 2001 and prescribes the information that should be disclosed in the notes to the financial statements of a concession grantor and a concession operator.

On November 30, 2006 the IFRIC published IFRIC 12 – Service Concession Arrangements, which deals with the accounting treatment to be applied by the concession operator in respect of certain concession arrangements. SUEZ has chosen to early adopt the provisions of this interpretation, which comes into force in 2008.

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 offer these services to the public (this criteria 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. This requirement is met when:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
- the grantor controls the infrastructure, i.e., retains the right to take back the infrastructure at the end of the concession.

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is still presented as property, plant and equipment.

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:

- the "intangible asset model" is applied when users have primary responsibility to pay for the concession services;
- and the "financial asset model" is applied when the grantor has the primary responsibility to pay the operator for the concession services.

"Primary responsibility" signifies that while the identity of the payer of the services is not an essential criterion, the person ultimately responsible for payment should be identified.

In cases where the local authority pays the Group but merely acts as an intermediary fee collector and does not guarantee the amounts receivable ("pass through arrangement"), the intangible asset model should be used to account for the concession since the users are, in substance, primarily responsible for payment.

However, where the users pay the Group, but the local authority guarantees the amounts that will be paid over the term 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 waste 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 consolidated balance sheet;
- start-up capital expenditure is recognized as follows:

– under the intangible asset model, the fair value of construction and other work on the infrastructure represents the cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,

– under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,

– when the grantor has a payment obligation for only part of the investment, the cost is recognized in receivables for the amount guaranteed by the grantor, with the balance included in intangible assets.

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.

1.4.7 Recoverable amount of property, plant and equipment and intangible assets

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are grouped, where appropriate, 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 an asset 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, limited to inflation rate.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to estimated market value less costs of disposal. Where negotiations are ongoing, this value is determined based on the best estimate of their outcome as of the balance sheet date.

When impairment in value is required, the impairment loss is recorded in the consolidated income statement under «Impairment».

1.4.8 Leases

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

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

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

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

1.4.8.1 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.

1.4.8.2 Accounting for operating leases

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

1.4.8.3 Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a finance receivable should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

The Group is concerned by this interpretation mainly with respect to:

- some energy purchase and sale contracts, particularly where the contract conveys to the purchaser of the energy an exclusive right to use a production asset;
- some contracts with industrial customers relating to assets held by the Group.

1.4.9 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.

Nuclear fuel purchased is consumed in the process of producing electricity over a number of years. The consumption of this nuclear fuel inventory is recorded based on estimates of the quantity of electricity produced per unit of fuel.

1.4.9.1 Accounting treatment of greenhouse gas emissions rights

Under European Directive 2003/87/EC establishing a greenhouse gas (GHG) emissions allowance trading scheme within the European Union, several of the Group's industrial sites were granted GHG emission rights granted for free. Under the Directive, each year the sites concerned have to surrender a number of allowances equal to the total emissions from the installations during the previous calendar year. Therefore, the Group may have to purchase emissions allowances on pollution rights markets in order to cover any shortfall in the allowances required for surrender.

As there are no specific rules under IFRS dealing with the accounting treatment of GHG emissions allowances, the Group decided to apply the following principles:

- emission rights are classified as inventories, as they are consumed in the production process;
- emission rights granted for free are recorded in the balance sheet at a value of nil;
- emission rights purchased on the market are recognized at acquisition cost.

The Group records a liability at year-end in the event that it does not have enough emission rights to cover its GHG emissions during the period. This liability is measured at the market value of the allowances required to meet its obligations at year-end.

1.4.10 Financial instruments

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

1.4.10.1 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.

1.4.10.1.1 Available-for-sale securities

"Available-for-sale securities" include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below).

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each balance sheet 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 balance sheet date. For unlisted companies, fair value is measured based on standard valuation techniques (reference to similar recent transactions, discounted future cash flows, etc.).

Changes in fair value are recorded directly in equity, except when an impairment test shows that decline in the value of the related asset to below its historical acquisition cost is significant or prolonged, in which case the cumulative loss is recognized in income under "Impairment". Only impairment losses recognized on debt instruments (debt securities/ bonds) may be reversed through income.

1.4.10.1.2 Loans and receivables carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits.

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

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. This item includes amounts due from customers under construction contracts (see section 1.4.13).

1.4.10.1.3 Financial assets 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 1.4.11). The financial assets are measured at fair value at the balance sheet date and changes in fair value are recorded in the consolidated income statement.

1.4.10.2 Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments, capital renewal and replacement obligations and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated balance sheet. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the balance sheet date;
- financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet 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 commodity trading derivatives not qualifying as hedges.

1.4.10.2.1 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 or redemption premiums and 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.

1.4.10.2.2 Put options on minority stakes

Other financial liabilities primarily include put options granted by the Group to minority interests.

As no specific guidance is provided by IFRS, the Group has adopted the following accounting treatment for these commitments:

- when the put option is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in minority interests. When the value of the put option is greater than the carrying amount of the minority interests, the difference is recognized as goodwill;
- at each balance sheet date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to minority interests result in an increase in goodwill;
- in the consolidated income statement, minority interests are allocated their share in income. In the consolidated balance sheet, the share in income allocated to minority interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

In the case of a fixed-price put, the liability corresponds to the present value of the exercise price.

In the case of a fair value or variable-price put, the liability is measured based on estimates of the fair value at the consolidated balance sheet date or contractual conditions applicable to the exercise price based on the latest available information.

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

1.4.10.3 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, mainly for gas and electricity. Use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

1.4.10.3.1 Definition and scope of derivative financial instruments

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

Derivative instruments therefore include swaps, options, futures and swaptions, as well as forward commitments to purchase or sell listed and unlisted securities, and firm commitments or options to purchase or sell non-financial assets that involve physical delivery of the underlying.

Electricity and natural gas purchase and sale contracts, in particular, are systematically analyzed to determined whether they represent purchases and sales arising in the ordinary course of business, in which case they do not fall within the scope of IAS 39. The first step of this analysis consists in demonstrating that the contract was entered into and continues to be held for the purpose of a purchase or sale with physical delivery of the underlying, in accordance with the Group's expected sale or usage requirements in the foreseeable future in the ordinary course of its operations. The second step is to demonstrate that:

- the Group has no practice of settling similar contracts on a net basis. In particular, forward purchases or sales with physical delivery of the underlying that are carried out with the sole purpose of balancing Group energy volumes are not considered by the Group as contracts that are settled net;
- the contract is not negotiated with the aim of realizing financial arbitration;
- the contract is not equivalent to a written option. In particular, in the case of electricity sales allowing the buyer a certain degree of flexibility concerning the volumes delivered, the Group distinguishes between contracts that are equivalent to capacity sales – considered as transactions falling within the scope of ordinary operations – and those that are equivalent to written financial options, which are accounted for as derivative financial instruments.

Only contracts that meet all of the above conditions are considered as falling outside the scope of IAS 39. Adequate specific documentation is compiled to support this analysis.

1.4.10.3.2 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The main Group contracts that may contain embedded derivatives are contracts with clauses or options affecting the contract price, volume or maturity. This is the case primarily of contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the host contract is not a financial instrument measured at fair value through income;
- if separated from the host contract, the embedded derivative fulfills the criteria for classification as a derivative instrument (existence of an underlying, no material initial net investment, settlement at a future date); and
- its characteristics are not closely related to those of the host contract. The analysis of whether or not the characteristics of the derivative are "closely related" to the host contract is made when the contract is signed.

Embedded derivatives that are separated from the host contract are recognized in the consolidated balance sheet at fair value, with changes in fair value recognized in income (except when the embedded derivative is part of a designated hedging relationship).

1.4.10.3.3 Hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the consolidated balance sheet 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.

1.4.10.3.3.1 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 remeasuring 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. These two adjustments are presented net in the consolidated income statement, with the net effect corresponding to the ineffective portion of the hedge.

1.4.10.3.3.2 Cash flow hedges

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

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity are reclassified to the consolidated 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 or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

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

1.4.10.3.3.3 Hedge of a net investment in a foreign operation

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

1.4.10.3.3.4 Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparties are considered as being eligible for hedge accounting.

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.

1.4.10.4 Derivative instruments not qualifying for hedge accounting: recognition and presentation

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

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

Derivative instruments used by the Group in connection with proprietary energy trading activities and energy trading on behalf of customers and other derivatives expiring in less than 12 months are recognized in the consolidated balance sheet in current assets and liabilities.

1.4.11 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».

1.4.12 Treasury shares

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

1.4.13 Construction contracts

The engineering and construction operations carried out by SUEZ 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 1.4.16 («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 is recognized as an expense immediately.

Progress payments received under construction contracts before the corresponding work has been carried out are recorded in liabilities as advances and down-payments 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».

1.4.14 Share-based payment

Under IFRS 2, the Group is required to recognize an expense corresponding to benefits granted to employees in the form of share-based payments, in consideration for services provided.

1.4.14.1 Stock option plans

Options granted by the Group to its employees are measured at the grant date using a binomial pricing model, which takes into account the characteristics of the plan concerned (exercise price, exercise period), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioural assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period, offset through equity.

1.4.14.2 Bonus shares

SUEZ bonus share plans are also accounted for in accordance with IFRS 2. The corresponding personnel cost is recorded in the consolidated income statement over the vesting period, offset through equity.

1.4.14.3 Employee share purchase plans

The Group's corporate savings plans, which enable employees to subscribe to shares at a lower-than-market price, are accounted for in accordance with IFRS 2.

1.4.15 Provisions

1.4.15.1 Pensions and other employee benefit obligations

Depending on the laws and practices in force in the countries where SUEZ 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 compliance 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 using the projected unit credit method. 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. Where 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 and to discontinue the corridor method[2]. Actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments are henceforth recognized directly in equity and are shown in a statement of recognized income and expense (SORIE). 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 is presented as a financial expense.

1.4.15.2 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 nuclear waste reprocessing and storage, provisions for dismantling facilities and provisions for site restoration costs. The discount rate (or rates) used reflect current market assessments 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 dismantle facilities or to restore a site. An asset is recorded simultaneously by including this dismantling obligation in the carrying amount of the facilities concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the dismantling 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 period.

1.4.16 Revenues

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

- energy sales;
- rendering of services;
- lease and construction contracts.

Revenues on sales of goods are recognized on delivery, i.e., when the significant risks and rewards of ownership are transferred to the buyer. For services and construction contracts, revenues are recognized using the percentage of completion method. In both cases, revenues are recognized solely when the transaction price is fixed or can be reliably determined and the recovery of the amounts due is probable.

2. Previously, only the portion of actuarial gains and losses arising after January 1, 2004 that exceeded the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets were recognized through the consolidated income statement over the average remaining service lives of plan participants.

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.

1.4.16.1 Energy sales

These revenues primarily include sales of electricity and gas, transport and distribution fees relating to services such as electricity and gas distribution network maintenance, and heating network sales.

They are recognized when a formal contract is signed with the other party to the transaction.

For residential customers eligible for deregulated services whose consumption is metered annually, energy delivered but unmetered at year-end is measured based on historical data and consumption statistics as well as the estimated selling price.

Part of the price received by the Group under certain long-term energy sales contracts is fixed, rather than being based on volumes. The fixed amount changes over the term of the contract. In accordance with IAS 18, revenues from these contracts are recognized on a straight-line basis because, in substance, the fair value of the services rendered does not vary from one period to the next.

In accordance with IAS 1 and IAS 18, both proprietary energy trading transactions and energy trading carried out on behalf of customers are recorded within “Revenues” after netting off sales and purchases. Under the same principle, when sale contracts are offset by similar purchase contracts, or if the sale contracts are entered into as part of an offset strategy, the contribution of operational energy trading activities (wholesale or arbitrage) relating to assets, aimed at optimizing production assets and fuel purchase/energy sale portfolios, is recognized in revenues based on the net amount.

1.4.16.2 Rendering of services

1.4.16.2.1 Environment services

1.4.16.2.1.1 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.

For sanitation services and wastewater treatment, either the price of the services is included in the water distribution invoice or it is specifically invoiced to the local authority or industrial customer concerned.

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

1.4.16.2.1.2 Waste services

Revenues arising from waste collection are generally recognized 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.

1.4.16.2.2 Energy services

These revenues relate mainly to installation, maintenance and energy services, and are recognized in accordance with IAS 18, which requires services to be accounted for on a percentage of completion basis.

1.4.16.3 Lease and construction contracts

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.4.13). 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 transaction, or on the physical progress of the contract based on factors such as contractually defined stages.

This item also includes income from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.4.17 Current operating income

Current operating income is an indicator used by the SUEZ Group to present «a level of operational performance that can be used as part of an approach to forecast recurring performance[3]». 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 SUEZ, such elements relate to asset impairments and disposals, restructuring costs and mark-to-market on commodity contracts other than trading instruments, which are defined as follows:

- impairment includes impairment losses on non-current assets;
- disposals of assets include capital gains and losses on disposals of non-current assets, consolidated companies and available-for-sale securities;
- restructuring costs concern costs corresponding to a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;

3 In accordance with CNC Recommendation 2004-R02 on consolidated income statements, cash flow statements and statements of changes in equity.

- mark-to-market on commodity contracts other than trading instruments: this item corresponds to changes in the fair value (mark-to-market) of financial instruments relating to commodities, gas and electricity, which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions in the energy sector. Since changes in the fair value of these instruments – which must be recognized through income in IAS 39 – can be material and difficult to predict, they are presented on a separate line of the consolidated income statement.

1.4.18 Consolidated cash flow statements

«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. This classification is consistent with the Group's internal organization, where debt and cash and cash equivalents are managed centrally by the treasury department.

1.4.19 Tax

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

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

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

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

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of companies included within the consolidated tax group, and are presented in assets or liabilities for their net amount per tax entity.

Deferred taxes are reviewed at each balance sheet 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.

1.4.20 Earnings per share

Basic earnings per share are calculated by dividing net income Group share for the year by the weighted average number of ordinary shares outstanding during the year. The average number of ordinary shares outstanding during the 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 year.

The weighted average number of shares and earnings per share are adjusted to take into account the impact of the conversion or exercise of any dilutive potential ordinary shares (options, warrants and convertible bonds, etc.).

NOTE 2
SIGNIFICANT EVENTS

2.1 Significant events in 2007

2.1.1 Public tender offer for minority shares in Sociedad General de Aguas de Barcelona (Agbar)

On October 1, 2007, SUEZ, la Caixa and their jointly-owned entity Hisusa filed a public tender offer for all of the Agbar shares they did not already own with the Spanish stock market authority (CNMV). The offer became binding and unconditional on December 27, 2007, when it was approved by the CNMV.

In view of the timing, nature and conditions of the offer, SUEZ considers that it has granted an irrevocable commitment to minority shareholders. Accordingly, an amount of €918 million was recognized within debt in the Group's 2007 consolidated financial statements, corresponding to its share (51%) in the tender offer for all minority Agbar shares. The matching entry for the debt is a €406 million reduction in minority interests and a €512 million increase in goodwill.

2.1.2 Strategic development in wind power

As part of its policy for developing renewable energy sources, the Group acquired majority interests in Compagnie du Vent in France and Ventus Energy in Canada. These companies have wind power capacity at the research and/or development stage of 6,500 MW and 2,000 MW, respectively.

On November 16, 2007, Electrabel acquired 56.8% of La Compagnie du Vent, France's leading developer of wind power, for an amount of €421.9 million. After taking into account the minority put, this transaction generated a goodwill of €633.9 million. Compagnie du Vent is fully consolidated in SUEZ financial statements with effect from December 31, 2007. The Group is in the process of analyzing the allocation of the acquisition price to the fair value of the assets acquired and liabilities assumed, which will be completed in 2008.

On September 21, 2007, a subsidiary of SUEZ Energy International acquired the entire share capital of Canadian wind developer Ventus Energy, Inc for €101.3 million, generating €81.2 million in goodwill. Ventus Energy has been fully consolidated in SUEZ financial statements since October 1, 2007, based on a provisional allocation of its acquisition price. Any adjustments to the provisional accounting for the business combination will be finalized in 2008.

2.1.3 GDF-SUEZ merger project

On September 2, 2007, the Boards of Directors of Gaz de France and SUEZ approved the new outline of the merger project to form one of the world's leading groups specialized in energy. The merger is expected to take place during the first half of 2008 based on a share exchange ratio of 21 Gaz de France shares for 22 SUEZ shares. At the same time, 65% of SUEZ Environment division will be spun off to SUEZ shareholders. Under the terms of a shareholder agreement, GDF-SUEZ will maintain a stable interest of 35% in this division.

2.1.4 Impacts of the restructuring of the Belgian distribution sector

In accordance with the agreements reached within the scope of the deregulation of the electricity and gas markets in Belgium, Electrabel sold 10.5% of its interest in the inter-municipal companies in the Walloon region and 40% of its interest in the inter-municipal company in the Brussels region. A capital gain representing €66.7 million was recorded in the 2007 consolidated financial statements in view of these transactions.

2.2 Significant events in 2006

2.2.1 Withdrawal from Argentina

Consolidation of Aguas Argentinas was discontinued with effect from March 1, 2006 following the termination of the company's contract by the Argentine government. As a result of this termination, Aguas Argentinas was placed in judicial administration (*concurso preventivo*). Its assets had been written down in full in the 2005 financial statements.

2.2.2 Impacts of the restructuring of the Belgian distribution sector

For Electrabel, the deregulation of the electricity and natural gas markets ordered by the Belgian authorities pursuant to European Directives led to:

- the deconsolidation of grid operator Electrabel Netten Vlaanderen. In the consolidated balance sheet at December 31, 2005, ENV contributed €856 million to assets and €814 million to liabilities. Its contribution to net income Group share was €19 million;
- the disposal of shareholdings in inter-municipal companies in the Flemish region. Electrabel reduced its shareholdings in Flemish inter-municipal companies to the agreed level of 30% and recognized a capital gain of €236 million in its 2006 accounts;
- the creation of Brussels Network Operations to operate the distribution network, and its subsequent 2006 sale due to the full-scale deregulation of the Brussels energy market as from 2007.

2.3 Significant events in 2005

2.3.1 Cash and share bid for Electrabel

In August 2005, SUEZ had launched a cash and share bid for the portion of Electrabel not already owned by the Group (49.9%). The impact of the transaction on the financial statements at December 31, 2005, was as follows:

- financial investment: €11,092 million of which €2,414 million paid in shares;
- capital increase: €2,335 million in cash;
- recognition of goodwill: €7,332 million;
- decrease in minority interests: €3,760 million;
- additional share in net income: €117 million (corresponding to the additional interest acquired in Electrabel).

2.3.2 Assignment of litigious receivables

On September 5, 2005, SUEZ sold without recourse litigious receivables from the French State to a financial institution for a firm and definitive price of €995.4 million. As the assigned receivables relate to tax previously paid by the Group via a deduction from equity, the corresponding sale price has been recorded as an increase in equity.

2.3.3 Sale of ESO/Elia

A consolidated capital gain of €626 million was recorded on the flotation of 57.14% of the Group's interest in Elia System Operator. Following this transaction, the Group's percentage interest in this associate fell from 64.1% in 2004 to 27.45% in 2005.

NOTE 3

SEGMENT INFORMATION

In accordance with IAS 14, the Group's primary reporting format is business segments and its secondary reporting format is geographical location. This distinction also reflects the Group's organizational and management structure.

3.1 Business segments

SUEZ operations are organized around four core segments: Electricity and Gas, Energy Services, Environment, and Other Services. In order to make its segment information easier to understand, the Electricity and Gas segment has been further broken down between Europe (SUEZ Energy Europe – **SEE**) and international operations (SUEZ Energy International – **SEI**).

These sectors are all managed separately as each of them develops, produces and sells different products and services or targets different client markets. The operations of these sectors are as follows:

- **Electricity and Gas** – the subsidiaries in this segment produce electricity, and/or provide electricity transmission and distribution services, and/or supply, transport or distribute natural gas:
  - in Europe, **SUEZ Energy Europe (SEE)**: through Electrabel, Distrigas and Fluxys (Distrigas and Fluxys are listed in Belgium),
  - outside Europe, **SUEZ Energy International (SEI)**: these subsidiaries produce, transport, and to a lesser extent, distribute electricity and natural gas, primarily in the United States, Brazil, Chile, Thailand and the Middle East;
- **SUEZ Energy Services (SES)** – these subsidiaries provide engineering, installation, maintenance and delegated management services, particularly in relation to electrical and heating facilities, pipeline systems and energy networks;
- **SUEZ Environment (SE)** – subsidiaries operating in this business segment provide private customers, industrial customers and local authorities with:
  - water distribution and treatment services, notably under concession contracts (water management), and water purification facility design and construction services (turnkey engineering),
  - and waste collection and treatment services including sorting, recycling, composting, landfilling, energy recovery and hazardous waste treatment;
- **Other Services** – this segment includes the contributions of holding companies and entities used for centralized Group financing purposes. It does not include holding companies acting as division heads, which are allocated to the segment concerned. SUEZ Tractebel SA is included in «Other Services» even though it is owned by Electrabel.

The accounting policies applied to segment information are identical to those used to draw up the consolidated financial statements.

3.1.1 Segment information – Income statement

Dec. 31, 2007 *n millions of euros*	SEE	SEI	Sub-total Electricity and Gas	SES	SE	Other services	Eliminations	TOTAL
Total revenues	**17,638.8**	**6,577.3**	**24,216.1**	**11,309.6**	**12,032.3**	**0.0**	**(82.7)**	**47,475.4**
- Revenues (external sales)	17,610.3	6,577.3	24,187.5	11,265.6	12,022.2	0.0	0.0	47,475.4
- Inter-segment sales (intra-Group)	28.6	0.0	28.6	44.0	10.1	0.0	(82.7)	0.0
Gross operating income/(loss)	**3,573.6**	**1,666.2**	**5,239.8**	**800.8**	**2,101.7**	**(177.5)**		**7,964.7**
Current operating income/(loss)	**2,621.6**	**1,203.8**	**3,825.4**	**555.0**	**1,076.6**	**(281.6)**		**5,175.4**
- Mark-to-market on commodity contracts other than trading instruments (IAS 32/39)	39.5	34.1	73.6	(0.1)	(5.8)	0.0		67.8
- Impairment	0.2	(83.3)	(83.1)	(5.8)	(35.4)	(7.7)		(132.0)
- Restructuring costs	1.2	0.0	1.2	(15.6)	(12.3)	(15.8)		(42.6)
Segment result (IAS 14)	*2,662.4*	*1,154.6*	*3,817.0*	*533.6*	*1,023.1*	*(305.1)*		*5,068.6*
- Asset disposals	138.7	(76.1)	62.6	14.7	177.3	84.8		339.4
Income/(loss) from operating activities	**2,801.1**	**1,078.5**	**3,879.6**	**548.3**	**1,200.4**	**(220.3)**		**5,408.0**
Depreciation and amortization (in current operating income)	(625.6)	(344.3)	(969.8)	(195.5)	(794.5)	(3.4)		(1,963.3)
Share in net income of associates	398.7	19.0	417.8	15.8	22.6	1.7		457.9

Dec. 31, 2006 *In millions of euros*	SEE	SEI	Sub-total Electricity and Gas	SES	SE	Other services	Eliminations	TOTAL
Total revenues	**15,990.0**	**6,297.4**	**22,287.4**	**10,680.9**	**11,443.5**	**0.0**	**(122.6)**	**44,289.2**
- Revenues (external sales)	15,971.4	6,241.6	22,213.0	10,637.2	11,439.0	0.0		44,289.2
- Inter-segment sales (intra-Group)	18.6	55.8	74.4	43.6	4.5	0.0	(122.6)	0.0
Gross operating income/(loss)	**3,059.8**	**1,566.2**	**4,626.0**	**591.3**	**1,983.1**	**(117.0)**		**7,083.3**
Current operating income/(loss)	**2,140.8**	**1,099.1**	**3,239.9**	**392.4**	**1,044.1**	**(179.9)**		**4,496.5**
- Mark-to-market on commodity contracts other than trading instruments	65.7	(47.6)	18.1	0.0	(1.9)	0.9		17.1
- Impairment	22.3	(86.6)	(64.3)	(23.5)	(53.9)	(8.7)		(150.3)
- Restructuring costs	(7.7)	0.0	(7.7)	(25.0)	1.0	(57.1)		(88.8)
Segment result (IAS 14)	*2,221.2*	*964.9*	*3,186.0*	*343.9*	*989.4*	*(244.8)*		*4,274.6*
- Asset disposals	288.3	145.0	433.2	111.8	153.5	394.6		1,093.1
Income from operating activities	**2,509.4**	**1,109.8**	**3,619.3**	**455.7**	**1,142.8**	**149.9**		**5,367.6**
Depreciation and amortization (in current operating income)	(585.7)	(386.1)	(971.8)	(234.5)	(733.8)	(2.0)		(1,942.1)
Share in net income/(loss) of associates	325.7	17.7	343.4	(3.2)	20.6	11.9		372.7

Dec. 31, 2005 *In millions of euros*	SEE	SEI	Sub-total Electricity and Gas	SES	SE	Other services	Eliminations	TOTAL
Total revenues	**14,214.4**	**5,878.5**	**20,092.9**	**10,359.9**	**11,091.5**	**0.0**	**(55.4)**	**41,488.9**
- Revenues (external sales)	14,193.0	5,878.5	20,071.6	10,328.7	11,088.6	0.0		41,488.9
- Inter-segment sales (intra-Group)	21.4	0.0	21.4	31.1	2.9	0.0	(55.4)	0.0
Gross operating income/(loss)	**2,854.4**	**1,334.7**	**4,189.1**	**562.7**	**1,914.3**	**(157.9)**		**6,508.2**
Current operating income/(loss)	**1,963.2**	**746.6**	**2,709.8**	**358.8**	**1,003.5**	**(169.9)**		**3,902.2**
- Mark-to-market on commodity contracts other than trading instruments (IAS 32/39)	(229.1)	78.9	(150.2)	(0.5)	0.5	(0.9)		(151.1)
- Impairment	(78.9)	(269.4)	(348.3)	(84.0)	(209.1)	(16.5)		(657.9)
- Restructuring costs	13.0	0.0	13.0	(86.7)	(22.4)	(5.4)		(101.5)
Segment result (IAS 14)	*1,668.2*	*556.1*	*2,224.3*	*187.6*	*772.5*	*(192.7)*		*2,991.7*
- Asset disposals	714.4	245.2	959.6	41.5	493.0	35.8		1,529.9
Income/(loss) from operating activities	**2,382.6**	**801.3**	**3,183.9**	**229.1**	**1,265.5**	**(156.9)**		**4,521.6**
Depreciation and amortization (in current operating income)	(457.6)	(353.9)	(811.5)	(210.0)	(721.7)	(10.1)		(1,753.3)
Share in net income of associates	473.8	33.1	506.9	33.3	18.8	6.5		565.5

3.1.2 Segment information – Balance sheet

Dec. 31, 2007 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Segment assets (IAS 14)	29,625.2	9,110.4	38,735.6	7,877.5	14,534.2	366.3	**61,513.6**
Segment liabilities (IAS 14)	14,326.6	2,131.5	16,458.1	6,248.9	6,792.8	497.9	**29,997.7**
Investments in associates	857.5	41.8	899.3	21.0	236.1	57.9	**1,214.3**
Capital employed (at year-end)	17,245.8	7,489.1	24,734.9	1,884.0	9,183.6	1,296.4	**37,098.9**

Dec.31, 2006 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Segment assets (IAS 14)	26,413.2	8,929.4	35,342.5	7,357.4	13,684.1	264.4	**56,648.5**
Segment liabilities (IAS 14)	13,699.6	2,148.9	15,848.5	5,990.7	6,865.5	435.5	**29,140.2**
Investments in associates	801.0	95.7	896.7	6.9	220.7	135.3	**1,259.7**
Capital employed (at year-end)	15,221.1	7,371.3	22,592.4	1,643.4	8,249.7	616.2	**33,101.8**

Dec. 31, 2005 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Segment assets (IAS 14)	27,653.6	10,527.5	38,181.1	7,157.3	13,214.4	282.7	**58,835.5**
Segment liabilities (IAS 14)	16,707.4	3,672.9	20,380.3	5,679.6	7,145.7	638.6	**33,844.2**
Investments in associates	2,371.7	392.1	2,763.8	11.5	255.9	123.7	**3,154.9**
Capital employed (at year-end)	14,790.9	8,579.3	23,370.2	1,739.5	7,590.7	549.2	**33,249.5**

3.1.3 Segment information – Cash flow statement

Dec. 31, 2007 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Cash generated from operations before income tax and working capital requirements	3,338.8	1,589.1	4,927.9	743.2	1,823.8	(228.3)	**7,266.6**
Acquisitions of property, plant and equipment and intangible assets [(a)]	1,143.1	539.3	1,682.4	321.0	1,086.0	9.7	**3,099.1**
Disposals of property, plant and equipment and intangible assets [(b)]	10.1	10.7	20.8	55.5	51.5	2.4	**130.1**

Dec. 31, 2006 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Cash generated from operations before income tax and working capital requirements	2,952.9	1,414.2	4,367.1	500.3	1,784.5	(268.5)	**6,383.4**
Acquisitions of property, plant and equipment and intangible assets [(a)]	786.8	315.5	1,102.3	250.9	993.0	7.9	**2,354.1**
Disposals of property, plant and equipment and intangible assets [(b)]	29.1	14.3	43.4	78.2	52.9	1.9	**176.4**

Dec. 31, 2005 *In millions of euros*	**SEE**	**SEI**	**Sub-total Electricity and Gas**	**SES**	**SE**	**Other services**	**TOTAL**
Cash generated from operations before income tax and working capital requirements	2,646.1	1,267.2	3,913.3	457.0	1,656.2	(275.6)	**5,750.9**
Acquisitions of property, plant and equipment and intangible assets [(a)]	1,116.1	256.1	1,372.2	264.1	977.5	7.5	**2,621.3**
Disposals of property, plant and equipment and intangible assets [(b)]	263.7	16.1	279.8	37.6	73.5	(0.6)	**390.3**

(a) *Acquisitions of property, plant and equipment and intangible assets presented in this table do not include the impact of the change in accounts payable on fixed assets, which totalled €30.6 million at December 31, 2007, €13.5 million at December 31, 2006, and €45.8 million at December 31, 2005.*

(b) *Similarly, disposals of property, plant and equipment and intangible assets do not include the impact of the change in accounts receivable on fixed assets, which totalled €1.0 million at December 31, 2007, €5.5 million at December 31, 2006, and a negative €35.4 million at December 31, 2005.*

3.2 Geographical location

The amounts set out below are analyzed by:

- destination of products and services sold for revenues;
- geographic location of the subsidiaries for other information.

In millions of euros	Revenues			Segment assets			Investments			Capital employed		
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
France	11,932.5	10,808.9	9,719.7	13,597.7	12,630.0	10,298.9	739.0	613.5	519.1	5,899.0	5,003.7	4,008.5
Belgium	11,758.8	11,217.5	10,961.6	21,186.2	19,045.5	22,743.6	619.9	473.7	596.9	10,119.2	9,124.3	10,123.1
Other EU countries	13,467.4	12,341.1	10,956.9	13,770.0	12,692.5	11,643.2	945.8	740.8	956.8	11,595.2	9,717.1	8,700.4
Other European countries	756.5	706.7	688.1	443.4	419.6	351.5	7.4	6.6	4.3	154.5	129.8	132.8
North America	4,189.3	4,184.4	4,092.1	5,697.0	6,235.5	7,517.0	193.5	240.0	231.6	4,025.5	4,422.5	5,008.3
South America	2,205.8	1,862.7	2,120.3	3,399.0	2,977.1	3,303.0	412.0	169.3	155.6	2,718.3	2,438.6	2,803.9
Asia-Pacific and the Middle East	2,445.7	2,496.5	2,350.0	3,035.8	2,273.3	2,642.9	161.5	93.3	135.5	2,515.0	2,191.4	2,374.0
Africa	719.4	671.3	600.2	384.5	375.1	335.4	20.0	16.8	21.5	72.3	74.5	98.5
TOTAL	**47,475.4**	**44,289.2**	**41,488.9**	**61,513.6**	**56,648.5**	**58,835.5**	**3,099.1**	**2,354.1**	**2,621.3**	**37,098.8**	**33,101.8**	**33,249.5**

Data for 2006 and 2005 were restated in order to present Baymina (Turkey) in the «Asia-Pacific and Middle East» region, instead of in «Other European countries» as in previous years.

3.3 Reconciliation of segment information with the consolidated financial statements

3.3.1 Segment assets

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Intangible assets	3,497.7	3,488.1	3,453.5
Goodwill	14,902.8	13,404.6	13,033.2
Property, plant and equipment	22,597.1	21,002.8	20,212.4
Other receivables carried at amortized cost	0.0	0.0	20.9
Derivative instruments not related to net debt (Note 14.1.3)	3,788.1	3,742.0	5,996.6
Trade and other receivables	11,869.3	10,412.2	10,394.7
Inventories	1,571.8	1,483.4	1,344.8
Other current and non-current assets (Note 17)	3,286.8	3,115.4	4,379.4
TOTAL SEGMENT ASSETS	**61,513.6**	**56,648.5**	**58,835.5**
OTHER UNALLOCATED ASSETS	17,613.6	16,786.1	21,607.6
TOTAL ASSETS	**79,127.2**	**73,434.6**	**80,443.1**

3.3.2 Segment liabilities

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Current and non-current provisions (Note 19)	9,555.1	9,785.9	10,843.1
Derivative instruments not related to net debt (Note 14.2.2)	3,811.6	3,941.7	7,116.1
Trade and other payables	10,038.1	9,209.4	10,078.8
Other current and non-current liabilities	6,592.9	6,203.3	5,806.2
TOTAL SEGMENT LIABILITIES	**29,997.7**	**29,140.2**	**33,844.2**
OTHER UNALLOCATED LIABILITIES	49,129.5	44,294.4	46,598.9
TOTAL EQUITY AND LIABILITIES	**79,127.2**	**73,434.6**	**80,443.1**

3.3.3 Capital employed

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
+ SEGMENT ASSETS	61,513.6	56,648.5	58,835.5
- SEGMENT LIABILITIES	29,997.7	29,140.2	33,844.2
+ Available-for-sale securities (excl. changes in fair value)	2,688.1	1,725.1	1,840.5
+ Loans and receivables carried at amortized cost (excluding fair value adjustments)	2,521.6	2,565.6	2,636.6
+ Investments in associates (Note 12)	1,214.3	1,259.7	3,154.9
- Derivative instruments not related to net debt	(23.5)	(200.0)	(1,119.8)
- Actuarial gains and losses on pension obligations	86.6	(310.5)	(365.0)
- Other financial liabilities	778.0	467.5	858.5
= CAPITAL EMPLOYED	**37,098.8**	**33,101.8**	**33,249.5**

3.3.4 Gross operating income

In millions of euros	2007	2006	2005
Current operating income	5,175.4	4,496.5	3,902.2
- Depreciation, amortization and provisions (including provisions included in personnel costs)	(1,786.1)	(1,684.8)	(1,701.9)
+ Financial income excluding interest	200.4	283.5	140.4
+ Share in net income of associates	457.9	372.7	565.5
- Share-based payment (IFRS 2)	(110.7)	(31.6)	(26.9)
- Net disbursements under concession contracts	(234.2)	(214.2)	(171.3)
GROSS OPERATING INCOME	**7,964.7**	**7,083.3**	**6,508.2**

3.4 Borrowings and debt by business segment

The breakdown of gross and net debt by contracting business segment is as follows:

	Dec. 31, 2007		Dec. 31, 2006		Dec. 31, 2005	
In millions of euros	Gross	Net	Gross	Net	Gross	Net
SEE	5,763.0	2,307.3	3,790.2	(680.9)	3,918.2	(3,287.2)
SEI	3,235.9	2,092.5	2,619.2	1,718.4	2,941.7	1,519.8
Sub-total electricity and gas	**8,998.9**	**4,399.8**	**6,409.4**	**1,037.5**	**6,859.9**	**(1,767.4)**
SES	914.4	414.9	1,189.2	546.1	1,148.1	515.4
SE	4,958.4	3,720.1	4,127.6	3,218.8	4,588.1	3,609.2
Other services	6,975.3	4,557.0	8,092.4	5,646.2	13,155.1	11,451.4
TOTAL	**21,847.0**	**13,091.9**	**19,818.6**	**10,448.6**	**25,751.2**	**13,808.6**

The breakdown by business segment utilizing net debt is as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
SEE	13,885.0	(3,655.8)	(3,688.1)
SEI	5,055.0	4,767.9	6,184.3
Sub-total electricity and gas	**18,940.0**	**1,112.1**	**2,496.2**
SES	252.7	241.9	607.3
SE	5,350.4	3,854.2	3,844.7
Other services	(11,451.1)	5,240.4	6,860.4
TOTAL	**13,091.9**	**10,448.6**	**13,808.6**

Changes in debt within SEE and «Other Services» primarily reflect SUEZ sale of SUEZ-TRACTEBEL to Electrabel for an amount of €18.2 billion.

NOTE 4

CURRENT OPERATING INCOME

In millions of euros	2007	2006	2005
Revenues	47,475.4	44,289.2	41,488.9
Purchases	(21,289.4)	(21,010.0)	(18,678.7)
Personnel costs	(8,141.5)	(7,640.8)	(7,902.9)
Depreciation, amortization and provisions	(1,912.7)	(1,684.8)	(1,701.9)
Other operating income and expenses, net	(10,956.4)	(9,457.1)	(9,303.2)
CURRENT OPERATING INCOME	**5,175.4**	**4,496.5**	**3,902.2**

4.1 Revenues

Group revenues per category (see Note 1.4.17) break down as follows:

In millions of euros	2007	2006	2005
Energy sales	24,986.4	22,669.1	18,756.8
Rendering of services	20,956.7	19,982.5	21,208.6
Leasing and construction contracts	1,532.3	1,637.6	1,523.5
REVENUES	**47,475.4**	**44,289.2**	**41,488.9**

In 2007, revenues from leasing and construction contracts amounted to €694.5 million and €837.8 million, respectively (€780.7 million and €856.9 million in 2006).

The decrease in revenues from leasing and construction contracts reflects the slowdown in Degrémont's engineering business, which had enjoyed a particularly steady year in 2006.

4.2 Personnel costs

In millions of euros	2007	2006	2005
Salaries and payroll costs/pension expenses	(8,016.4)	(7,582.0)	(7,864.3)
Share-based payment	(125.1)	(58.8)	(38.6)
TOTAL	**(8,141.5)**	**(7,640.8)**	**(7,902.9)**

The net costs relating to pension plans (defined benefit and defined contribution) are presented in Note 20.

Movements in provisions for pensions are included in personnel costs in 2007 rather than within depreciation, amortization and provisions as in 2006 and 2005. Net reversals of provisions for pensions in 2007, 2006 and 2005 amounted to €126.6 million, €132.7 million, and €166.4 million, respectively.

Share-based payments are disclosed in Note 26.

4.3 Depreciation, amortization and provisions

Amounts are shown below net of reversals.

In millions of euros	2007	2006	2005
Depreciation and amortization	(2,016.3)	(1,874.7)	(1,769.1)
Write-down of inventories and trade receivables	53.0	(67.3)	15.6
Provisions	50.6	257.2	51.6
TOTAL	**(1,912.7)**	**(1,684.8)**	**(1,701.9)**

Depreciation and amortization breaks down as €280.6 million for intangible assets and €1,735.7 million for property, plant and equipment. A breakdown of assets by type is provided in Notes 10 and 11.

4.4 Other operating income and expenses, net

Movements in this item mainly reflect the change in the consolidation method applied to Compagnie Nationale du Rhône (fully consolidated as of December 31, 2006 – see Note 12.1) and to the first-time consolidation of various subsidiaries of SUEZ Environment in France and the United Kingdom.

NOTE 5
INCOME FROM OPERATING ACTIVITIES

In millions of euros	2007	2006	2005
CURRENT OPERATING INCOME	**5,175.4**	**4,496.5**	**3,902.2**
Mark-to-market on commodity contracts other than trading instruments	67.8	17.1	(151.1)
Impairment of property, plant and equipment, intangible assets and financial assets	(132.0)	(150.3)	(657.9)
Restructuring costs	(42.6)	(88.8)	(101.5)
Disposals of assets, net	339.4	1,093.1	1,529.9
INCOME FROM OPERATING ACTIVITIES	**5,408.0**	**5,367.6**	**4,521.6**

5.1 Mark-to-market on commodity contracts other than trading instruments

The contribution of commodity contracts other than trading instruments to consolidated income from operating activities is a gain of €67.8 million for the year to December 31, 2007. This amount can be explained as follows:

- to optimize their margins, certain Group companies have implemented economic hedging strategies using forward contracts (with or without physical delivery of the underlying) traded on wholesale markets. These contracts aim to reduce the sensitivity of the Group's margins to fluctuations in commodity prices. However, as these contracts cover the entities' net exposure to price risk, they are not eligible for hedge accounting under IAS 39 – Financial Instruments: Recognition and Measurement. Consequently, all changes in the fair value of forward contracts in 2007 must be reflected in the income statement. Changes in the fair value of these positions therefore represent an opportunity profit rather than an economic profit, and resulted in net income of €64 million;
- the Group auctions virtual power plant capacity on the market at peak hours. These contracts qualify as derivatives under IAS 39. Changes in the fair value of these options over the period represented income of €9.5 million at December 31, 2007;
- gains and losses are recognized in the income statement in relation to (i) the ineffective portion of cash flow hedges of non-financial assets; and (ii) the impact of discontinuing hedge accounting in 2007 for commodity hedges where their effectiveness could no longer be demonstrated. The net balance of these items represented a negative impact of €25.7 million;
- favorable changes in the fair value of derivatives embedded in commodity contracts, which are required to be accounted for separately under IAS 39, resulted in a positive impact of €22 million.

5.2 Impairment of property, plant and equipment, intangible assets and financial assets

In millions of euros	2007	2006	2005
Asset impairment:			
Goodwill	(1.3)	(11.6)	(114.8)
Property, plant and equipment and other intangible assets	(113.9)	(131.7)	(448.0)
Financial assets	(40.5)	(48.6)	(117.0)
Total	**(155.7)**	**(191.9)**	**(679.8)**
Reversals of impairment losses:			
Property, plant and equipment and other intangible assets	0.9	8.0	10.2
Financial assets	22.8	33.7	11.7
Total	**23.7**	**41.6**	**21.9**
TOTAL	**(132.0)**	**(150.3)**	**(657.9)**

In the event of significant adverse events (contractual disputes, downturn in the economic environment for certain business segments or countries), the Group reviews the value in use of the assets affected and may recognize impairment losses on some of those assets. In both 2007 and 2006, impairment losses were mainly taken on SUEZ Energy International in the US amid the context of persistently unfavorable prices for certain merchant units, while in 2005 they concerned mainly the international activities of SUEZ Environment (Brazil, Argentina, etc.), SUEZ Energy International in the US, and SUEZ Energy Services in the Netherlands.

All goodwill cash-generating units (CGUs) are tested for impairment. In 2007, impairment tests were carried out by reference to data based as at end-June 2007 and to a review of events occurred in the second half of the year. The calculation of the recoverable amount of CGUs takes into account three scenarios (low, medium and high). The «medium» scenario is usually applied to compare the CGU's recoverable amount with its carrying amount.

The discount rates applied are determined on the basis of the weighted average cost of capital adjusted to reflect business, country and currency risks associated with each CGU reviewed. Discount rates correspond to a risk-free market interest rate plus a country risk premium.

The discount rates used in 2007 to calculate the present value of cash flows in the impairment test ranged from 5.2% to 15.3%, compared with discount rates between 5.1% and 12.3% in 2006 and between 5% and 14.6% in 2005.

5.2.1 Impairment of goodwill

With the exception of the Electrabel Benelux CGU, no individual amount of goodwill allocated to other CGUs represents more than 5% of the Group's total goodwill.

Electrabel Benelux CGU

The total amount of goodwill allocated to this CGU was €9.2 billion at December 31, 2007. The Electrabel Benelux CGU includes the Group's electricity production, sale and distribution activities in Belgium, the Netherlands and Luxembourg.

The annual review of this CGU's recoverable amount was based on its estimated value in use at June 30, 2007.

To estimate value in use, the Group uses cash flow projections based on financial forecasts approved by Management covering a period of six years, and a discount rate of 7%. Cash flow projections beyond this six-year period are extrapolated to obtain a terminal value.

Key assumptions used in the calculation include expected trends in long-term prices for electricity and fuel. These amounts reflect the best estimates of market prices, while fuel consumption is estimated taking into account expected changes in production assets. The risk-free rate and market risk premium represent external available sources of information.

Based on events that are reasonably likely to occur as of the balance sheet date, the Group considers that any changes in the key assumptions described above would not increase the carrying amount in excess of the recoverable amount.

Other CGUs

The table below sets out the assumptions used to review the recoverable amount of the other main cash-generating units:

Cash-generating units	Measurement method	Discount rate
Electrabel France:		
SHEM	DCF	[5.2% - 8%]
Compagnie National du Rhône (CNR)	DCF	7.10%
United Water	Multiples + DCF	5.24%
SITA UK	DCF	6.70%
Polaniec	DCF	7.90%
Agbar	Share price	
SITA Nederland BV	DCF	6.90%
SITA France	DCF	5.70%
SITA Deutschland	DCF	7%

5.2.2 Impairment of other assets

Given the regulatory environment and downbeat market conditions in the US for certain merchant units, the Group decided to carry out impairment tests on the basis of future cash flows discounted at a rate of 9% in 2007 (unchanged from 2006 and 2005). As a result of these tests, the Group recognized an impairment loss of €72 million in 2007 (€68 million in 2006 and €217 million in 2005).

5.3 Restructuring costs

In 2007 as in 2006, implementation of the planned restructuring measures has only a marginal impact on the consolidated financial statements once provisions booked in previous years have been reversed. The majority of costs for the two years are related to the Gaz de France merger plan, and were included in expenses for an amount of €15.8 million in 2007 and €57 million in 2006.

In 2005, the restructuring measures carried out mainly in the SUEZ Energy Services segment represented a charge of €84.4 million under restructuring provisions, essentially in the Netherlands and France. Costs incurred during the implementation of restructuring programs during 2005 came to €211.3 million, and were offset by reversals of provisions in an amount of €194.2 million.

5.4 Disposals of assets

In 2007, disposals of assets generated a net gain of €339.4 million (€1,093.1 million in 2006 and €1,529.9 million in 2005).

- The largest capital gains recognized in 2007 on asset disposals result from the following transactions:
  - disposal of shareholdings in inter-municipal companies in the Walloon and Brussels regions. In the context of the legal and regulatory provisions providing for the deregulation of the energy market and the designation of the inter-municipal companies as distribution network operators under the restructuring agreements entered into between 2001 and 2005, Electrabel sold a portion of its interests in the inter-municipal companies in the Walloon and Brussels regions. The capital gain recognized in the consolidated financial statements at December 31, 2007 in respect of this transaction amounts to €66.7 million;
  - disposal of 3% of the shares held by Electrabel in Elia pursuant to commitments undertaken in connection with the squeeze-out bid for the Electrabel shares not yet held by SUEZ in 2005. This transaction resulted in a capital gain of €25 million;
  - disposal of 53.1% of the shares held by Agbar in Applus, a company specializing in technology inspection and certification activities. The capital gain recognized in the consolidated financial statements at December 31, 2007 in respect of this transaction amounts to €125 million;
  - disposal of various non-strategic, mainly listed investments, representing a net capital gain of €68.8 million.
- The largest capital gains recognized in 2006 on asset disposals result from the following transactions:

Disposal of shareholdings in Flemish intermunicipal companies

In application of the agreements signed in 2001 and 2005 concerning the restructuring of distribution networks in Flanders, Electrabel was required to reduce its shareholding in the Flemish inter-municipal companies to an agreed level of 30% by September 5, 2006 at the latest. These transactions were completed and a capital gain of €236 million was recognized in the consolidated financial statements at December 31, 2006.

Disposal of shares in Reva

On June 29, 2006, SES España sold all of its shares in Reva. The capital gain recognized in the consolidated financial statements at December 31, 2006 amounted to €129 million;

Disposal of shares in M6

SUEZ sold its remaining 5% shareholding in M6 to Compagnie Nationale à Portefeuille (CNP), booking a net capital gain of €120 million in 2006;

Sale of 9 Cegetel

On October 24, 2006, SUEZ Communication sold its entire stake in Neuf Cegetel upon the company's stock market listing, booking a capital gain of €270 million.

Besides the transactions set out above, capital gains recognized on disposals of assets in 2006 related to the sale of the residual interest in Colbùn (€77 million) and in Hanjin City Gas (€50 million).

- In 2005, this item mainly reflects: (i) the disposal of 36.6% of Eso/Elia further to the company's IPO, representing a gain of €626 million; (ii) the Group's sale of its residual interest in Northumbrian for an amount of €263 million; and (iii) the sale of 9.57% of Tractebel Energia for €168 million further to the company's stock market listing.

NOTE 6
FINANCIAL INCOME/(LOSS)

	Dec. 31, 2007			2006			2005		
In millions of euros	Expenses	Income	Net	Expenses	Income	Net	Expenses	Income	Net
Net finance costs	**(1,257.0)**	**584.0**	**(673.0)**	**(1,157.8)**	**327.6**	**(830.2)**	**(1,090.8)**	**290.6**	**(800.2)**
Interest on gross borrowings	(1,257.0)	-	(1,257.0)	(1,097.7)	-	(1,097.7)	(1,077.3)	-	(1,077.3)
Exchange differences on borrowings and hedges	-	111.9	111.9	(9.6)	-	(9.6)	-	0.4	0.4
Gains and losses on hedges of borrowings	-	11.9	11.9	(50.5)	-	(50.5)	(11.1)	-	(11.1)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	-	460.2	460.2	-	327.6	327.6	(2.4)	290.2	287.8
Early redemption of bonds repayable in Fortis shares								**166.6**	**166.6**
Other financial income and expenses	**(452.5)**	**403.3**	**(49.1)**	**(452.8)**	**552.0**	**99.2**	**(491.4)**	**399.7**	**(91.7)**
FINANCIAL INCOME/ (LOSS)	**(1,709.5)**	**987.3**	**(722.1)**	**(1,610.6)**	**879.6**	**(731.0)**	**(1,582.2)**	**856.9**	**(725.3)**

6.1 Net finance costs

In millions of euros	2007	2006	2005
Interest on gross borrowings	(1,257.0)	(1,097.7)	(1,077.3)
Exchange differences on borrowings and hedges	111.9	(9.6)	0.4
Gains and losses on hedges of borrowings	11.9	(50.5)	(11.1)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	460.2	327.6	287.8
NET FINANCE COSTS	**(673.0)**	**(830.2)**	**(800.2)**

Exchange gains are attributable to the positive impact of the Brazilian real as a result of the redemption of Floating Rate Notes by SUEZ Energy International for €147 million.

6.2 Early redemption of bonds repayable in Fortis shares

In first-half 2005, the Group redeemed in advance of term the outstanding bonds repayable in Fortis shares and sold the 13.75 million Fortis shares made available as a result of this transaction.

Following these operations, which generated net financial income of €166.6 million, the Group no longer holds any interests in Fortis.

6.3 Other financial expenses

In millions of euros	Dec. 31, 2007	2006	2005
Unwinding of discounting adjustments to provisions	(372.5)	(335.5)	(330.1)
Interest on trade and other payables	(73.4)	(22.4)	(21.1)
Exchange losses	(4.3)	(21.1)	(17.7)
Other financial expenses	(2.2)	(73.8)	(122.5)
TOTAL	**(452.5)**	**(452.8)**	**(491.4)**

6.4 Other financial income

In millions of euros	Dec. 31, 2007	2006	2005
Income from available-for-sale securities	202.4	288.7	134.3
Interest income on trade and other receivables	95.8	23.8	15.9
Interest income on loans and receivables carried at amortized cost	82.3	63.7	80.1
Exchange gains	0.0	11.3	15.7
Other financial income	22.8	164.5	153.7
TOTAL	**403.3**	**552.0**	**399.7**

«Other financial income» includes a positive impact of €19 million relating to the renegotiation of Santa Fe's debt in Argentina in 2005, and a positive impact of €56.4 million in 2006 relating to the renegotiation of Aguas Argentinas' debt.

NOTE 7
INCOME TAX EXPENSE

7.1 Analysis of the income tax expense recognized in the income statement

7.1.1 Breakdown of the income tax expense

The income tax expense recognized in income for 2007 amounts to €527.5 million (compared with €815.1 million in 2006), breaking down as follows:

In millions of euros	2007	2006	2005
Current income tax			
France	(147.2)	(59.1)	(41.8)
Outside France	(827.2)	(726.3)	(705.5)
TOTAL	**(974.4)**	**(785.4)**	**(747.3)**
Deferred taxes			
France	495.2	11.5	(27.3)
Outside France	(48.3)	(41.2)	189.3
TOTAL	**446.9**	**(29.7)**	**162.0**
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME FOR THE YEAR	**(527.5)**	**(815.1)**	**(585.3)**

SUEZ is the parent of a tax consolidation group comprising 237 companies in 2007. Other tax consolidation groups have been set up where possible. In 2007, income tax relating to prior periods and tax due on disposals are not material.

7.1.2 Reconciliation between the theoretical income tax expense and the Group's actual income tax expense

A reconciliation between the theoretical income tax expense and the Group's actual income tax expense is presented below:

In millions of euros	2007	2006	2005
Net income	**4,616.3**	**4,194.2**	**3,776.5**
- Share in net income of associates	457.9	372.7	565.5
- Income tax	(527.5)	(815.1)	(585.3)
Income before income tax and share in net income of associates [a]	**4,685.9**	**4,636.6**	**3,796.3**
of which French companies	82.1	464.2	44.4
of which companies outside France	4,603.8	4,172.4	3,751.9
Statutory income tax rate in France [b]	34.43%	34.43%	34.93%
Theoretical income tax expense (c) = (a) x (b)	**(1,613.4)**	**(1,596.4)**	**(1,326.0)**
Actual income tax expense			
Difference between normal tax rate applicable in France and normal tax rate in force in jurisdictions outside France	214.1	177.1	140.8
Permanent differences	13.4	(9.9)	170.1
Income taxed at a reduced rate or tax-exempt [1]	377.4	538.1	483.3
Additional tax expense [2]	(134.0)	(94.7)	(115.5)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences	(47.5)	(125.0)	(201.5)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	649.8	220.5	163.5
Impact of changes in tax rates	(22.1)	(27.0)	3.2
Tax credits	29.1	36.7	61.9
Other	5.7	65.6	34.9
Actual income tax expense	**(527.5)**	**(815.1)**	**(585.3)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates)	**11.3%**	**17.6%**	**15.4%**

(1) *Includes mainly capital gains on tax-exempt disposals of shares in Belgium; the effect of lower tax rates applicable to securities transactions in France; and the impact of the special tax regimes used for the coordination centers in Belgium.*

(2) *Includes mainly the 5% tax payable on dividends in Belgium.*

7.2 Income tax recorded directly in equity

At December 31, 2007, changes in deferred taxes recognized directly in equity resulting from actuarial gains and losses calculated over the period and changes in the fair value of financial instruments recorded through equity, amount to a negative €246.5 million, and can be analyzed as follows:

In millions of euros

Type of underlying	Dec. 31, 2007	Change	Dec. 31, 2006	Dec. 31, 2005
Available-for-sale financial assets	(82.5)	(34.3)	(48.2)	(17.0)
Actuarial gains and losses	(25.5)	(103.5)	78.0	92.8
Net investment hedges	13.6	5.2	8.4	12.4
Cash flow hedges	(130.5)	(113.9)	(16.6)	262.5
(a)	**(224.9)**	**(246.5)**	**21.6**	**350.7**

(a) *Includes €12.8 million in translation losses at December 31, 2007.*

In 2005, SUEZ sold without recourse litigious receivables due from the French State for a firm and definitive price of €995.4 million. As the assigned receivables related to tax previously paid by the Group via a deduction from equity, the corresponding sale price was taken to equity for the same amount.

No other current income tax effect was recognized in equity in 2005.

7.3 Deferred tax assets and liabilities

7.3.1 Analysis of the net deferred tax position recognized in the balance sheet (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

Balance sheet position at:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets			
Net operating loss carry-forwards and tax credits	714.8	220.0	186.7
Pension obligations	599.9	697.9	702.0
Non-deductible provisions	256.4	370.8	389.2
Difference between the carrying amount of PPE and their tax bases	310.2	326.5	343.3
Measurement of financial instruments at fair value (IAS 32/39)	319.2	318.3	622.3
Other	403.6	540.0	455.8
TOTAL	**2,604.1**	**2,473.5**	**2,699.3**
Deferred tax liabilities			
Fair value adjustments to PPE and intangible assets	(809.1)	(731.0)	(484.3)
Other differences between the carrying amount of PPE and their tax bases	(1,059.1)	(1,085.8)	(849.0)
Tax-driven provisions	(117.9)	(110.6)	(116.5)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(436.2)	(306.5)	(231.1)
Other	(740.4)	(813.1)	(959.0)
TOTAL	**(3,162.7)**	**(3,047.0)**	**(2,639.9)**
Net deferred tax assets/(liabilities)	**(558.6)**	**(573.5)**	**59.4**

Impacts in the income statement:

In millions of euros	2007	2006	2005
Deferred tax assets			
Net operating loss carry-forwards and tax credits	450.2	31.7	17.8
Pension obligations	(3.8)	(16.4)	(26.1)
Non-deductible provisions	6.3	(43.5)	85.7
Difference between the carrying amount of PPE and their tax bases	25.3	(19.9)	87.0
Measurement of financial instruments at fair value (IAS 32/39)	(26.1)	82.0	134.1
Other	(69.4)	147.4	(63.3)
TOTAL	**382.6**	**181.3**	**235.2**
Deferred tax liabilities			
Fair value adjustments to PPE and intangible assets	38.4	9.6	(3.5)
Other differences between the carrying amount of PPE and their tax bases	(12.5)	(137.9)	(54.0)
Tax-driven provisions	(0.7)	6.7	(13.6)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	37.2	(149.7)	(39.1)
Other	1.9	60.3	37.0
TOTAL	**64.3**	**(211.0)**	**(73.2)**
Net deferred tax assets/(liabilities)	**446.9**	**(29.7)**	**162.0**

Movements in deferred taxes recorded in the consolidated balance sheet, after netting off deferred tax assets and liabilities by tax entity, break down as follows:

In millions of euros	Assets	Liabilities	Net position
At December 31, 2005	**1,225.2**	**(1,165.8)**	**59.4**
At December 31, 2006	**871.0**	**(1,444.5)**	**(573.5)**
Tax on net income for the year	382.6	64.3	446.9
Other	(252.1)	(179.9)	(432.0)
Impact of netting by tax entity	83.5	(83.5)	-
At December 31, 2007	**1,085.0**	**(1,643.6)**	**(558.6)**

The Group recognized a deferred tax asset of €500 million in 2007 relating to tax loss carry-forwards arising in the SUEZ SA tax consolidation group that are likely to be utilized following the sale by SUEZ SA of its shares in SUEZ-TRACTEBEL to Electrabel for an amount of €18.2 billion.

7.3.2 Deductible temporary differences not recognized in the balance sheet

At December 31, 2007, unused tax loss carry-forwards not recognized in the balance sheet amounted to €2,576.9 million (€4,266.7 million at end-2006) in respect of ordinary tax losses (unrecognized deferred tax asset effect of €831.6 million). The amount of other tax-deductible temporary differences not recorded in the balance sheet amounted to €1,021.5 million (unrecognized deferred tax asset effect of €360.9 million).

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

In millions of euros	**Ordinary tax losses**
2008	375.3
2009	43.4
2010	32.8
2011	37.0
2012	164.8
2013 and beyond	1,923.6
TOTAL	**2,576.9**

At December 31, 2007, unrecognized ordinary tax losses resulting from the SUEZ SA tax consolidation group amount to €892.0 million.

7.3.3 Unrecognized deferred taxes on taxable temporary differences relating to investments in subsidiaries, joint ventures and associates

No deferred tax liabilities have been recognized on temporary differences when the Group is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future. The taxable temporary difference does not give rise to any payment of tax when it reverses (in particular as regards tax-exempt capital gains on disposals of investments in Belgium and the elimination of the taxation of capital gains tax in France with effect from 2007).

NOTE 8

EARNINGS PER SHARE

Numerator *(in millions of euros)*	2007	2006	2005
Net income Group share	**3,923.5**	**3,606.4**	**2,512.7**
Impact of dilutive instruments			
- Elimination of interest on convertible bonds			6.8
Diluted net income Group share	**3,923.5**	**3,606.4**	**2,519.5**
Denominator			
Average number of shares outstanding *(in millions)*	**1,269.6**	**1,261.3**	**1,053.2**
Impact of dilutive instruments			
- Convertible bonds			6.7
- Bonus share plan reserved for employees	1.6	0.3	
- Stock subscription and purchase plans reserved for employees	17.6	14.6	6.0
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,288.8**	**1,276.2**	**1,065.9**
Earnings per share *(in euros)*			
Earnings per share	3.09	2.86	2.39
Diluted earnings per share	3.04	2.83	2.36

The dilutive instruments taken into account for calculating diluted earnings per share are described in Note 26.

Due to their anti-dilutive effect, stock options granted to employees in 2007 were not taken into account in the calculation of diluted earnings per share.

NOTE 9
GOODWILL

9.1 Movements in the carrying amount of goodwill

In millions of euros	
A. GROSS AMOUNT	
At December 31, 2005	**13,235.0**
Acquisitions	534.4
Disposals and goodwill classified as «assets held for sale»	(226.3)
Translation adjustments	(70.6)
Other	115.2
At December 31, 2006	**13,587.7**
Acquisitions	2,165.3
Disposals and goodwill classified as «assets held for sale»	(364.9)
Translation adjustments	(120.0)
Other	(202.2)
At December 31, 2007	**15,065.9**
B. IMPAIRMENT	
At December 31, 2005	**(201.8)**
Impairment losses	(11.6)
Disposals and goodwill classified as «assets held for sale»	35.7
Translation adjustments	(1.1)
Other	(4.2)
At December 31, 2006	**(183.1)**
Impairment losses	(1.3)
Disposals and goodwill classified as «assets held for sale»	10.5
Translation adjustments	(0.6)
Other	11.4
At December 31, 2007	**(163.1)**
C. CARRYING AMOUNT = A + B	
At December 31, 2005	**13,033.2**
At December 31, 2006	**13,404.6**
At December 31, 2007	**14,902.8**

Additions to goodwill in 2007 relate mainly to SEE's acquisition of Compagnie du Vent (€633.9 million) and Windco (€46.2 million), as well as to the transfer of the supply activity to Electrabel Customer Solutions (€212 million). SUEZ Environment recognized goodwill on various acquisitions by SITA UK (€152.2 million) and Agbar (€72 million), while SUEZ Energy International booked €81.2 million in goodwill on its acquisition of Ventus.

Goodwill arising on acquisitions of minority interests totalled €869.2 million versus €78.3 million at December 31, 2006, and related mainly to the 1.38% interest acquired in Electrabel (€331.2 million) and the binding commitment granted to Agbar minority shareholders within the scope of the public tender offer (€512.5 million). In the absence of specific IFRS guidance, goodwill is recognized as described in Note 1.4.4.1.

Changes in the «Disposals and goodwill classified as assets held for sale» line (gross amount) in the above table chiefly reflect the disposal of certain inter-municipal companies in the Walloon and Brussels regions (€62.9 million) and Agbar's disposal of Applus (€251.6 million).

In 2007, changes in the «Other» line-item relate mainly to the allocation of the goodwill on Compagnie Nationale du Rhône (CNR) to the underlying property, plant and equipment (see Note 11).

In 2006, additions to goodwill relate mainly to SUEZ Energy Europe's acquisition of Rendo and Cogas for €65 million and €75 million, respectively, and to Agbar's acquisition of Bristol Water for €118.3 million and RTD for €87.2 million.

9.2 Goodwill segment information

The carrying amount of goodwill can be analyzed by business segment as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
SUEZ Energy Europe	10,956.4	9,963.1	9,862.3
SUEZ Energy International	476.1	428.9	467.0
SUEZ Energy Services	707.2	682.5	673.0
SUEZ Environment	2,738.6	2,305.4	2,005.5
Other	24.6	24.6	25.4
TOTAL	**14,902.8**	**13,404.6**	**13,033.2**

The analysis above is based on the business segment of the acquired entity rather than that of the acquirer.

The main goodwill balances relate to the following cash-generating units (CGUs): Electrabel Benelux (€9,219 million, of which €7,943 million relates to Electrabel and €768 million to Electrabel Nederland NV), Electrabel France (€350 million), Polaniec (€288 million), United Water (€356 million), Agbar (€770 million), SITA UK (€459 million), SITA France (€351 million), SITA Nederland BV (€227 million), and SITA Deutschland (€178 million). The total also includes goodwill arising on the November 2007 acquisition of Compagnie du Vent for €634 million.

NOTE 10

INTANGIBLE ASSETS, NET

10.1 Movements in the carrying amount of intangible assets

In millions of euros	Software	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
A. GROSS AMOUNT					
At December 31, 2005	**536.6**	**3,686.0**	**1,163.0**	**1,164.9**	**6,550.6**
Acquisitions	83.1	192.5		42.0	317.5
Disposals	(9.2)	(6.0)		(71.5)	(86.8)
Translation adjustments	(0.5)	(35.7)		(68.8)	(104.9)
Changes in scope of consolidation	(23.8)	(129.9)		15.1	(138.6)
Other	2.0	299.3	16.9	(50.5)	267.7
At December 31, 2006	**588.3**	**4,006.1**	**1,179.9**	**1,031.2**	**6,805.6**
Acquisitions	45.7	150.4		82.4	278.5
Disposals	(29.0)	(15.6)		(27.7)	(72.3)
Translation adjustments	0.2	(32.3)		(49.3)	(81.4)
Changes in scope of consolidation	5.1	44.5		(6.9)	42.7
Other	(51.1)	(900.1)		946.2	(5.1)
At December 31, 2007	**559.2**	**3,253.0**	**1,179.9**	**1,975.9**	**6,968.0**
B. Accumulated amortization and impairment					
At December 31, 2005	**(392.4)**	**(1,701.2)**	**(506.3)**	**(497.1)**	**(3,097.0)**
Amortization/impairment	(81.0)	(206.5)	(24.8)	(68.2)	(380.5)
Disposals	7.0	9.8		6.1	23.0
Translation adjustments	0.4	18.7		27.0	46.0
Changes in scope of consolidation	24.0	94.2		9.1	127.3
Other	7.7	(86.1)		42.3	(36.1)
At December 31, 2006	(434.4)	(1,871.1)	(531.1)	(480.8)	(3,317.5)
Amortization	(54.7)	(112.8)	(24.1)	(89.0)	(280.6)
Impairment	0.0	0.0		(2.7)	(2.7)
Disposals	29.0	14.4		23.6	67.0
Translation adjustments	(0.1)	16.8		29.4	46.1
Changes in scope of consolidation	(4.5)	(19.0)		(1.6)	(25.1)
Other	63.0	515.1		(535.8)	42.4
At December 31, 2007	**(401.7)**	**(1,456.6)**	**(555.2)**	**(1,056.9)**	**(3,470.4)**
C. CARRYING AMOUNT = A + B					
At December 31, 2005	**144.2**	**1,984.7**	**656.7**	**667.9**	**3,453.5**
At December 31, 2006	**153.9**	**2,135.0**	**648.8**	**550.4**	**3,488.1**
At December 31, 2007	**157.5**	**1,796.4**	**624.7**	**919.0**	**3,497.7**

Recognized impairment losses for 2007 amounted to €2.7 million versus €3.6 million in 2006 and €19 million in 2005 (see Note 5.2).

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concessions as defined by SIC 29 covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution. The rights granted to concession operators are accounted for as intangibles (see Note 24).

10.1.2 Capacity entitlements

The Group was involved in financing the construction of several power stations operated by third parties and in consideration, received the right to purchase a share of the production over the useful life of the assets. These rights are amortized over the useful life of the underlying assets, not to exceed 40 years. The Group currently holds entitlements in the Chooz B power plant in France and the MKV and HKV plants in Germany. At December 31, 2007, the carrying amount of these entitlements amounted to €624.7 million.

10.1.3 Non-amortizable intangible assets

Non-amortizable intangible assets amounted to €87.2 million at December 31, 2007 (€18.8 million at end-2006 and €11.1 million at end-2005), and are presented within the «Other» category.

10.2 Research and development costs

Research and development activities primarily relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection, service quality and the use of energy resources.

Research and development costs with no specific contractual right of recovery are expensed as incurred. Excluding technical assistance costs, R&D costs amounted to €99.6 million in 2007 (€86.0 million and €84.8 million in 2006 and 2005, respectively).

Expenses related to in-house projects in the development phase that meet the definition of an intangible asset are not material.

NOTE 11

PROPERTY, PLANT AND EQUIPMENT, NET

11.1 Movements in property, plant and equipment

In millions of euros	Land	Buildings	Plant and equipment	Vehicles	Capitalized mantling cost	Construction in progress	Other	Total
A. GROSS AMOUNT								
At December 31, 2005	**1,732.9**	**5,051.3**	**30,350.2**	**1,440.3**	**678.5**	**2,091.2**	**2,460.8**	**43,805.3**
Acquisitions	42.7	80.8	507.6	122.3	19.6	1,109.8	215.4	2,098.1
Disposals	(36.2)	(128.7)	(165.6)	(105.4)	(0.2)	0.0	(99.9)	(536.0)
Translation adjustments	(1.4)	(50.8)	(594.8)	(7.3)	2.5	(61.6)	(138.8)	(852.2)
Changes in scope of consolidation	(29.8)	(53.8)	820.3	5.4	2.0	(87.7)	214.9	871.5
Other	35.8	190.5	637.8	78.7	29.5	(1,248.0)	(18.8)	(294.5)
At December 31, 2006	**1,744.1**	**5,089.3**	**31,555.5**	**1,534.0**	**732.0**	**1,803.7**	**2,633.7**	**45,092.3**
Acquisitions	43.1	80.9	731.5	150.6	(0.0)	1,729.0	76.5	2,811.5
Disposals	(24.1)	(64.8)	(225.6)	(107.6)	(2.6)	0.0	(59.1)	(483.8)
Translation adjustments	(48.6)	67.4	(550.4)	(23.8)	(9.5)	(48.3)	(144.4)	(757.5)
Changes in scope of consolidation	79.9	306.8	636.2	16.3	6.0	267.3	30.0	1,342.6
Other	69.6	166.3	1,267.3	49.7	172.8	(1,467.6)	(151.3)	106.8
At December 31, 2007	**1,864.0**	**5,646.0**	**33,414.6**	**1,619.2**	**898.8**	**2,284.1**	**2,385.4**	**48,111.9**
B. ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At December 31, 2005	**(821.8)**	**(2,100.5)**	**(17,849.9)**	**(1,003.7)**	**(572.8)**	**(75.5)**	**(1,168.6)**	**(23,592.9)**
Depreciation/ impairment [(a)]	(59.7)	(183.8)	(1,118.0)	(124.1)	(13.8)	(17.6)	(108.4)	(1,625.4)
Disposals	10.7	84.5	153.0	98.2	0.2	0.0	65.5	412.1
Translation adjustments	(3.7)	11.9	136.9	1.0	(2.3)	2.1	34.9	180.9
Changes in scope of consolidation	4.7	504.4	(260.6)	1.6	(1.8)	50.6	8.9	307.8
Other	5.2	(32.5)	263.9	(27.0)	(29.4)	(2.1)	49.9	228.1
At December 31, 2006	**(864.5)**	**(1,716.0)**	**(18,674.7)**	**(1,054.1)**	**(619.8)**	**(42.6)**	**(1,117.8)**	**(24,089.5)**
Depreciation	(70.2)	(259.4)	(1,171.7)	(133.1)	(12.1)		(89.1)	(1,735.7)
Impairment losses	(3.6)	(3.9)	(91.4)	(0.2)	0.0	(11.9)	(0.2)	(111.2)
Disposals	14.4	36.7	179.5	99.1	2.6	0.0	55.5	387.8
Translation adjustments	30.2	(16.2)	146.5	13.6	10.1	2.0	38.5	224.5
Changes in scope of consolidation	(2.0)	(26.9)	(183.5)	(9.3)	(6.0)	0.0	(6.4)	(234.2)
Other	(6.6)	(38.4)	27.7	1.6	(38.0)	11.9	85.1	43.3
At December 31, 2007	**(902.3)**	**(2,024.1)**	**(19,767.7)**	**(1,082.5)**	**(663.3)**	**(40.6)**	**(1,034.3)**	**(25,514.8)**
C. CARRYING AMOUNT								
At December 31, 2005	**911.2**	**2,950.8**	**12,500.3**	**436.6**	**105.7**	**2,015.7**	**1,292.2**	**20,212.4**
At December 31, 2006	**879.6**	**3,373.4**	**12,880.7**	**480.0**	**112.2**	**1,761.1**	**1,515.9**	**21,002.9**
At December 31, 2007	**961.6**	**3,621.9**	**13,646.9**	**536.6**	**235.5**	**2,243.5**	**1,351.1**	**22,597.1**

(a) *Net impairment losses recognized on property, plant and equipment totalled €128 million in the year to December 31, 2006.*

In 2007, the main translation adjustments recorded in relation to the gross amount of property, plant and equipment concern the US dollar for a negative amount of €743.0 million. Net changes in the scope of consolidation during the year reflect the positive impact of the acquisition of Compagnie du Vent (€114.6 million), acquisitions carried out by Electrabel in Portugal (€102.1 million), and the acquisitions of Bahia Las Minas (€93.4 million), Ventus (€82.3 million), and Easco and Stericycle (€76.8 million). This line also includes the negative impact of the Applus sale (€58.3 million), and the positive impacts of a change in the consolidation method (from equity accounting to full consolidation) for Sohar Power Company (€383.0 million) and the allocation of goodwill to CNR assets (€225.1 million).

11.2 Pledged and mortgaged assets

Items of property, plant and equipment pledged by the Group to guarantee borrowings and debt amount to €2,227.7 million at December 31, 2007 (€2,001.0 million at December 31, 2006 and €2,153.1 million at December 31, 2005).

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have also entered into commitments to purchase, and the related third parties to deliver, property, plant and equipment. These commitments relate mainly to orders of equipment, vehicles and material required for the construction of energy production units (power and co-generation plants) and for service agreements.

Firm commitments made by the Group to purchase property, plant and equipment amount to €4,469.7 million at December 31, 2007, compared with €1,790.5 million at December 31, 2006. The increase in this item is essentially attributable to firm commitments to purchase property, plant and equipment in connection with the construction of new coal- and gas-fired power plants in Germany and the Netherlands, respectively. The Group has also given various contractual investment commitments in a total amount of €885 million, versus €869.4 million at December 31, 2006.

11.4 Other information

Borrowing costs included in the cost of construction in progress amount to €36.2 million, €24.7 million and €20.3 million, respectively, at December 31, 2007, 2006 and 2005.

NOTE 12
INVESTMENTS IN ASSOCIATES

12.1 Breakdown of investments in associates

In millions of euros	Carrying amount of investments in associates Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Share in net income of associates Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Belgian mixed inter-municipal companies	893.2	866.8	1,927.0	365.3	235.3	407.9
Compagnie Nationale du Rhône	0.0	(0.0)	511.8	0.0	67.6	28.8
Elia	(96.2)	(119.2)	(126.5)	25.1	21.1	36.7
Colbùn	0.0	0.0	296.8	0.0	0.0	7.1
Other	417.3	512.1	545.9	67.5	48.7	77.9
TOTAL	**1,214.3**	**1,259.7**	**3,154.9**	**457.9**	**372.7**	**565.5**

The main changes in 2007 arose on the sale of investments in Elia and in inter-municipal companies based in Walloon and Flanders, as well as the full consolidation of Compagnie Nationale du Rhône (CNR) as of December 31, 2006. The Group's share in the net income of Belgian inter-municipal companies was boosted by the sale of TVD operations. These sales took place within the scope of SUEZ's withdrawal from inter-municipal companies carrying out this business in the Walloon region.

Dividends received by the Group from its associates amounted to €229.8 million in 2007, €355.7 million in 2006 and €467.1 million in 2005.

Goodwill recognized by the Group on the acquisition of associates is also included in this item for a net amount of €31.5 million at December 31, 2007 (€23.4 million at December 31, 2006 and €179.6 million at December 31, 2005).

12.2 Fair value of investments in listed associates

The carrying amount of investments in listed associates was a negative €69.2 million at December 31, 2007, compared to a negative €27.6 million at December 31, 2006 and a positive €262.0 million at December 31, 2005. The market value of these companies at year-end 2007 was €336.8 million (€463.5 million at end-2006 and €811.9 million at end-2005).

12.3 Key figures of associates

In millions of euros	Latest % interest	Total assets	Liabilities	Equity	Revenues	Net income
At December 31, 2007						
Belgian inter-municipal companies* [(a)]		11,871.0	5,762.0	6,109.0	3,561.0	663.0
Elia	24.4	3,975.8	2,630.7	1,345.1	718.8	81.6
At December 31, 2006						
Belgian inter-municipal companies* [(a)]		11,871.0	5,762.0	6,109.0	3,561.0	663.0
Compagnie Nationale du Rhône	47.9				798.9	135.3
Elia	27.5	3,899.5	2,593.5	1,306.0	690.9	76.9
At December 31, 2005						
Belgian inter-municipal companies* [(a)]		12,194.0	4,798.0	7,396.0	3,361.0	871.0
Compagnie Nationale du Rhône [(b)]	47.9	3,295.0	2,363.0	932.0	642.0	85.0
Elia [(b)]	27.5	3,853.0	2,572.0	1,281.0	694.0	75.0

* *Data relating to Belgian inter-municipal companies relates to 2006 (latest available data).*

(a) *This table shows the aggregate figures for the Belgian inter-municipal companies, which have been restated in accordance with IFRS. Following the sales in 2006 and 2007, SUEZ now holds 30% of the Flemish inter-municipal companies and respectively around 40% and 30% of the Walloon and Brussels inter-municipal companies.*

(b) *Data relating to Compagnie Nationale du Rhône and Elia correspond to their published accounts.*

As indicated in section 12.1, CNR was fully consolidated in the Group's financial statements as of December 31, 2006.

NOTE 13

INVESTMENTS IN JOINT VENTURES

Aggregate data for SUEZ Group's main joint ventures are presented below. The amounts indicated represent the Group's share in the companies' equity:

In millions of euros	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities
At December 31, 2007					
Acea/Electrabel group	40.6 [(a)]	477.3	751.5	739.6	167.1
Hisusa group [(b)]	51.0 [(b)]	964.9	3,130.8	752.9	1,371.6
Tirreno Power	35.0	140.8	547.9	142.3	391.7
At December 31, 2006					
Acea/Electrabel group	40.6 [(a)]	402.9	675.1	606.2	156.8
Hisusa group [(b)]	51.0 [(b)]	792.8	2,705.3	770.3	1,072.2
Tirreno Power	35.0	115.0	513.3	199.8	299.0
At December 31, 2005					
Acea/Electrabel group	40.6 [(a)]	234.3	568.1	349.1	167.2
Hisusa group [(b)]	51.0 [(b)]	803.9	1,398.2	634.5	509.6
Tirreno Power	35.0	135.6	464.7	163.4	303.1

(a) *Percentage of consolidation applicable to the holding companies.*

(b) *Includes Agbar, which is fully consolidated by Hisusa, itself proportionately consolidated by SUEZ based on a rate of 51%.*

NOTE 14
FINANCIAL INSTRUMENTS

14.1 Financial assets

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

	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
In millions of euros	**Non-current**	**Current**	**Total**	**Total**	**Total**
Available-for-sale securities	4,120.7		4,120.7	2,816.5	2,671.5
Loans and receivables carried at amortized cost	2,107.0	12,200.7	14,307.6	12,881.1	13,028.9
Loans and receivables carried at amortized cost (excl. trade and other receivables)	2,107.0	331.3	2,438.3	2,468.9	2,634.2
Trade and other receivables, net		11,869.3	11,869.3	10,412.2	10,394.7
Financial assets at fair value through income	1,140.1	4,682.8	5,822.9	5,165.7	7,564.8
Derivative instruments (incl. commodity derivatives)	1,140.1	3,363.3	4,503.4	4,332.7	6,679.2
Financial assets at fair value through income (excl. derivatives)		1,319.5	1,319.5	833.0	885.6
Cash and cash equivalents		6,720.2	6,720.2	7,946.3	10,374.4
TOTAL	**7,367.8**	**23,603.7**	**30,971.5**	**28,809.6**	**33,639.5**

14.1.1 Available-for-sale securities

In millions of euros	
At December 31, 2006	**2,816.1**
Acquisitions	1,363.4
Disposals, carrying amounts	(273.6)
Changes in fair value recorded in equity	374.1
Changes in fair value recorded in income	(14.7)
Changes in scope of consolidation, foreign currency translation and other changes	(144.7)
At December 31, 2007	**4,120.7**

The Group's available-for-sale securities amounted to €4,120.7 million at December 31, 2007, breaking down as €2,356.6 million of listed securities and €1,764.1 million of unlisted securities.

During the year, the Group acquired additional shares in Gas Natural for €1,032 million, bringing its direct and indirect interest in that company to 11.36% at December 31, 2007.

Gains and losses on available-for-sale securities recognized in equity or income were as follows:

In millions of euros	Dividends	Remeasurement: Change in fair value	Remeasurement: Foreign currency translation	Remeasurement: Impairment	Net gains and losses on disposals
Equity*	-	374.1	(58.2)	-	-
Income	202.4	25.4	-	(40.1)	(59.1)
TOTAL AT DECEMBER 31, 2007	**202.4**	**399.5**	**(58.2)**	**(40.1)**	**(59.1)**
Equity*	-	287.9	(50.2)	-	-
Income	288.7	12.5	-	(41.0)	468.1
TOTAL AT DECEMBER 31, 2006	**288.7**	**300.4**	**(50.2)**	**(41.0)**	**468.1**
Equity*	-	228.3	51.5	-	-
Income	134.3	(9.4)	-	(42.7)	(45.2)
TOTAL AT DECEMBER 31, 2005	**134.3**	**218.9**	**51.5**	**(42.7)**	**(45.2)**

* *Excluding the tax effect.*

14.1.2 Loans and receivables carried at amortized cost

	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
In millions of euros	Non-current	Current	Total	Total	Total
Loans and receivables carried at amortized cost (excl. trade and other receivables)	2,107.0	331.3	2,438.3	2,468.9	2,634.2
- Loans granted to affiliated companies	1,580.4	235.9	1,816.3	1,648.8	1,737.8
- Other receivables carried at amortized cost	31.2		31.2	217.0	129.7
- Amounts receivable under concession contracts	158.0	51.7	209.7	236.3	413.5
- Amounts receivable under finance leases	337.4	43.7	381.1	366.8	353.2
Trade and other receivables		11,869.3	11,869.3	10,412.2	10,394.7
TOTAL	**2,107.0**	**12,200.7**	**14,307.6**	**12,881.1**	**13,028.9**

	Dec. 31, 2007			Dec. 31, 2006			Dec. 31, 2005		
In millions of euros	Gross	Allowance and impairment	Net	Gross	Allowance and impairment	Net	Gross	Allowance and impairment	Net
Loans and receivables carried at amortized cost (excl. trade and other receivables)	2,739.1	(300.8)	2,438.3	2,826.7	(357.8)	2,468.9	2,815.8	(181.6)	2,634.2
Trade and other receivables	12,381.2	(511.9)	11,869.3	10,970.6	(558.4)	10,412.2	11,010.6	(615.9)	10,394.7
TOTAL	**15,120.3**	**(812.7)**	**14,307.6**	**13,797.4**	**(916.2)**	**12,881.2**	**13,826.4**	**(797.5)**	**13,028.9**

Net income and expenses recognized in the income statement with regard to loans and receivables carried at amortized cost break down as follows:

In millions of euros	Interest income	Remeasurement	
		Foreign currency translation	Impairment
At December 31, 2007	872.5	(2.3)	72.0
At December 31, 2006	869.5	(5.4)	(40.1)
At December 31, 2005	818.2	(4.5)	(42.1)

Loans granted to affiliated companies

«Loans granted to affiliated companies» primarily include the receivable due to the Group from its associate, ESO/Elia, in a net amount of €808.4 million at December 31, 2007, 2006 and 2005.

The fair value of loans granted to affiliated companies stood at €1,812.5 million at December 31, 2007, compared with a carrying amount of €1,816.3 million.

Trade and other receivables, net

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. This item also includes amounts due from customers under construction contracts.

The carrying amount of trade and other receivables represents a reasonable estimate of fair value.

14.1.3 Financial assets at fair value through income

In millions of euros	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
	Non-current	Current	Total	Total	Total
Derivative instruments (incl. commodity derivatives)	**1,140.1**	**3,363.3**	**4,503.4**	**4,332.7**	**6,679.2**
Borrowing derivative instruments	701.3	14.1	715.4	590.7	682.6
Commodity derivative instruments	343.1	3,342.5	3,685.6	3,650.6	5,951.2
Other item derivative instruments	95.7	6.7	102.4	91.4	45.4
Financial assets at fair value through income (excl. derivatives)	**0.0**	**1,319.5**	**1,319.5**	**833.0**	**885.6**
Financial assets qualifying as at fair value through income		1,272.0	1,272.0	833.0	885.6
Financial assets designated as at fair value through income		47.5	47.5	0.0	0.0
TOTAL	**1,140.1**	**4,682.8**	**5,822.9**	**5,165.7**	**7,564.8**

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 15.

Financial assets qualifying as at fair value through income are mainly UCITS held for trading purposes and included in the calculation of the Group's net debt (see Note 14.3). Net gains on these financial assets came to €187.5 million in the year to December 31, 2007.

Gains and losses arising over the period on financial assets at fair value through income are not material.

14.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Sections 4 and 20 (Note 15) of the 2007 Reference Document.

Cash and cash equivalents totalled €6,720.2 million at December 31, 2007, compared with €7,946.3 million at end-2006 and €10,374.4 million at end-2005.

This caption includes restricted cash of €205.6 million at December 31, 2007 (€138 million at December 31, 2006 and €269 million at December 31, 2005).

Income recognized in respect of cash and cash equivalents came to €272.8 million for the year to December 31, 2007.

ASSETS PLEDGED AS COLLATERAL

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Financial assets pledged as collateral	1,125.8	780.6	1,212.9

This item includes equity instruments and, to a lesser extent, trade receivables pledged to guarantee borrowings and debt.

14.2 Financial liabilities

Financial liabilities

Financial liabilities include borrowings and debt, trade and other payables, and other financial liabilities classified within «Other liabilities carried at amortized cost», together with derivative instruments reported on the line «Financial liabilities at fair value through income».

The Group's financial liabilities are classified under the following categories at December 31, 2007:

	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
In millions of euros	Non-current	Current	Total	Total	Total
Borrowings	14,526.0	7,129.8	**21,655.8**	19,679.1	25,486.8
Derivative instruments (incl. commodity derivatives)	800.9	3,201.9	**4,002.8**	4,081.2	7,380.6
Trade and other payables	-	10,038.1	**10,038.1**	9,209.4	10,078.8
Other financial liabilities	778.0	-	**778.0**	467.5	858.5
TOTAL	16,104.9	20,369.8	**36,474.6**	33,437.2	43,804.7

14.2.1 Borrowings and debt

	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
In millions of euros	Non-current	Current	Total	Total	Total
Bond issues	7,036.1	2,272.0	9,308.1	9,632.7	8,959.3
Commercial paper		2,179.0	2,179.0	1,650.7	2,520.8
Withdrawals on credit facilities	1,531.7	174.6	1,706.3	1,082.1	5,495.1
Liabilities under finance leases	992.6	134.1	1,126.7	1,194.4	1,251.3
Other bank borrowings	3,619.2	633.1	4,252.3	4,135.0	5,639.4
Other borrowings	1,417.6	63.6	1,481.2	682.5	424.1
TOTAL BORROWINGS	**14,597.2**	**5,456.4**	**20,053.6**	**18,377.5**	**24,290.0**
Bank overdrafts and current accounts		1,500.1	1,500.1	1,121.9	773.8
Outstanding borrowings	**14,597.2**	**6,956.5**	**21,553.7**	**19,499.4**	**25,063.8**
Impact of measurement at amortized cost	(42.7)	171.4	128.7	162.6	195.7
Impact of fair value hedge	(28.5)	1.9	(26.6)	17.1	227.3
Borrowings	**14,526.0**	**7,129.8**	**21,655.8**	**19,679.1**	**25,486.8**

The fair value of borrowings and debt amounted to €21,948.4 million at December 31, 2007, compared with a carrying amount of €21,655.8 million.

Gains and losses on borrowings and debt recognized in income (mainly comprising interest) are detailed in Note 6.

Borrowings and debt are analyzed in Note 14.3.

14.2.2 Derivative instruments (including commodity derivatives)

Derivative instruments recorded in liabilities are measured at fair value and break down as follows:

	Dec. 31, 2007			Dec. 31, 2006	Dec. 31, 2005
In millions of euros	Non-current	Current	Total	Total	Total
Borrowing derivative instruments	182.4	8.8	**191.2**	**139.5**	**264.5**
Commodity derivative instruments	538.6	3,176.6	**3,715.2**	**3,915.7**	**7,090.1**
Other item derivative instruments	79.9	16.5	**96.4**	**26.0**	**26.0**
TOTAL	800.9	3,201.9	**4,002.8**	**4,081.2**	**7,380.6**

These instruments are put in place as part of the Group's risk management policy and are analyzed in Note 15.

14.2.3 Trade and other payables

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Trade payables	8,305.7	7,470.0	8,277.6
Advances and down-payments received	644.5	601.0	524.3
Payable on fixed assets	374.4	304.3	423.1
Concession liabilities	21.4	133.6	141.3
Capital renewal and replacement liabilities	692.1	700.4	712.5
TOTAL	10,038.1	9,209.4	10,078.8

The carrying amount of trade and other payables represents a reasonable estimate of fair value.

14.2.4 Other financial liabilities

Other financial liabilities break down as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Payables related to acquisition of securities	641.5	331.1	722.1
Other	136.4	136.4	136.4
TOTAL	778.0	467.5	858.5

Other financial liabilities chiefly relate to liabilities in respect of various counterparties resulting from put options granted by Electrabel to minority shareholders of fully consolidated companies. These commitments to purchase equity instruments from minority shareholders have therefore been recognized under liabilities (see Note 1.4.10.2.2), and concern:

- 33.20% of the capital of Compagnie Nationale du Rhône (CNR) (2007 and 2006);
- 43.17% of the capital of Compagnie du Vent (December 31, 2007).

Minority shareholders of CNR may only exercise their options if the French Murcef law is abolished. Minority shareholders of Compagnie du Vent may exercise their options in several phases beginning in 2011.

Electrabel also holds call options on the same shares, as part of the agreements entered into by the parties.

At December 31, 2005, this item included an amount of €498 million in respect of Société Nationale des Chemins de Fer Français (SNCF). This amount comprised (i) the deferred acquisition of a 40% tranche of Société Hydro-Electrique du Midi (SHEM) securities; and (ii) the additional put option granted by Electrabel on 19.60% of SHEM's capital. Payment for the 40% tranche was made to SNCF in December 2006, at the same time as the put option was exercised. The commitments were settled and at the balance sheet date, Electrabel holds 99.6% of SHEM's share capital.

At end-2005, other financial liabilities also included an amount of €179 million relating to goodwill on energy distribution activities that were deregulated in Flanders, as well as €44 million in respect of the contingent earn-out payable for CNR's securities. These liabilities were settled in 2006.

14.3 Net debt

NET DEBT

In millions of euros	Dec. 31, 2007 Non-current	Dec. 31, 2007 Current	Dec. 31, 2007 Total	Dec. 31, 2006 Non-current	Dec. 31, 2006 Current	Dec. 31, 2006 Total	Dec. 31, 2005 Non-current	Dec. 31, 2005 Current	Dec. 31, 2005 Total
Outstanding borrowings and debt	14,597.2	6,956.5	21,553.7	13,031.4	6,468.0	19,499.4	16,271.5	8,792.3	25,063.8
Impact of measurement at amortized cost	(42.8)	171.4	128.6	(45.0)	207.6	162.6	(21.1)	216.8	195.7
Impact of fair value hedge [(a)]	(28.5)	1.9	(26.6)	14.2	2.9	17.1	156.5	70.8	227.3
Borrowings and debt	**14,526.0**	**7,129.8**	**21,655.7**	**13,000.6**	**6,678.5**	**19,679.1**	**16,407.0**	**9,079.9**	**25,486.8**
Borrowing derivative instruments under liabilities [(b)]	182.4	8.8	191.2	122.8	16.7	139.5	206.8	57.6	264.5
Gross debt	**14,708.4**	**7,138.6**	**21,847.0**	**13,123.4**	**6,695.2**	**19,818.6**	**16,613.8**	**9,137.6**	**25,751.2**
Financial assets at fair value through income	0.0	(1,319.5)	(1,319.5)	0.0	(833.0)	(833.0)	0.0	(885.6)	(885.6)
Cash and cash equivalents	0.0	(6,720.2)	(6,720.2)	0.0	(7,946.3)	(7,946.3)	0.0	(10,374.4)	(10,374.4)
Borrowing derivative instruments under assets [(b)]	(701.3)	(14.1)	(715.4)	(570.0)	(20.7)	(590.7)	(670.3)	(12.2)	(682.6)
Net cash	**(701.3)**	**(8,053.7)**	**(8,755.0)**	**(570.0)**	**(8,800.0)**	**(9,370.0)**	**(670.3)**	**(11,272.2)**	**(11,942.6)**
Net debt	**14,007.1**	**(915.1)**	**13,091.9**	**12,553.4**	**(2,104.8)**	**10,448.6**	**15,943.4**	**(2,134.6)**	**13,808.6**
Outstanding borrowings and debt	14,597.2	6,956.5	21,553.7	13,031.4	6,468.0	19,499.4	16,271.5	8,792.3	25,063.8
Financial assets at fair value through income	0.0	(1,319.5)	(1,319.5)	0.0	(833.0)	(833.0)	0.0	(885.6)	(885.6)
Cash and cash equivalents	0.0	(6,720.2)	(6,720.2)	0.0	(7,946.3)	(7,946.3)	0.0	(10,374.4)	(10,374.4)
Net debt excluding the impact of derivative financial instruments and amortized cost	**14,597.2**	**(1,083.2)**	**13,514.1**	**13,031.4**	**(2,311.3)**	**10,720.1**	**16,271.5**	**(2,467.6)**	**13,803.8**

(a) *This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.*

(b) *This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges (see Notes 14.1.3 and 14.2.2).*

14.3.1 Change in net debt

On February 15, 2007, GIE SUEZ Alliance launched a public repurchase offer to holders of SUEZ bonds maturing in February 2009 and June 2010. At the close of the offer period on March 2, 2007, the total value of bonds repurchased stood at €1,346 million.

On April 25, 2007, Electrabel SA issued Floating Rate Notes maturing on October 27, 2008, for an amount of €1,000 million.

Further to the public tender offer for minority shares in Sociedad General de Aguas de Barcelona (Agbar), an amount of €918 million was recognized within debt in the consolidated financial statements, corresponding to the Group's share (51%) in the offer for Agbar's entire share capital (see Note 2).

In addition, SUEZ Finance SA has undertaken two bond issues within the scope of its Euro Medium Term Notes program, representing an amount of €1,400 million.

In 2007, changes in the scope of consolidation led to an increase of €1,466 million in net debt, while exchange rate fluctuations reduced net debt by €475 million.

14.3.2 Debt/equity ratio

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Net debt	13,091.9	10,448.6	13,808.6
Total equity	24,860.8	22,563.8	18,823.2
DEBT/EQUITY RATIO	**52.7%**	**46.3%**	**73.4%**

NOTE 15
MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

15.1 Management of risks arising from financial instruments (excluding commodity instruments)

15.1.1 Credit risk

The Group's maximum exposure to credit risk should be assessed based on the carrying amount of financial assets (excluding available-for-sale securities) and on the fair value of derivatives recognized within assets in its balance sheet.

The Group is exposed to credit risk arising on its operating and financing activities.

Operating activities

Credit risk arising from trade and other receivables

At December 31, 2007, trade and other receivables amounted to €11,869.3 million (€10,412.2 million at end-2006 and €10,394.7 million at end-2005), after taking into account impairment losses of €511.9 million (€536.9 million and €616.2 million at end-2006 and end-2005, respectively). The age of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group does business (private corporations, individuals or public authorities). The Group decides whether to recognize impairment on a case-by-case basis according to the characteristics of the customer concerned. The Group does not consider that it is exposed to any material concentration risk in respect of receivables.

Financing activities

Credit risk arising from loans and receivables carried at amortized cost (excluding trade and other receivables)

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

In millions of euros	Past due assets not impaired at the balance sheet date							
Loans and receivables carried at amortized cost (excluding trade and other receivables)	0-3 months	3-6 months	6-12 months	More than 1 year	Total	Impaired assets	Assets neither impaired nor past due	Total
At December 31, 2007	6.7	0.3	4.8	222.8	234.6	286.1	2,299.8	**2,820.5**
At December 31, 2006	7.4	1.0	8.7	239.0	256.1	377.1	2,293.3	**2,926.5**

The balance of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) does not include impairment losses and changes in fair value and in amortized cost, which came to €(300.8) million, €(83.3) million and €1.9 million, respectively, at December 31, 2007, versus €(357.8) million, €(96.7) million and €(3.1) million at December 31, 2006.

Credit risk arising from investing activities

The Group is exposed to credit risk arising from investments of surplus cash (excluding loans to non-consolidated companies) and from its use of derivative financial instruments. Credit risk reflects the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation. In the case of derivatives, credit risk arises on instruments with a positive fair value.

At December 31, 2007, total outstandings exposed to credit risk amounted to €7,535 million. Investment grade counterparties (rated at least BBB- by Standard & Poor's or Baa3 by Moody's) represent 82% of the exposure. The remaining exposure arises on either unrated (11%) or non-investment grade counterparties (7%). The bulk of exposure to unrated or non-investment grade counterparties arises within consolidated companies in which the Group holds a minority interest, or within Group companies operating in emerging countries, where cash cannot be pooled and is therefore invested locally.

At December 31, 2007, no single counterparty represented more than 8% of cash investments.

15.1.2 Liquidity risk

The Group's financing policy is based on:

- centralizing external financing;
- fdiversifying sources of financing between credit institutions and capital markets;
- achieving a balanced repayment profile of the financial debts.

The centralization of financing needs and cash flow surpluses for the Group is provided by its financing vehicles (long-term and short-term) and its cash pooling vehicles.

Short-term cash requirements and cash surpluses are located by dedicated financial vehicles in Paris and in Luxembourg (SUEZ Finance SA, Tractebel Cash Management Services, Electrabel Finance & Treasury Management) for Europe, and in Houston, Texas (SUEZ Finance LP) for North America. These vehicles centralize virtually all of the cash requirements and surpluses of the companies controlled by SUEZ. In 2006, an electronic pooling system was set up for Europe to ensure a widespread, standardized cash pooling process. In 2007, virtually all entities concerned were integrated within this system. The few remaining manual cash pooling systems will migrate to the new system in 2008.

GIE SUEZ Alliance and Electrabel are the main users of long-term capital markets. These entities carry or guarantee 75% of the Group's bonds, 100% of its commercial paper and 89% of its credit facilities (including the facilities contracted by the parent company SUEZ SA).

The Group seeks to diversify its long-term sources of funds by carrying out public or private bond issues within the scope of its Euro Medium Term Notes program. It also issues commercial paper in France and Belgium, as well as in the United States.

At December 31, 2007, bank loans accounted for 43% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €9,308 million in bonds, or 46% of gross debt). Commercial paper represented 11% of gross debt, or €2,179 million at December 31, 2007 (see Note 14.2). As commercial paper is relatively inexpensive and highly liquid, it is used by the Group in a cyclical or structural fashion to finance its short-term cash requirements. However, outstanding commercial paper is backed by confirmed bank lines of credit so that the Group can continue to finance its activities in the event that access to this financing source were to dry up.

The Group's liquidity is based on maintaining cash and cash equivalents and access to confirmed credit facilities. The Group's confirmed credit facilities are appropriate with the scale of its operations and with the timing of contractual debt repayments. Confirmed credit facilities had been granted for a total of €10,762 million at December 31, 2007, of which €1,706 million had been drawn down. 89% of total credit lines and 91% of undrawn facilities are centralized. None of these facilities contain a cross-default clause linked to covenants or minimum credit ratings.

Cash and cash equivalents (net of overdrafts) amounted to €6,540 million at December 31, 2007. Cash surpluses managed by special-purpose vehicles are pooled as part of the Group's policy of maintaining the liquidity of its portfolio while ensuring that returns are higher than on risk-free funds. Given the volatility of returns on UCITS following the US subprime crisis, virtually all cash surpluses were invested in term deposits with banks at end-2007.

Unpooled cash surpluses are invested in instruments selected on a case-by-case basis in light of local financial market imperatives and the financial strength of the counterparties concerned.

At December 31, 2007, undiscounted contractual payments on outstanding borrowings break down as follows by maturity:

At December 31, 2007 *In millions of euros*	TOTAL	2008	2009	2010	2011	2012	Beyond 5 years
Bond issues	9,308.1	2,272.0	2,382.1	1,033.3	550.2	379.3	2,691.2
Commercial paper	2,179.0	2,179.0	0.0	0.0	0.0	0.0	0.0
Withdrawals on credit facilities	1,706.3	174.6	99.2	369.6	0.0	0.0	1,062.9
Liabilities under finance leases	1,126.7	134.1	115.5	88.1	79.3	71.4	638.3
Other bank borrowings	4,252.2	633.1	432.7	329.7	629.0	312.8	1,915.0
Other borrowings	1,481.3	63.6	91.0	928.1	10.7	273.2	114.7
Bank overdrafts and current accounts	1,500.1	1,500.1	0.0	0.0	0.0	0.0	0.0
Outstanding borrowings	**21,553.7**	**6,956.5**	**3,120.6**	**2,748.8**	**1,269.1**	**1,036.7**	**6,422.0**
Contractual undiscounted cash flows on interest payments	5,087.9	960.1	764.0	566.1	406.4	348.4	2,042.9
TOTAL	**26,641.6**	**7,916.6**	**3,884.6**	**3,314.9**	**1,675.6**	**1,385.1**	**8,464.9**

At December 31, 2006 *In millions of euros*	TOTAL	2007	2008	2009	2010	2011	Beyond 5 years
Outstanding borrowings	**19,499.4**	**6,468.2**	**931.8**	**3,760.3**	**2,715.0**	**664.3**	**4,959.8**

At December 31, 2005 *In millions of euros*	TOTAL	2006	2007	2008	2009	2010	Beyond 5 years
Outstanding borrowings	**25,063.8**	**8,792.3**	**2,434.4**	**917.1**	**4,034.3**	**2,386.6**	**6,499.1**

At December 31, 2007, undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in assets and liabilities break down as follows by maturity (net amounts):

At December 31, 2007 *In millions of euros*	TOTAL	2008	2009	2010	2011	2012	Beyond 5 years
Derivatives (excluding commodity instruments)	(78.0)	(136.8)	207.9	(70.0)	9.6	0.6	(89.3)

The maturities of the Group's undrawn credit facility programs are analyzed in the table below:

Confirmed undrawn credit facility programs
In millions of euros

	2008	2009	2010	2011	2012	Beyond 5 years	TOTAL
At December 31, 2007	743.7	284.5	1,685.1	210.0	5,950.0	182.4	9,055.8
	2007	**2008**	**2009**	**2010**	**2011**	**Beyond 5 years**	**TOTAL**
At December 31, 2006	705.2	78.2	170.2	1,683.2	154.6	5,774.8	8,566.2
	2006	**2007**	**2008**	**2009**	**2010**	**Beyond 5 years**	**TOTAL**
At December 31, 2005	451.5	240.3	76.8	288.6	1,608.0	4,479.8	7,145.0

Of these undrawn programs, €2,179 million are allocated to covering issues of commercial paper.

Confirmed undrawn credit lines mainly include a €4,500 million syndicated credit facility maturing in 2012, as well as several bilateral credit lines maturing in 2010. These facilities are not subject to covenants or minimum credit ratings.

At December 31, 2007, no single counterparty represented more than 8% of the Group's confirmed undrawn credit lines.

15.1.3 Market risk

15.1.3.1 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its balance sheet and income statement are impacted by changes in exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone. Exposure to translation risk results essentially from net assets held by the Group in the United States, Brazil, Thailand and the United Kingdom (see Note 3.2).

The Group's hedging policy for translation risk with regard to investments in non-euro zone currencies consists of contracting liabilities denominated in the same currency as the cash flows expected to flow from the hedged assets.

Contracting a liability in the same currency is the most natural form of hedging, although the Group also enters into foreign currency derivatives which allow it to artificially recreate foreign currency debt. These include cross-currency swaps, currency swaps and currency options.

This policy is not applied, however, when the cost of the hedge (corresponding basically to the interest rate of the foreign currency concerned) is too high. This is the case in Brazil where the Group has opted for "catastrophe hedges", a type of insurance against a collapse in the value of the Real (risk of an abrupt temporary decline in the currency value) because of (i) the excessively high interest rate differential, and (ii) the indexation of local revenues.

An analysis of market conditions is performed on a monthly basis for the US dollar and pound sterling, and reviewed as appropriate for emerging countries so that any sudden sharp fall in the value of a currency can be anticipated. The hedging ratio of the assets is periodically reviewed in light of market conditions and whenever assets have been acquired or sold. Management must approve in advance any transaction that may cause this ratio to change significantly.

Foreign currency liabilities represent 43% of the Group's net debt, excluding the impact of derivatives and amortized cost.

Analysis of financial instruments by currency

GROSS DEBT

In millions of euros	Dec. 31, 2007			Dec. 31, 2006			Dec. 31, 2005		
	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
EUR zone	16,584.2	(2,509.2)	14,075.0	15,216.2	(2,655.2)	12,561.0	19,497.0	(3,318.9)	16,178.1
USD zone	2,053.0	1,853.3	3,906.3	2,042.5	1,869.8	3,912.3	3,367.0	2,449.1	5,816.1
GBP zone	297.0	628.5	925.4	383.4	495.1	878.5	77.5	487.3	564.8
Other currencies	2,619.6	27.4	2,647.0	1,857.3	290.3	2,147.6	2,122.3	382.5	2,504.8
TOTAL	**21,553.7**	**0.0**	**21,553.7**	**19,499.4**	**0.0**	**19,499.4**	**25,063.8**	**0.0**	**25,063.8**

NET DEBT

In millions of euros	Dec. 31, 2007			Dec. 31, 2006			Dec. 31, 2005		
	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
EUR zone	10,239.5	(2,509.2)	7,730.3	7,829.8	(2,655.2)	5,174.6	10,156.1	(3,318.9)	6,837.2
USD zone	1,560.9	1,853.3	3,414.2	1,593.9	1,869.8	3,463.7	2,590.2	2,449.1	5,039.3
GBP zone	203.1	628.5	831.5	249.9	495.1	745.0	(25.6)	487.3	461.7
Other currencies	1,510.7	27.4	1,538.0	1,046.5	290.3	1,336.8	1,083.1	382.5	1,465.6
TOTAL	**13,514.1**	**0.0**	**13,514.1**	**10,720.1**	**0.0**	**10,720.1**	**13,803.8**	**0.0**	**13,803.8**

FOREIGN CURRENCY DERIVATIVES

Derivatives used to hedge currency risk are presented below.

Foreign currency derivatives	Dec. 31, 2007		Dec. 31, 2006		Dec. 31, 2005	
In millions of euros	Market value	Nominal amount	Market value	Nominal amount	Market value	Nominal amount
Fair value hedges	3.4	123.1	4.9	207.5	(4.8)	269.0
Cash flow hedges	47.6	995.0	56.6	521.5	56.4	426.0
Net investment hedges	81.9	693.6	54.3	1,682.4	(20.5)	4,342.9
Derivative instruments not qualifying for hedge accounting	310.0	5,178.8	208.7	3,975.0	120.0	1,793.9
TOTAL	**442.9**	**6,990.5**	**324.5**	**6,386.4**	**151.1**	**6,831.8**

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

The Group qualifies foreign currency derivatives, hedging firm foreign currency commitments, as fair value hedges.

Cash flow hedges are mainly used to hedge future foreign currency cash flows.

Net investment hedging instruments are mainly cross-currency swaps.

Non-qualifying derivatives consist of structured instruments which are not eligible for hedge accounting, either because of their nature or because they do not meet the hedge effectiveness criteria set out in IAS 39. These instruments are used as economic hedges of foreign currency commitments. The impact on foreign currency derivatives is almost entirely offset by gains and losses on the hedged items.

15.1.3.2 Interest rate risk

The Group seeks to reduce financing costs by minimizing the impact of interest rate fluctuations on its income statement.

The Group's aim is to achieve a balanced interest rate structure in the medium term (five years) by using a mixture of fixed rates, floating rates and capped floating rates for its net debt. The interest rate mix may change around the balance in line with market trends.

In order to manage the interest rate profile of its net debt, the Group uses hedging instruments, particularly interest rate swaps and options.

Positions are managed centrally and are reviewed each quarter or whenever any new financing is raised. Management must approve in advance any transaction that cause the interest rate mix to change significantly.

The Group's finance costs are sensitive to changes in interest rates on all floating-rate debt. Finance costs are also affected by changes in the market value of derivative instruments not documented as hedges as defined by IAS 39. At the date of this report, none of the optional hedges contracted by the Group have been documented as hedges under IAS 39, even though they may be considered as economic hedges (see Note 6.2).

At December 31, 2007, the Group has a portfolio of interest rate options (caps) which protect it from a rise in short-term interest rates for the euro, US dollar and pound sterling rates. As these short-term rates moved higher than the cap rate, virtually all options linked to euros, US dollars and pounds sterling (€3.1 billion) have been activated, thereby fixing the cost of the Group's debt. However, the value of this portfolio increases when there is a homogenous rise in short- and long-term interest rates, and decreases when interest rates fall.

At December 31, 2007, approximately 51% of the Group's gross debt was at floating rates and 49% at fixed rates, after taking into account the impact of financial instruments. Substantially all cash surpluses are invested short term (and therefore at floating rates). At end-2007, 78% of net debt is at fixed rates and 22% at floating rates, thus significantly reducing the Group's sensitivity to a rise in interest rates.

Analysis of financial instruments by type of interest rate

GROSS DEBT

In millions of euros	Dec. 31, 2007 Before hedging	Dec. 31, 2007 Impact of derivatives	Dec. 31, 2007 After hedging	Dec. 31, 2006 Before hedging	Dec. 31, 2006 Impact of derivatives	Dec. 31, 2006 After hedging	Dec. 31, 2005 Before hedging	Dec. 31, 2005 Impact of derivatives	Dec. 31, 2005 After hedging
Floating rate	12,783.4	(1,731.7)	11,051.7	8,844.7	2,255.1	11,099.8	13,644.7	2,582.2	16,226.9
Fixed rate	8,770.2	1,731.7	10,502.0	10,654.7	(2,255.1)	8,399.6	11,419.1	(2,582.2)	8,836.9
TOTAL	**21,553.7**	**0.0**	**21,553.7**	**19,499.4**	**0.0**	**19,499.4**	**25,063.8**	**0.0**	**25,063.8**

NET DEBT

In millions of euros	Dec. 31, 2007 Before hedging	Dec. 31, 2007 Impact of derivatives	Dec. 31, 2007 After hedging	Dec. 31, 2006 Before hedging	Dec. 31, 2006 Impact of derivatives	Dec. 31, 2006 After hedging	Dec. 31, 2005 Before hedging	Dec. 31, 2005 Impact of derivatives	Dec. 31, 2005 After hedging
Floating rate	4,743.7	(1,731.7)	3,011.9	64.9	2,255.1	2,320.0	2,384.9	2,582.2	4,967.1
Fixed rate	8,770.2	1,731.7	10,502.0	10,654.7	(2,255.1)	8,399.6	11,419.1	(2,582.2)	8,836.9
TOTAL	**13,514.1**	**0.0**	**13,514.1**	**10,720.1**	**0.0**	**10,720.1**	**13,803.8**	**0.0**	**13,803.8**

LOANS GRANTED TO AFFILIATED COMPANIES

In millions of euros	Dec. 31, 2007 Before hedging	Dec. 31, 2007 Impact of derivatives	Dec. 31, 2007 After hedging	Dec. 31, 2006 Before hedging	Dec. 31, 2006 Impact of derivatives	Dec. 31, 2006 After hedging	Dec. 31, 2005 Before hedging	Dec. 31, 2005 Impact of derivatives	Dec. 31, 2005 After hedging
Floating rate	1,768.4	0.0	1,768.4	1,648.4	0.0	1,648.4	1,369.3	0.0	1,369.3
Fixed rate	390.4	0.0	390.4	404.2	0.0	404.2	516.9	0.0	516.9
TOTAL	**2,158.8**	**0.0**	**2,158.8**	**2,052.6**	**0.0**	**2,052.6**	**1,886.2**	**0.0**	**1,886.2**

Interest rate derivatives

Derivatives used to hedge interest rate risk are presented below.

INTEREST RATE DERIVATIVES

In millions of euros	Dec. 31, 2007 Market value	Dec. 31, 2007 Nominal amount	Dec. 31, 2006 Market value	Dec. 31, 2006 Nominal amount	Dec. 31, 2005 Market value	Dec. 31, 2005 Nominal amount
Fair value hedges	29.5	3,662.1	101.4	6,055.1	285.3	5,711.9
Cash flow hedges	(27.2)	2,055.7	(0.3)	1,187.0	(33.6)	1,442.4
Derivative instruments not qualifying for hedge accounting	34.9	4,991.6	37.9	4,773.2	41.3	7,442.0
TOTAL	**37.2**	**10,709.4**	**139.0**	**12,015.4**	**293.0**	**14,596.3**

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

Fair value hedges correspond mainly to interest rate swaps transforming fixed-rate debt into floating-rate debt.

Cash flow hedges correspond mainly to hedges of floating-rate debt.

Non-qualifying derivatives represent complex instruments which, although used as economic hedges of borrowings, are not eligible for hedge accounting because of their nature or because they fail to meet the hedge effectiveness criteria set out in IAS 39.

15.1.3.3 Specific impact of currency and interest rate hedges

Fair value hedges

At December 31, 2007, the net impact of fair value hedges recognized in the income statement was not material.

Cash flow hedges

Foreign currency and interest rate derivatives designated as cash flow hedges can be analyzed as follows by maturity:

	Dec. 31, 2007
In millions of euros	Market value by maturity
2008	(6.9)
2009	(13.0)
2010	18.3
2011	(1.8)
2012	2.9
Beyond 5 years	20.8
TOTAL	**20.4**

At December 31, 2007, gains and losses taken to equity in the period totalled €58.0 million.

The amount reclassified from equity to income for the period represents a gain of €13.2 million.

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

Net investment hedges

The ineffective portion of net investment hedges recognized in income amounts to +€24.7 million.

15.1.3.4 Sensitivity analysis: foreign currency and interest rate instruments

Sensitivity was analyzed based on the Group's debt position (including interest rate and foreign currency derivatives) at the balance sheet date.

For currency risk, sensitivity corresponds to a +/- 10% change in exchange rates compared to closing rates.

Impact on income

- Changes in exchange rates against the euro only affect income via gains and losses on liabilities denominated in a currency other than the reporting currency of companies carrying the liabilities on their balance sheets, when the liabilities in question do not qualify as net investment hedges. The impact of a uniform adverse change of 10% in foreign currencies against the euro does not have a material impact on income.

Impact on equity

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform adverse change of 10% in foreign currencies against the euro has a positive impact of €172.4 million on equity. This impact is countered by the offsetting change in the net investment hedged.

For interest rate risk, sensitivity corresponds to a +/- 1% change in the yield curve compared with year-end interest rates.

Impact on income:

- A uniform rise of 1% in short-term interest rates (across all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives, would have an impact of €28.1 million on net interest expense. A fall of 1% in short-term interest rates would reduce net interest expense by €54.6 million. The asymmetrical impacts are attributable to the interest rate cap portfolio.
- In the income statement, a rise of 1% in interest rates (across all currencies) would result in a gain of €153.5 million attributable to changes in the fair value of derivatives not documented or designated as net investment hedges. However, a fall of 1% in interest rates would generate a loss of €81 million. The asymmetrical impacts are attributable to the interest rate cap portfolio, which limits any losses to the value of mark-to-market instruments carried in the balance sheet.

Impact on equity

- A uniform change of +/- 1% in interest rates (across all currencies) would have a positive or negative impact of €59.4 million on equity, attributable to changes in the fair value of derivative instruments designated as cash flow hedges.

15.1.3.5 Market risk: equity instruments

At December 31, 2007, available-for-sale securities held by the Group amounted to €4,120.7 million (see Note 14.1.1).

A fall of 10% in the value of these listed securities would have an impact of around €236 million on income or equity attributable to the Group, depending on whether or not SUEZ considers the decline to be significant and prolonged.

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.

15.2 Country risk

During 2005, the Group considered that it would be appropriate to hedge its exposure to country risk with respect to its investments in Brazil. The underlying risk identified in this case corresponds to a potential sudden increase in sovereign credit spreads in Brazil (e.g., further to a major economic or political crisis). This would impact the value of the Group's investments as the discount factors used in calculations would be higher. In order to protect itself against this country risk, the Group has purchased credit default swaps. With these swaps, the Group pays a limited premium and will receive a significant pay-off, corresponding to the difference between the face value and market value of a USD-denominated Brazilian government bond, if a credit event occurs (default, restructuring, accelerated repayment, etc.) affecting Brazil. At December 31, 2007, the nominal amount of this protection was USD 200 million, of which USD 100 million matures in March 2009, and USD 100 million at the end of 2012.

At December 31, 2007, the market value of these swaps, which do not meet the hedging documentation requirements under IAS 39, was €0.25 million (including the portion of outstanding premiums).

15.3 Management of risks arising from commodity instruments

15.3.1 Strategy and objectives

To guarantee its short- and long-term supplies and optimize its production and sales structure, the Group carries out transactions on natural gas, electricity, oil and coal markets. The Group is also active on the European greenhouse gas emissions trading rights market. These transactions expose the Group to the risk of changes in commodity prices and could create significant volatility in earnings, equity and cash flows from one period to the next. The Group therefore uses commodity derivatives in line with a variety of strategies in order to eliminate or mitigate these risks.

The use of these derivatives is governed by hedging and trading policies approved by the executive management team of the branch concerned. Trading and portfolio management teams manage market and credit risks in accordance with the objectives and exposure limits set by the respective executive management teams.

In each of the branches concerned, a management-appointed risk oversight committee, which is independent from portfolio management or trading teams, supervises and controls risks and the strategies implemented to reduce exposure to credit risk and to changes in commodity prices. Independent risk control departments verify that positions taken comply with hedging and trading policies, and are responsible for calculating fair value and market/credit risk exposure. The risk control departments produce daily reports on the performance and exposure resulting from hedging and trading activities.

15.3.1.1 Trading activities

Some Group entities also take proprietary trading positions. The spot or forward transactions concern natural gas, electricity and various oil-based products and are contracted either over-the-counter or on organized markets. They may also offer their clients risk management services. These transactions are executed in Europe and the United States using various instruments, including (a) futures contracts involving physical delivery of an energy commodity; (b) swaps providing for payments to or by counterparties of an amount corresponding to the difference between a fixed and variable price for the commodity; and (c) options and other contracts.

Revenues from trading activities amounted to €37 million in 2007 (€151 million in 2006).

15.3.1.2 Hedging transactions

The Group enters into cash flow hedges as defined by IAS 39, using derivative instruments contracted over-the-counter or on organized markets. These instruments may be settled net or involve physical delivery of the underlying. The instruments are used to protect the Group against unfavorable changes in market prices affecting procurement costs or margins on highly probable future sale transactions.

At December 31, 2007, the Group did not hold any derivatives used as fair value hedges.

15.3.1.3 Other commodity derivatives

Other commodity derivatives relate mainly to contracts that are (i) used to manage the Group's overall exposure to certain market risks; (ii) entered into for the purpose of taking advantage of differences in market prices in order to increase Group margins; (iii) contracts qualified as written options under IAS 39; or (iv) contracts that the Group has the practice of settling net.

The Group also holds certain purchase and sale contracts providing for the physical delivery of the goods, which are documented as being purchases and sales taking place in the ordinary course of business but which include clauses qualifying as embedded derivatives under IAS 39. For some of the contracts, these clauses are recognized and measured separately from the host contract, with changes in fair value taken to income. Specifically, certain embedded derivatives have been recognized separately from host contracts containing (i) price clauses that link the contract price to changes in an index or the price of a different commodity from the one that is being delivered; (ii) indexation clauses based on foreign exchange rates that are not considered as being closely linked to the host contract; or (iii) other clauses.

15.3.2 Fair value of commodity derivatives

The fair values of commodity derivatives at December 31, 2007 and 2006 are indicated in the table below:

	Dec. 31, 2007				Dec. 31, 2006			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	**523.8**	**114.4**	**(201.7)**	**(179.7)**	**426.3**	**205.9**	**(366.0)**	**(228.3)**
NATURAL GAS	57.5	22.0	(48.0)	(122.0)	98.5	8.3	(145.5)	(140.8)
Swaps	56.9	21.9	(47.2)	(121.9)	80.3	8.3	(137.0)	(135.9)
Options				(0.1)				(4.2)
Forwards/futures	0.6	0.1	(0.8)		18.2		(8.5)	(0.7)
ELECTRICITY	21.7	35.2	(39.1)	(16.5)	16.6	20.3	(43.6)	(19.9)
Swaps	13.0	10.1	(27.1)	(4.8)	1.8	3.5	(39.6)	(11.9)
Options			(0.4)		1.0		(0.1)	
Forwards/futures	8.7	25.2	(11.6)	(11.7)	13.8	16.8	(3.9)	(8.0)
COAL	79.0	41.0	(0.7)		14.9	13.4	(3.0)	0.0
Swaps	79.0	41.0	(0.7)		14.9	13.4	(3.0)	0.0
Options								
Forwards/futures								
OIL	289.3		(0.1)	(34.2)	137.7	106.0	(3.7)	(1.2)
Swaps	289.3		(0.1)	(34.2)	137.7	87.8	(3.7)	(1.2)
Options						18.2		
Forwards/futures								
OTHER	76.3	16.1	(113.8)	(6.9)	158.6	57.9	(170.2)	(66.5)
Swaps	75.3		(98.2)	(6.1)	157.7	57.9	(170.2)	(66.5)
Options					0.9			
Forwards/futures	1.0	16.1	(15.6)	(0.8)				
Derivative instruments used in energy trading activities	**2,303.1**	**-**	**(2,285.5)**	**-**	**2,256.6**	**-**	**(2,155.4)**	**-**
Other derivative instruments	**515.6**	**228.8**	**(689.4)**	**(359.0)**	**590.9**	**170.9**	**(828.1)**	**(337.8)**
TOTAL	**3,342.5**	**343.2**	**(3,176.6)**	**(538.7)**	**3,273.9**	**376.8**	**(3,349.5)**	**(566.1)**

See also Notes 14.1.3 and 14.2.2.

The fair values shown in the table above reflect the amounts for which assets could be exchanged, or liabilities settled, at the balance sheet date. They are not representative of expected future cash flows insofar as positions (i) are sensitive to changes in prices; (ii) can be modified by subsequent transactions; and (iii) can be offset by future cash flows arising on the underlying transactions. The underlying transactions may be either documented as a hedged item in accordance with IAS 39 or as entered into and continue to be held for the purpose of the receipt or delivery of the goods in accordance with the Group's expected purchase, sale or usage requirements.

Notional amounts and maturities of cash flow hedges are as follows:

	Notional amounts (net)* at Dec. 31, 2007						
In millions of MWh	2008	2009	2010	2011	2012	Beyond 5 years	Total
Natural gas, electricity and coal	(40.1)	(9.0)	1.7	0.1	0.9		(46.4)
Oil-based products	13.8	1.0					14.8
TOTAL	**(26.3)**	**(8.0)**	**1.7**	**0.1**	**0.9**		**(31.6)**

* *Long position/(short position)*

In accordance with IAS 39, the effective portion of changes in the fair value of the derivative are recognized in equity, while the ineffective portion is taken to income. Cumulative gains and losses carried in equity must be reclassified to income in the period in which the hedged transaction itself affects income.

At December 31, 2007, a gain of €376 million was recognized in equity versus a gain of €948 million at end-2006. A gain of €30 million was reclassified from equity to income in 2007, compared with a gain of €301 million in 2006.

Gains and losses arising on the ineffective portion of hedges are taken to income. A loss of €26 million was recognized in income in 2007, compared with a loss of €56 million in 2006.

15.3.3 Financial risks arising from the use of commodity derivatives

15.3.3.1 Market risk

The Group is exposed to the risk of changes in commodity prices that could lead to significant volatility in earnings, equity and cash flows from one period to the next. Accordingly, the Group uses derivative financial instruments in line with a variety of strategies aimed at eliminating or mitigating these risks. Trading and portfolio management teams manage market risks in accordance with hedging and trading policies and risk management procedures.

Market risk arising on commodity positions is assessed, estimated and managed on a daily basis using Value at Risk (VaR) techniques, together with other market risk exposure limits. The use of VaR to quantify market risk provides a transversal measure of risk taking all markets and products into account. Use of these techniques requires the determination of key assumptions, notably selection of a confidence interval and a holding period.

VaR represents the maximum potential loss on a portfolio of assets over a specified holding period based on a given confidence interval, and is not an indication of expected results. The Group uses a 1-day holding period and a 95% confidence interval.

Value at Risk *(VaR)* *In millions of euros*	Dec. 31, 2007	2007 average [(a)]	2006 average [(a)]	2005 average[(a)]	2007 Minimum [(b)]	2007 Maximum [(b)]
Trading activities	4.34	4.6	5.8	2.5	9.01	2.12

(a) *Average of daily VaR.*

(b) *Based on month-end highs and lows observed in 2007.*

VaR calculated for hedging derivatives and other commodity derivatives amounted to €49 million at December 31, 2007. These instruments are used to manage and reduce the exposure to market risk liable to impact the expected margin on the Group's production assets.

15.3.3.2 Liquidity risk

See Note 15.1.2 for details of the Group's liquidity risk management policy.

The table below provides an analysis of undiscounted fair values due and receivable in respect of commodity derivatives recorded in assets and liabilities at the balance sheet date.

Liquidity risk

In millions of euros	2008	2009	2010	2011	2012	> 5 ans	Total
Derivative instruments carried in liabilities	(5,854.8)	(1,993.5)	(552.6)	(28.6)	(76.0)	(44.9)	(8,550.4)
Derivative instruments carried in assets	6,041.1	1,872.0	521.2	29.4	92.5	5.8	8,562.0
TOTAL AT DECEMBER 31, 2007	**186.3**	**(121.5)**	**(31.4)**	**0.8**	**16.5**	**(39.1)**	**11.6**

15.3.3.3 Credit risk

The Group is exposed to credit risk arising from the use of derivative financial instruments. Credit risk reflects the risk that one party to a financial instrument will cause a financial loss for the Group by failing to fullfill the contractual obligations under the derivative contract. In the case of derivatives, credit risk arises on instruments with a positive fair value. When the fair value of derivatives is negative, the Group owes the counterparty and therefore does not incur any credit risk. Credit risk is built into the calculation of the fair value of derivative instruments.

The risk is minimized by credit procedures and the Group's risk management policy, which involves assessing counterparties' financial position and credit rating, obtaining collateral, and using standard netting agreements wherever possible.

Counterparty risk *In millions of euros*	Dec. 31, 2007		Dec. 31, 2006	
	Investment grade [(a)]	Total	Investment grade [(a)]	Total
Counterparties				
Gross exposure	4,185.0	4,512.5	3,634.9	5,036.5
Net exposure [(b)]	1,538.2	1,703.7	1,516.2	1,575.9
% exposure to counterparties rated investment grade	90.3%		96.2%	

(a) *«Investment grade» corresponds to transactions with counterparties related at least BBB- by Standard & Poor's, Baa3 by Moody's, or an equivalent by Dun & Bradstreet. Counterparties are also qualified as investment grade based on publicly available credit ratings, taking into account the existence of collateral, letters of credit and parent company guarantees.*

(b) *After taking into account collateral requirements, netting agreements and other credit risk mitigation techniques.*

15.3.4 Off-balance sheet commitments relating to commodity sale and purchase contracts entered into within the ordinary course of business

In the ordinary course of their activities, some Group operating companies enter into long-term or «take-or-pay» contracts. These consist of firm commitments to purchase (sell) specified quantities of gas, electricity and steam and related services, in exchange for a firm commitment from the other party to deliver (purchase) said quantities and services. These contracts are documented as falling outside the scope of IAS 39. The table below shows the main commitments arising on contracts entered into by SUEZ Energy Europe, SUEZ Energy International and Elyo. They are valued at the closing spot rate or the price specified in the contract if this is not exclusively based on market conditions, discounted over their remaining life at a rate corresponding to the yield to maturity of investment grade corporate bonds. The Group is also committed to purchasing and selling future services in connection with the performance of long-term contracts.

In millions of euros	Dec. 31, 2007	Within 1 year	1 to 5 years	More than 5 years	Dec. 31, 2006
Firm purchases of commodities, fuel and services	52,350.3	9,739.0	20,535.0	22,076.3	56,705.0
TOTAL COMMITMENTS GIVEN	**52,350.3**	**9,739.0**	**20,535.0**	**22,076.3**	**56,705.0**
Firm sales of gas, electricity, steam, oil and services	40,322.4	14,245.0	16,775.2	9,302.2	35,939.0
TOTAL COMMITMENTS RECEIVED	**40,322.4**	**14,245.0**	**16,775.2**	**9,302.2**	**35,939.0**

NOTE 16
INVENTORIES

Inventories mainly comprise fuel (coal, gas and uranium) and amounted to €1,571.8 million at December 31, 2007, €1,483.4 million at December 31, 2006 and €1,344.8 million at December 31, 2005.

Greenhouse gas emissions rights

The carrying amount of greenhouse gas emissions rights is not material.

In thousands of tons	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Rights granted	48,334.2	45,741.9	43,715.6
Rights purchased	24,541.5	15,214.5	935.6
Rights returned and/or used	(38,036.1)	(44,174.4)	(42,283.7)
Rights sold	(17,964.0)	(10,498.7)	(7,102.0)
TOTAL	**16,875.6**	**6,283.3**	**(4,734.5)**

NOTE 17
OTHER ASSETS

	Dec. 31, 2007			Dec. 31, 2006			Dec. 31, 2005		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Reimbursement rights	449.2	39.7	488.9	523.7	40.8	564.5	1,393.6	267.3	1,660.9
Tax receivables		1,229.8	1,229.8		923.1	923.1		726.3	726.3
Other receivables	281.3	1,287.0	1,568.3	255.1	1,372.7	1,627.8	292.9	1,699.5	1,992.4
TOTAL	**730.5**	**2,556.5**	**3,287.0**	**778.8**	**2,336.6**	**3,115.4**	**1,686.5**	**2,693.1**	**4,379.6**

Reimbursement rights at December 31, 2007 include:

- Electrabel's reimbursement rights relating to pension obligations for employees of the distribution business of Walloon mixed inter-municipal companies (€309.5 million, including a current portion of €39.7 million). Reimbursement rights arise because Electrabel makes its personnel available to the inter-municipal companies for the day-to-day operation of the networks. All related personnel costs (including pension costs) are billed by Electrabel to the inter-municipal companies based on actual costs. Electrabel's pension obligations regarding these employees are now included within liabilities under provisions for pensions and other employee benefit obligations. The matching entry is a reimbursement right in respect of the inter-municipal companies for a similar amount;
- insurance policies taken out with Contassur, a related party, in order to finance certain Group pension obligations, representing €179.3 million;

Changes in reimbursement rights between 2006 and 2005 are mainly attributable to the sale of Electrabel Netten Vlaanderen and to the creation of Brussels Network Operations (see Note 2.2.2).

NOTE 18
EQUITY

18.1 Share capital

The Group has no ordinary shares that are not fully paid up. At December 31, share capital breaks down as follows:

Shares issued	Number of shares	Share capital *In millions of euros*
At December 31, 2007 Ordinary shares with a par value of €2 - fully paid up	1,307,043,522	2,614.09
At December 31, 2006 Ordinary shares with a par value of €2 - fully paid up	1,277,444,403	2,554.89
At December 31, 2005 Ordinary shares with a par value of €2 - fully paid up	1,270,756,255	2,541.51

Shares were issued during the year as a result of the following operations:

	Number of shares	Share capital *In millions of euros*	Additional paid-in capital *In millions of euros*
Exercise of stock subscription options	16,450,543	32.9	406.0
Cash capital increase reserved for employees	13,148,576	26.3	361.6
TOTAL	**29,599,119**	**59.2**	**767.6**

Each shareholder is entitled to one vote per share at any Shareholders' Meeting of the Group. A double voting right is, however, granted to holders of fully paid-up registered shares when such shares have been registered for more than two years.

18.2 Movements in the number of shares outstanding

At December 31, 2005	**1,257,860,134**
Shares issued	6,688,148
Purchases and disposals of treasury stock	8,203,206
At December 31, 2006	1,272,751,488
Shares issued	29,599,119
Purchases and disposals of treasury stock	(25,845,657)
At December 31, 2007	**1,276,504,950**

18.3 Instruments providing a right to subscribe for new shares

Stock subscription options

The Group has granted stock subscription options to its employees as part of stock option plans. These plans are described in Note 26.

18.4 Treasury stock and stock repurchase program

The Group has a stock repurchase program authorized by the Shareholders' Meeting held on May 4, 2007. This program provides for the buyback of up to 10% of the shares comprising capital stock at the Shareholders' Meeting date. Under the program, the aggregate amount of acquisitions net of expenses cannot exceed the sum of €7 billion and the purchase price cannot exceed €55 per share. Details of these terms and conditions are provided in the report of the Ordinary and Extraordinary Shareholders' Meeting in the Resolutions section of this document. In the context of this program, 28,306,342 shares were purchased in 2007 for a total amount of €1,150.5 million.

Treasury stock comprised 30,538,572 shares at December 31, 2007 (4,692,915 shares at December 31, 2006 and 12,896,121 shares at December 31, 2005), with a total value of €1,214.7 million (€132.2 million at end-2006 and €355.7 million at end-2005), representing an increase of 25,845,657 shares.

Of these, treasury stock owned by consolidated subsidiaries and deducted from equity amounted to €8.5 million.

	Number of shares	Amount *(in millions of euros)*
At December 31, 2005	**12,896,121**	**355.7**
Purchases by the parent company	10,211,710	338.2
Sales by the parent company	(18,414,916)	(561.7)
At December 31, 2006	**4,692,915**	**132.2**
Purchases by the parent company	28,306,342	1,150.6
Sales by the parent company	(2,911,336)	(71.6)
Sales by subsidiaries	(75,824)	(0.1)
Change in percentage ownership of subsidiaries	526,475	3.6
At December 31, 2007	**30,538,572**	**1,214.7**

18.5 Changes in fair value (attributable to equity holders of the parent Company)

In millions of euros	Dec. 31, 2005	Change	Dec. 31, 2006	Change	Dec. 31, 2007
Available-for-sale financial assets	**808.1**	290.4	**1,098.4**	353.7	**1,452.1**
Net investment hedges	**(51.0)**	42.4	**(8.6)**	4.2	**(4.4)**
Cash flow hedges	**(104.3)**	87.3	**(17.0)**	(61.9)	**(79.0)**
Commodity cash flow hedges	**(567.0)**	658.5	**91.5**	342.8	**434.4**
Actuarial gains and losses	**(351.0)**	52.4	**(298.6)**	381.5	**82.9**
Deferred taxes	**332.0**	(318.3)	**13.7**	(247.4)	**(233.7)**
Translation adjustments	**562.8**	(319.7)	**243.2**	(372.3)	**(129.1)**
TOTAL	**629.6**	**493.0**	**1,122.6**	**400.7**	**1,523.2**

18.6 Other disclosures concerning additional paid-in capital and consolidated reserves

Total additional paid-in capital and consolidated reserves at December 31, 2007 (including net income for the year) amounted to €19,270.1 million, of which €261.4 million related to the legal reserve of SUEZ SA. Under French law, 5% of net income of French companies must be transferred to the legal reserve until the legal reserve reaches 10% of share capital. This reserve cannot be distributed to shareholders other than in the case of liquidation.

The distributable paid-in capital and reserves of SUEZ SA, the parent company, totalled €33,916.4 million at December 31, 2007 (versus €28,908.7 million at December 31, 2006 and €23,044.8 million at December 31, 2005).

Income tax recognized directly in equity is detailed in Note 7.2.

18.7 Dividends

Dividends paid by SUEZ SA

Fiscal year	Amount distributed *In millions of euros*	Net dividend per share *n euros*
2005 (paid May 8, 2006)	1,260.2	1.00
2006 (paid May 7, 2007)	1,513.8	1.20

Proposed dividend for 2007

Shareholders at SUEZ Group's General Meeting convened to approve the financial statements for the year ended December 31, 2007 will be asked to approve a dividend of €1.36 per share, representing a total amount of €1,737.5 million.

Subject to approval by the Shareholders' Meeting, this dividend shall be paid from Monday May 14, 2008 and is not recognized as a liability in the accounts at December 31, 2007. The financial statements at December 31, 2007 are therefore presented before the appropriation of earnings.

18.8 Capital management

SUEZ aims to optimize its financial structure at all times by pursuing an appropriate balance between net debt (see Note 14.3) and total equity, as shown in the consolidated balance sheet. The Group's key objective in managing its financial structure is to maximize value for shareholders, reduce the cost of capital and maintain a high credit rating, while at the same time ensuring the Group has the financial flexibility to leverage value-creating external growth opportunities. The Group manages its financial structure and makes any necessary adjustments in light of prevailing economic conditions. In this context it may choose to adjust the amount of dividends paid to shareholders, reimburse a portion of capital, carry out share buybacks, issue new shares, launch share-based payment plans or sell assets in order to scale back its net debt.

The Group's policy is to maintain an «A» rating with Moody's and S&P. To achieve this, it manages its financial structure in line with the indicators usually monitored by these credit rating agencies, which include the Group's operating profile, financial policy and a series of financial ratios. One of the most commonly used ratios is operating cash flow less financial expenses and taxes paid expressed as a percentage of adjusted net debt. Net debt is primarily adjusted for nuclear waste reprocessing and storage provisions, provisions for unfunded pension plans, and operating lease commitments.

The Group's objectives, policies and processes for managing capital have remained unchanged over the past few years.

SUEZ SA is not required to comply with any minimum capital requirements except those provided for by law.

NOTE 19
PROVISIONS

In millions of euros	Dec. 31, 2006	Allocations	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments	Translation adjustments	Other	Dec. 31, 2007
Pensions and other employee benefit obligations	2,797.5	121.7	(194.2)	(52.3)	0.6	83.0	2.1	(412.4)	2,346.2
Reprocessing and storage costs of nuclear fuels	3,031.1	103.6	(28.3)	(71.1)	0.0	147.0	0.0	0.0	3,182.4
Sector-related risks	260.4	40.5	(62.8)	(34.8)	1.5	0.0	(0.1)	1.2	205.8
Dismantling of plant and equipment [(a)]	1,820.7	6.9	(10.1)	(9.0)	(0.0)	98.6	0.8	136.4	2,044.3
Warranties	65.3	31.5	(14.6)	(3.5)	0.0	0.0	(1.9)	2.3	79.1
Disputes, claims and tax risks	461.2	70.7	(181.0)	(16.5)	0.9	0.0	(4.3)	5.1	336.1
Site rehabilitation	485.9	41.8	(43.3)	(0.1)	9.8	25.2	(10.4)	16.3	525.0
Restructuring costs	80.8	24.5	(39.3)	(4.2)	(0.1)	0.7	(0.4)	(8.0)	54.1
Other contingencies	782.9	225.9	(181.2)	(86.9)	21.4	12.5	(2.5)	9.9	782.1
TOTAL PROVISIONS	**9,785.8**	**667.0**	**(754.7)**	**(278.3)**	**34.1**	**367.1**	**(16.7)**	**(249.2)**	**9,555.1**

(a) *Of which €1,896.3 million in provisions for dismantling nuclear facilities at December 31, 2007.*

The impact of unwinding discount adjustments in respect of pensions and other employee benefits relates to the interest cost on the pension obligations, net of the expected return on plan assets.

Regarding pensions and other employee benefit obligations, the «Other» column relates to changes in reimbursement rights arising on the secondment of distribution employees to Walloon inter-municipal companies, and actuarial gains and losses generated in 2007 and recognized in equity.

Allocations, reversals and changes relating to unwinding the discount are presented as follows in the income statement:

In millions of euros	Net allocations
Income from operating activities	(358.6)
Other financial income and expenses	367.1
Income tax expense	(7.4)
TOTAL	**1.1**

The different types of provisions and the calculation principles applied are described hereafter.

19.1 Employee benefit obligations

See Note 20.

19.2 Nuclear liabilities

In the context of its nuclear power generation activities, the Group incurs decommissioning liabilities relating to the dismantling of nuclear facilities and the reprocessing of nuclear spent fuel.

19.2.1 Legal framework

The Belgian law of April 11, 2003, amended by the law of April 25, 2007, granted Group subsidiary Synatom responsibility for managing provisions set aside to cover the costs of dismantling nuclear power plants and managing radioactive fissile material from such plants. One of the tasks of the Nuclear Provisions Committee set up pursuant to the above-mentioned law is to oversee the process of computing and managing these provisions. The Committee also issues opinions on the maximum percentage of funds that Synatom can lend to operators of nuclear plants and on the types of assets in which Synatom may invest its outstanding funds.

To enable the Committee to carry out its work in accordance with the above-mentioned law, Synatom is required to submit a report every three years describing the core inputs used to calculate these provisions.

On January 15, 2007 Synatom submitted its most recent triennial review of nuclear provisions to the Monitoring Committee (since renamed the Nuclear Provisions Committee by the April 25, 2007 law). Its recommendations do not impact the core inputs described in the previous report, notably in terms of the estimation methods, financial parameters and management scenarios to be used. The changes put forward were aimed at incorporating the latest economic data and detailed technical analyses into the calculations.

The Monitoring Committee approved the new proposals on March 16, 2007. This led to (i) an increase of €133 million in the provision for dismantling nuclear facilities, with a corresponding adjustment to the dismantling asset in the same amount; and (ii) a €71 million reduction in the provision for the management of radioactive fissile materials, included within current operating income in 2007.

The provisions set aside also take into account all existing or planned environmental regulatory requirements on a European, national and regional level. If additional legislation were to be introduced in the future, the cost estimates used as a basis for the calculation could vary. However, the Group is not aware of additional planned legislation which would materially impact the value of the provision.

19.2.2 Provisions for dismantling nuclear facilities

Nuclear power stations have to be dismantled at the end of their operational lives. Provisions are set aside in the Group's accounts to cover all costs relating to (i) the shutdown phase, which involves removing radioactive fuel from the site; and (ii) the dismantling phase, which consists of decommissioning and cleaning up the site.

Provisions for dismantling nuclear facilities are calculated based on the following principles and parameters:

- costs payable over the long term are calculated by reference to the estimated costs for each nuclear facility, based on a study conducted by independent experts under the assumption that the facilities will be dismantled progressively;
- an inflation rate of 2% is applied up to the end of the dismantling period to calculate the future value of the obligation;
- a discount rate of 5% (including 2% inflation) is applied to determine the net present value of the obligation. The nominal 5% discount rate approved by the Monitoring Committee in its opinion on the 2007 triennial review is based on an analysis of the average benchmark rate and expected changes in this rate (yield on 30-year Belgian OLO linear bonds, 30-year euro benchmark rate and 30-year interbank swap rate);
- dismantling work is expected to begin between five and eight years after the facilities concerned have been shut down, taking into account a useful life of 40 years as of the date the facilities are commissioned;
- payments are spread over approximately seven years after the date the dismantling work starts;
- the present value of the obligation when the facilities are commissioned represents the initial amount of the provision. The matching entry is an asset recognized for the same amount within the corresponding property, plant and equipment category. This asset is depreciated over a period of 40 years as from the commissioning date;
- the annual charge to the provision, reflecting the interest cost on the provision carried in the books at the end of the previous year, is calculated at the discount rate used to estimate the present value of future cash flows.

The nuclear facilities for which the Group holds capacity entitlements are also provisioned in an amount reflecting the Group's share in the expected dismantling costs. This provision is calculated and discounted each year in the same way as provisions for nuclear facilities located in Belgium.

19.2.3 Provisions for nuclear fuel reprocessing and storage

When spent nuclear fuel is removed from a reactor, it remains radioactive and requires processing. There are two different procedures for managing radioactive spent fuel, based on either reprocessing or essentially on conditioning without reprocessing. The Belgian government has not yet decided on which scenario will be made compulsory in Belgium.

The Nuclear Provisions Committee bases its analyses on deferred reprocessing of radioactive spent nuclear fuel. The Group therefore books provisions for all costs resulting from this spent fuel management scenario, including on-site storage, transportation, reprocessing by an accredited facility, storage and removal of residual spent fuel after treatment.

Provisions for nuclear fuel reprocessing are calculated based on the following principles and parameters:

- costs are calculated based on the deferred reprocessing scenario, whereby the spent fuel is reprocessed and ultimately removed and buried in a deep geological depository;
- payments are staggered over a period through to 2050, when any residual spent fuel and the provision required to cover the cost of removal and deep underground storage will be transferred to ONDRAF, the Belgian agency for radioactive waste and enriched fissile materials. Based on the deferred reprocessing scenario, the last residual spent fuel would be buried in about 2080;
- the long-term obligation is assessed based on estimated internal costs and external costs resulting from firm offers received from third parties or fee proposals from independent organizations;
- the 5% discount rate used (actual rate of 3% plus 2% inflation) is the same as that used for the facility dismantling provision;
- charges to the provision are calculated based on the average unit cost of quantities used up to the end of the facility's operating life.
- an annual allocation is also recognized, corresponding to the impact of unwinding the discount.

In view of the nature and timing of the costs they are intended to cover, the actual future cost may differ from estimates, The provisions may be adjusted in line with future changes in the above-mentioned parameters. These parameters are nevertheless based on information and estimates which the Group deems reasonable at the date of this report and which have been approved by the Nuclear Provisions Committee.

19.2.4 Sensitivity to discount rates

Based on currently applicable parameters in terms of estimated costs and the timing of payments, a change of 50 base points in the discount rate could lead to an adjustment of around 10% in dismantling and nuclear fuel reprocessing provisions. A fall in discount rates would lead to an increase in outstanding provisions, while a rise in discount rates would reduce the provision amount. Changes arising as a result of the review of the dismantling provision would not have an immediate impact on income, since the matching entry in certain cases would consist of adjusting the corresponding dismantling asset in the same amount.

Sensitivity to discount rates, presented above in accordance with the applicable standards, is an automatic calculation and should therefore be interpreted with appropriate caution in view of the variety of other inputs including in the evaluation. Moreover, the frequency with which these provisions are reviewed by the Nuclear Provisions Committee in accordance with applicable regulations ensures that the overall obligation is measured accurately.

19.3 Dismantling obligations arising on other plant and equipment

Certain plant and equipment (mainly conventional power stations) have to be dismantled at the end of their operational lives. This obligation is the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

The related liability is calculated using the most appropriate technical and budget estimates. Payments to be made over the long-term are discounted using the discount rate applied to provisions for dismantling nuclear facilities (5%).

Upon initial recognition, the Group books a provision for the present value of the obligation at the commissioning date and recognizes a «dismantling» asset as the matching entry for the provision. This asset is included within the appropriate line of property, plant and equipment and is depreciated over the useful life of the facilities.

The amount of the provision is adjusted each year to reflect the impact of unwinding the discount.

19.4 Sector-related risks

Provisions for sector-related risks include provisions covering guarantees given in connection with disposals which are likely to be called on.

19.5 Site rehabilitation

The June 1998 European Directive on storage facilities introduced a number of obligations regarding the closure and long-term monitoring of waste storage facilities. These obligations lay down the rules and conditions incumbent on the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage, collection and treatment centers for liquid (leachates) and gas (biogas) effluents. It also introduces provisions for these facilities to be inspected every 30 years.

These obligations give rise to two types of provisions (rehabilitation and long-term monitoring) calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are set aside over the period the site is in operation, pro rata to the depletion of waste storage volume. 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 counterparty to the provision and depreciated in line with the depletion of waste storage volume or the need for coverage during the period.

The amount of the provision for site rehabilitation (at the time the facility is shut down) depends on whether a semi-permeable, semi-permeable with a drainable facility, or impermeable shield is used. This has a considerable impact on future levels of leachate effluents and hence on future waste treatment costs. To calculate the provision, the cost to rehabilitate the as-yet untreated surface area needs to be estimated. The provision carried in the balance sheet at year-end must cover the costs to rehabilitate the untreated surface area (difference between the fill rate and the percentage of the site's surface that has already been rehabilitated). The amount of the provision is reviewed each year based on work completed or still to be carried out.

The calculation of the provision for long-term monitoring depends on both the costs arising on the production of leachate and biogas effluents, and on the amount of biogas recycled. The recycling of biogas represents a source of revenue and is deducted from the amount of long-term monitoring expenditure. 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 is in operation;
- upkeep and maintenance of the protective shield and infrastructures (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells;
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations to be recognized at year-end depends on the fill rate of the facility at the end of the period, estimated aggregate costs per year and per caption (based on standard or specific costs), the estimated shutdown date and the discount rate applied to each site (based on its residual life).

19.6 Other contingencies

Other risks mainly include provisions for miscellaneous employee-related litigation, environmental risks and various business risks.

NOTE 20

PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

20.1 Description of the main pension plans and related benefits

20.1.1 Companies belonging to the electricity and gas sector in Belgium

In Belgium, the rights of employees in electricity and gas sector companies, principally Electrabel, Electrabel Customer Solutions (ECS), Distrigas, Fluxys and Laborelec, and some SUEZ-TRACTEBEL SA employee categories, are governed by collective bargaining agreements.

These agreements, applicable to «wage-rated» employees recruited prior to June 1, 2002 and managerial staff recruited prior to May 1, 1999, specify the benefits entitling employees to a supplementary pension equivalent to 75% of their most recent annual income, for a full career and in addition to the statutory pension. These top-up pension payments are provided under defined benefit plans and are partly reversionary. In practice, the benefits have to be paid in the form of a lump sum for the majority of plan participants.

Most of the obligations resulting from these pension plans are financed through pension funds set up for the electricity and gas sector and by certain insurance companies.

Pre-funded pension plans are financed by employer and employee contributions. Employer contributions are calculated annually based on actuarial assessments, in order to verify that the minimum legal financing requirements are met and that the benefits will be financed in the long-term.

«Wage-rated» employees recruited after June 1, 2002 and managerial staff recruited after May 1, 1999 are covered under defined contribution plans. However, for contributions paid since January 1, 2004, Belgian law specifies a minimum average annual return of 3.25% over the beneficiary's service life. Any deficit has to be borne by the employer. Therefore, for the portion of pension obligations corresponding to contributions paid since January 1, 2004, these plans should be considered as defined benefit plans. Returns on the contributions paid since 2004 exceed the minimum average annual return of 3.25%.

Electricity and gas sector companies also grant other employee benefits such as the reimbursement of medical expenses, electricity and gas price reductions, as well as jubilee benefits and early retirement schemes. These benefits are not pre-funded, with the exception of the special «*allocation transitoire*» termination indemnity (equal to three months' statutory pension), the management of which is outsourced.

The valuation of obligations takes into account, within the framework of the current regulatory context and of the collective bargaining agreements in force, the methods used by the electricity and gas supply sector in Belgium. With regard to the separation of production and distribution activities, the breakdown of obligations has been reviewed and the ensuing consequences were taken into account at December 31, 2006.

In 2007, a new defined benefit plan with a step rate formula was offered to managerial staff recruited before May 1, 1999. These employees were given the choice of:

- remaining in their current plan offering the benefits described above;
- subscribing to the new pension plan with a step rate formula;
- requesting a transfer to the defined contribution plan available for managerial staff recruited after May 1, 1999.

The majority of managerial staff opted for the new pension plan.

A new defined benefit step-rate plan was also offered to wage-rated employees recruited before June 1, 2002. Employees migrated to this new benefit plan via an industry-wide collective bargaining agreement.

The Group has an additional obligation of €51 million as a result of these benefits, of which €12 million is funded by a reimbursement right on certain inter-municipal companies (see below).

The projected benefit obligation relating to these plans represented around 46% of total pension obligations and related liabilities at December 31, 2007.

20.1.2 Companies belonging to the Electricity and Gas Industries (EGI) sector in France

The pension plan for statutory civil servants of companies belonging to the EGI sector in France is partly covered by the legislation governing mandatory state pension plans within the meaning of the French Social Security Code. The Group companies participating in this plan are CPCU, SMEG, TIRU, GEG, Compagnie Nationale du Rhône (CNR) and, more recently, SHEM.

Since January 1, 2005, the Caisse Nationale des Industries Electriques et Gazières (CNIEG) has operated the pension, disability, life, industrial accident and occupational illness benefit plans for EGI sector companies. Salaried employees and retirees of EGI sector companies have been automatically affiliated to the CNIEG since January 1, 2005.

At January 1, 2005, the pension plan of EGI sector companies was incorporated into the statutory pension system, as well as into the ARRCO and AGIRC plans (mandatory supplementary pension schemes). The EGI sector companies are affiliated to the state plan on a «full integration» basis[4]. In respect of the ARRCO and AGIRC plans, the EGI sector companies have opted for «minimum integration[5].»

Benefits in excess of those granted by the statutory pension system are known as “specific benefits” (*droits spécifiques*). These defined benefits are financed in accordance with the French law of August 9, 2004 and are provisioned in the accounts of the companies concerned in accordance with the terms of said law and its implementing decrees.

At the end of 2007 the French government embarked on a reform of special public sector pensions *(régimes spéciaux)* in response to the demographic and financial challenges these schemes will face in the coming years. The Minister of Labor, Social Affairs and Solidarity provided the CNIEG’s Board of Directors with a draft of the decree defining the framework for bringing these special pension schemes into line with standard public sector pensions.

At the same time, negotiations began with trade unions and employers concerning measures for assisting with the reform, which include pay rises, late-career compensatory measures and an improvement in the welfare scheme for the professional branch of EGI companies.

The CNIEG carried out a number of simulations to determine the impact of this reform on the provisions set aside by the companies affected. Based on constant assumptions over the period analyzed, the reforms would lead to a non-material reduction in SUEZ Group’s pension obligations.

Agreements have also been signed between (i) SMEG and the CNIEG; and (ii) SMEG and the Caisse d’Allocation de Retraite Monégasque (CAR), pursuant to which:

- the CNIEG takes over all obligations with regard to retirees and other beneficiaries no longer affiliated with SMEG (full and final discharge);
- the CAR takes over from CNAV in financing pensions for SMEG’s active employees.

This leads to a write-back of €20 million from the provision for pension obligations in respect of SMEG retirees transferred to the CNIEG.

20.1.3 Other companies

Most other Group companies also grant their staff employee benefits (pension and early retirement plans, retirement indemnities, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and other long-service awards.

Benefits granted under defined benefit plans are allocated in the form of a lump sum paid upon the employee’s retirement or annuities, both of which are generally based on the final salary and length of service.

In the United States and United Kingdom, the annuities paid on retirement are generally determined as a percentage of the final salary.

In France, retirement bonuses are paid to employees, and the amount, set by the applicable collective bargaining agreement, is defined in terms of a number of months’ salary calculated based on the employee’s length of service at retirement. Certain French subsidiaries also offer supplementary defined benefit plans that guarantee a level of annuity upon retirement.

Defined benefit pension plans may be fully or partly pre-funded by employer contributions to a pension fund (as is the case in the United States and United Kingdom) or a dedicated fund managed by an insurance company (France). With the exception of the United States, other employee benefit plans and other long-term benefits are generally not pre-funded.

4. *The French statutory pension scheme is liable for all past benefits, in exchange for a balancing cash adjustment («soulte») designed to maintain its stability following the affiliation of EGI sector personnel.*

5. *The ARRCO and AGIRC plans are liable for their portion of past benefits, allocated using a coefficient calculated in such a way as to prevent instability in these schemes following the affiliation of EGI sector personnel. In this case, no balancing cash payment is due.*

20.1.4 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans, covering pension, death and disability benefits legally paid in the form of annuities. Multi-employer plans are particularly common in the Netherlands, where electricity and gas sector employees are normally required to participate in a compulsory industry-wide scheme.

Multi-employer plans can be classified as either defined contribution or defined benefit plans, depending on the terms and conditions applicable to the plan (and any constructive obligation beyond the formal terms and conditions of the plan). In the absence of any regulations governing the calculation of the share of the underlying financial position and the performance attributable to each participating employer, and in the absence of any surplus or shortfall that could affect future levels of contributions, these multi-employer plans are treated as defined contribution plans in accordance with IAS 19.

This concerns mainly subsidiaries of SUEZ Energy Services (SES) based in the Netherlands (mainly GTI Nederland and Axima Services B.V.), together with Electrabel Nederland and SITA Nederland, which participate in three multi-employer plans: Pensioenfonds Metaal en Techniek (PMT), Stichting Bedrijfstakpensioenfonds voor het beroepsvervoer over de weg (BPF Vervoer) and Algemeen Burgerlijk Pensioenfonds (ABP).

GTI Nederland and Axima Services are affiliated to PMT. This multi-employer fund has one million members originating from 31,000 different employers. Based on the market value of its plan assets, PMT was 138%-funded at December 31, 2006.

Since January 1, 2006, the retirement annuity payable has been set at 2.236% of the portion of the retiree's salary below the *grensbedrag* (€70,108 in 2007) and at 1.75% of the portion of the salary in excess of this limit. The salary used to calculate annuities is the employee's annual remuneration, less a deductible of €14,224 for 2007. Indexation of retirement annuities is not guaranteed, but is decided by PMT's Management Committee based on the financial position of the fund.

PMT provides retirement and death benefits for its members. The cost of these benefits equals 26% of the portion of salary between the deductible and the *grensbedrag* and 17% of the portion of salary in excess of the *grensbedrag* limit, and are shared equally between employer and employee.

Most SITA Nederland employees are affiliated to the industry-wide pension fund BPF Vervoer. This fund has 550,000 members originating from 8,600 different employers in the freight and passenger transport industries. BPF Vervoer manages assets worth €5.4 billion.

The fund grants annuities to affiliated employees upon retirement. Since 2006, annuities accrued each year equal 2.05% of the employee's annual salary less a deductible of €9,819 in 2007. Rights which vested before 2006 are calculated in accordance with the fund's previous regulations. Retirement annuities may be indexed on an annual basis, at the discretion of the fund's Board of Directors, but the indexation rate may not exceed the salary increase rate for the sector.

Contributions paid into this fund represent 28.2% of the employee's annual salary less the deductible, and 9.6% of the contributions are paid by the employee.

Electrabel Nederland's employees are affiliated to the ABP by law. ABP is one of the largest multi-employer funds in the Netherlands, with 2.6 million members originating from 4,000 employers. ABP manages assets worth €200 billion.

ABP's regulations provide for the payment of retirement annuities. For years of service after 2006, these annuities are equal to 2.05% of the employee's salary less a deductible of €9,600 in 2007. For years of service prior to 2006, the fund's previous regulations apply. Retirement annuities paid are indexed to the fund's financial position.

In 2006, employee and employer contributions were respectively calculated as 5.82% and 13.58% of the portion of the employee's annual salary in excess of the deductible, and therefore represented 19.40% of the total benchmark salary.

20.2 Defined benefit plans

SUEZ's obligations for pensions and other employee benefit plans are as follows:

In millions of euros	Dec 31, 2007			Dec 31, 2006			Dec 31, 2005		
	Pension benefit obligations [a]	Other benefit obligations [b]	Total benefit obligations	Pension benefit obligations [a]	Other benefit obligations [b]	Total benefit obligations	Pension benefit obligations [a]	Other benefit obligations [b]	Total benefit obligations
A - CHANGE IN PROJECTED BENEFIT OBLIGATION									
Projected benefit obligation at January 1	**(4,412.9)**	**(804.2)**	**(5,217.1)**	**(5,446.4)**	**(1,060.7)**	**(6,507.1)**	**(5,195.9)**	**(894.4)**	**(6,090.3)**
Service cost	(113.3)	(41.5)	(154.8)	(115.9)	(26.6)	(142.5)	(119.4)	(27.9)	(147.3)
Interest cost	(208.8)	(32.7)	(241.5)	(200.3)	(32.2)	(232.5)	(254.4)	(44.3)	(298.7)
Contributions paid	(7.8)		(7.8)	(8.6)		(8.6)	(11.9)	0.0	(11.9)
Amendments	(55.7)		(55.7)	1.4	(1.5)	(0.1)	(0.3)	0.0	(0.3)
Acquisitions/disposals of subsidiaries	8.7	(0.6)	8.1	918.6	250.7	1,169.3	5.4	(4.1)	1.3
Curtailments/settlements	154.9	4.1	159.0	129.4	1.5	130.9	115.8	7.5	123.3
Special terminations	(6.0)	(2.5)	(8.5)	(8.8)	(1.6)	(10.4)	(1.8)	(14.4)	(16.2)
Actuarial gains and losses	273.0	115.1	388.1	21.8	1.3	23.1	(330.8)	(131.3)	(462.1)
Benefits paid	297.1	39.9	337.0	306.1	48.1	354.2	414.3	62.7	477.0
Other (foreign currency translation)	5.0	9.1	14.1	(10.1)	16.8	6.7	(67.4)	(14.5)	(81.9)
Projected benefit obligation at December 31 A	**(4,065.8)**	**(713.1)**	**(4,778.9)**	**(4,412.9)**	**(804.2)**	**(5,217.0)**	**(5,446.4)**	**(1,060.7)**	**(6,507.1)**
B - CHANGE IN FAIR VALUE OF PLAN ASSETS									
Fair value of plan assets at January 1	**2,406.4**	**46.9**	**2,453.3**	**2,561.0**	**47.8**	**2,608.8**	**2,378.6**	**38.2**	**2,416.8**
Expected return on plan assets	132.7	3.3	136.0	126.9	3.2	130.0	146.3	3.0	149.3
Actuarial gains and losses	49.8	1.5	51.3	31.0	0.4	31.4	96.5	0.6	97.1
Contributions received	238.9	39.1	278.0	282.6	47.5	330.1	339.4	64.2	403.6
Acquisitions/disposals of subsidiaries	(2.3)		(2.3)	(259.6)		(259.6)	(5.1)	0.0	(5.1)
Curtailments/settlements	(63.5)		(63.5)	(16.6)		(16.6)	(67.9)	0.0	(67.9)
Benefits paid	(297.1)	(39.9)	(337.0)	(306.1)	(48.1)	(354.2)	(414.3)	(62.8)	(477.1)
Other (foreign currency translation)	(12.9)	(4.0)	(16.9)	(12.7)	(3.9)	(16.6)	87.5	4.6	92.1
Fair value of plan assets at December 31 B	**2,452.0**	**46.9**	**2,498.9**	**2,406.4**	**46.9**	**2,453.2**	**2,561.0**	**47.8**	**2,608.8**
C - FUNDED STATUS A+B	**(1,613.8)**	**(666.2)**	**(2,280.0)**	**(2,006.5)**	**(757.3)**	**(2,763.8)**	**(2,885.4)**	**(1,012.9)**	**(3,898.3)**
Unrecognized past service cost	(1.2)	(15.3)	(16.5)	5.6	(17.4)	(11.7)	10.7	(21.2)	(10.5)
Asset ceiling	(1.9)		(1.9)	(0.3)		(0.3)	(0.5)		(0.5)
NET BENEFIT OBLIGATION	**(1,616.9)**	**(681.5)**	**(2,298.4)**	**(2,000.9)**	**(774.8)**	**(2,775.7)**	**(2,875.2)**	**(1,034.1)**	**(3,909.3)**
ACCRUED BENEFIT LIABILITY	**(1,662.1)**	**(684.1)**	**(2,346.2)**	**(2,019.6)**	**(777.4)**	**(2,797.0)**	**(2,905.1)**	**(1,037.3)**	**(3,942.4)**
PREPAID BENEFIT COST	**45.2**	**2.5**	**47.8**	**18.7**	**2.6**	**21.3**	**29.9**	**3.2**	**33.1**

(a) Pensions and retirement bonuses.

(b) Long-service awards, healthcare and other employee benefits.

SUEZ Group's obligations as presented above are grossed up with the reimbursement rights resulting from the pension obligations of the inter-municipal companies and against the portion of plan assets held by Contassur following its reclassification as a related party[6].

Obligations towards employees of Electrabel's distribution business are covered by a reimbursement right granted by the inter-municipal companies. The inter-municipal companies in the Walloon region do not have staff of their own and use Electrabel's distribution services, skills and experience for the day-to-day operation of the networks. All related personnel costs (including pension costs) are billed by Electrabel to the inter-municipal companies based on actual costs.

In light of Electrabel's right to reimbursement from the inter-municipal companies, pension obligations in relation to distribution employees (€309.7 million at December 31, 2007) are subsequently grossed up with the receivable recognized as an asset in the same amount.

This item decreased significantly in 2006 due to the transfer of distribution employees to Eandis and BNO.

Changes in the fair value of Electrabel's reimbursement rights during 2007 may be summarized as follows:

In millions of euros	2007	2006	2005
Fair value at January 1	**377**	**1,353**	**1,258**
Changes in scope of consolidation		(915)	
Actuarial gains and losses	(27)	15	116
Net proceeds for the year	24	(23)	125
Contributions paid	(64)	(53)	(146)
FAIR VALUE AT DECEMBER 31	**310**	**377**	**1,353**

Modifications to IAS 19 in 2000 concerning the notion of related parties led the Group to gross up its pension obligations against the plan assets held by Contassur, and to recognize them as reimbursement rights under assets on the balance sheet. This operation had no impact on the income statement.

Changes in the fair value of the reimbursement rights relating to Contassur during 2007 may be summarized as follows:

In millions of euros	2007	2006	2005
Fair value at January 1	**187.2**	**308.0**	**325.0**
Expected return on plan assets	10.8	12.8	13.0
Actuarial gains and losses	4.7	0.7	(9.0)
Actual return	15.5	13.5	4.0
Employer contributions	8.4	12.3	16.0
Employee contributions	2.5	2.6	4.0
Acquisitions/disposals excluding business combinations	(6.1)	(50.5)	(8.0)
Curtailments	(12.5)	(82.1)	
Benefits paid	(15.7)	(16.6)	(33.0)
FAIR VALUE AT DECEMBER 31	**179.3**	**187.2**	**308.0**

6. *Although Contassur is subject to the same management and control obligations as any insurance company, due to the structure of its customer base and the composition of its executive management, it is considered that SUEZ Group has the power to influence the company's management.*

The decrease in fair value in 2006 also reflects the transfer of employees to Eandis and BNO.

Reimbursement rights are recorded in the balance sheet under «Other assets».

Net actuarial losses recognized in equity amounted to €85.9 million at December 31, 2007 compared to actuarial gains of €310.6 million at end-2006.

In millions of euros	2007	2006	2005
At January 1	**310.6**	**365.0**	**123.8**
Actuarial losses and (gains) generated during the year	(396.5)	(54.4)	241.2
At December 31	**(85.9)**	**310.6**	**365.0**

Actuarial gains and losses presented in the above table include translation adjustments. In the statement of recognized income and expense, translation adjustments are shown separately.

20.2.1 Funding of employee benefit obligations

The funding of these obligations at December 31 for each of the periods presented can be analyzed as follows:

In millions of euros	Actuarial debt	Fair value of plan assets	Unrecognized past service cost	Asset ceiling	Total net obligations
Underfunded plans	(3,319.5)	1,890.5	(12.0)		(1,441.0)
Overfunded plans	(561.8)	608.4	(2.0)	(1.9)	42.7
Unfunded plans	(897.7)		(2.4)		(900.1)
Total at December 31, 2007	**(4,778.9)**	**2,498.9**	**(16.4)**	**(1.9)**	**(2,298.4)**
Underfunded plans	(3,729.6)	2,119.6	(5.8)		(1,615.8)
Overfunded plans	(322.7)	333.6	0.0	(0.2)	10.8
Unfunded plans	(1,164.7)	0.0	(5.9)		(1,170.6)
Total at December 31, 2006	**(5,217.0)**	**2,453.2**	**(11.7)**	**(0.2)**	**(2,775.7)**
Underfunded plans	(4,857.3)	2,209.4	(1.8)	0.0	(2,649.7)
Overfunded plans	(370.3)	399.4	0.0	(0.5)	28.6
Unfunded plans	(1,279.5)	0.0	(8.7)	0.0	(1,288.2)
Total at December 31, 2005	**(6,507.1)**	**2,608.8**	**(10.5)**	**(0.5)**	**(3,909.3)**

20.2.2 Reconciliation with provisions carried in the balance sheet

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

In millions of euros	Liabilities	Assets
Balance at December 31, 2005	**(3,942.4)**	**33.1**
Exchange rate differences	14.4	(1.9)
Changes in scope of consolidation and other	918.6	(13.7)
Actuarial gains and losses	37.8	2.6
Period expense net of contributions	(143.8)	(1.9)
Contributions	318.4	3.2
Balance at December 31, 2006	**(2,797.0)**	**21.3**
Exchange rate differences	(2.0)	(0.4)
Changes in scope of consolidation and other	8.9	(9.0)
Actuarial gains and losses	348.4	35.0
Period expense net of contributions	(165.3)	(8.7)
Contributions	260.7	9.5
Balance at December 31, 2007	**(2,346.2)**	**47.8**

20.2.3 Components of the net periodic pension cost

The net periodic cost recognized in respect of defined benefit obligations for the years ended December 31, 2007, 2006 and 2005 breaks down as follows:

In millions of euros	2007	2006	2005
Current service cost	154.7	142.5	147.3
Interest cost	241.4	232.5	298.7
Expected return on plan assets	(136.0)	(130.0)	(150.1)
Actuarial gains and losses	(55.9)	3.9	37.6
Past service cost	59.3	1.0	1.1
Gains or losses on pension plan curtailments, terminations and settlements	(99.9)	(114.3)	(77.2)
Special terminations	10.3	10.4	16.2
Asset ceiling	0.0	(0.3)	0.5
BALANCE AT DECEMBER 31	**174.0**	**145.6**	**274.1**
o/w recorded in current operating income	68.6	43.2	125.4
o/w recorded in financial income/(loss)	105.4	102.5	148.7

The amount recorded under financial income/(loss) includes a positive €25 million relating to changes in receivables (reimbursement rights) from the inter-municipal companies and from Contassur.

20.2.4 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested in 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 return on investments and acceptable level of risk.

The objectives of these strategies are twofold:

- to maintain sufficient income streams and liquidity to cover pension and other benefit payments; and
- to achieve a long-term return on investments at least equal to the future returns expected by plan participants.

When plan assets are invested in 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 with an insurance company, the latter manages the investment portfolio and generally guarantees a rate of return on the related assets. The insurer's sole obligation in this case is to ensure a fixed minimum return on the plan assets.

The allocation of plan assets by principal asset category can be analyzed as follows:

	2007	2006	2005
Equities	32%	33%	33%
Bonds	47%	45%	42%
Real estate	6%	7%	6%
Other (including money market securities)	15%	15%	19%
TOTAL	**100%**	**100%**	**100%**

20.2.5 Actuarial assumptions

Actuarial assumptions are determined individually per country and company in association with independent actuaries. Weighted discount rates are presented below:

	Pension benefit obligations			Other benefit obligations			Total benefit obligations		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Discount rate	**5.6%**	4.8%	4.5%	**5.1%**	4.2%	4.0%	**5.5%**	4.7%	4.4%
Estimated future increase in salaries	**3.6%**	3.7%	3.9%	**3.4%**	3.5%	3.7%	**3.6%**	3.7%	3.9%
Expected return on plan assets	**6.1%**	5.6%	5.8%	**6.9%**	6.5%	6.6%	**6.1%**	5.6%	5.7%
Average remaining working lives of participating employees	**12 years**	12 years	13 years	**14 years**	13 years	14 years	**12 years**	12 years	13 years

According to the Group's estimates, a +/-1% change in the discount rate would result in a change of approximately 8.7% in the obligations.

The expected rates of return on plan assets, calculated based on prevailing market conditions, are as follows:

- bond yield rates correspond to yields on government bonds, which are consistent with current yields on inflation-indexed bonds;
- the rate of return on equities includes a risk premium of 3% compared with the bond yields;
- the premium included in the rate of return on real estate assets corresponds to a 1% risk premium, calculated pro rata to the expected return on equities.

The expected return on reimbursement rights is 5.75%.

Healthcare cost assumptions incorporate an estimated increase of 3.2% for 2008, 2009 and 2010, and 3.1% for 2011 and 2012 (including inflation).

The breakdown of experience adjustments giving rise to actuarial gains and losses is as follows:

	Dec. 31, 2007		Dec. 31, 2006	
In millions of euros	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Projected benefit obligation	(4,065.8)	(713.1)	(4,412.9)	(804.2)
Fair value of plan assets	2,452.0	46.9	2,406.4	46.9
Surplus/deficit	(1,613.8)	(666.2)	(2,006.5)	(757.3)
Experience adjustments to projected benefit obligation	(11.9)	(61.7)	59.2	(4.1)
Experience adjustments to fair value of plan assets	(9.0)	1.2	(19.1)	1.2

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

In millions of euros	One point increase	One point decrease
Impact on expenses	4.6	(3.7)
Impact on pension obligations	73.7	(40.5)

20.2.6 Geographical breakdown of obligations

In 2007, the geographical breakdown of the main obligations and actuarial assumptions (including inflation) were as follows:

	Euro zone		US		Rest of the world	
In millions of euros	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Net benefit obligations	1,380	596	3	49	233	36
Discount rate	5.1%	5.1%	6.5%	6.6%	7.9%	5.7%
Estimated future increase in salaries	3.5%	3.4%	3.5%	NA	4.1%	4.3%
Expected return on plan assets	5.2%	4.3%	8.5%	8.5%	8.6%	5.8%
Average remaining working lives of participating employees	13 years	13 years	13 years	14 years	10 years	14 years

20.2.7 Payments due in 2008

The Group expects to pay around €83 million in contributions into its defined benefit plans in 2008.

20.3 Defined contribution plans

In 2007, SUEZ recorded a €99 million charge in respect of amounts paid into Group defined contribution plans (€90 million in 2006).

These contributions are recorded under «Personnel costs» in the income statement.

NOTE 21
CONSTRUCTION CONTRACTS

«Amounts due from customers under construction contracts» and «Amounts due to customers under construction contracts» are presented in the balance sheet within «Trade and other receivables» and «Trade and other payables», respectively.

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Amounts due from customers under construction contracts	68.8	21.2	19.3
Amounts due to customers under construction contracts	170.3	203.2	225.3
NET	**(101.5)**	**(182.0)**	**(206.0)**

Contracts in progress at the balance sheet date:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Cumulative income and expenses recognized	2,597.0	2,330.1	2,625.2
Advances received	57.0	77.8	60.6

Contingent liabilities arising under construction contracts are not material.

NOTE 22

FINANCE LEASES

22.1 Finance leases for which SUEZ acts as lessee

The carrying amounts of property, plant and equipment held under finance leases are broken down into different asset categories depending on their type.

The main finance lease agreements entered into by the SUEZ Group primarily concern Novergie's incineration facilities, the Choctaw power station in the US and Elyo's co-generation plants.

The present values of future minimum lease payments break down as follows:

	Future minimum lease payments at Dec. 31, 2007		Future minimum lease payments at Dec. 31, 2006		Future minimum lease payments at Dec. 31, 2005	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value	Undiscounted value	Present value
Year 1	156.6	151.1	153.5	148.9	160.9	157.2
Years 2 to 5 inclusive	483.0	421.4	516.8	462.0	539.2	495.7
Beyond year 5	924.8	501.2	1,064.4	606.2	1,130.3	705.8
Total future minimum lease payments	**1,564.4**	**1,073.7**	**1,734.7**	**1,217.1**	**1,830.4**	**1,358.7**

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in Note 14.2.1 with the maturities of undiscounted future minimum lease payments:

In millions of euros	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
Liabilities under finance leases	1,126.7	134.1	354.3	638.3
Impact of discounting future repayments of principal and interest	437.7	22.5	128.7	286.5
Undiscounted future minimum lease payments	**1,564.4**	**156.6**	**483.0**	**924.8**

22.2 Finance leases for which SUEZ acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They concern (i) energy purchase and sale contracts, particularly where the contract conveys to the purchaser of the energy an exclusive right to use a production asset; and (ii) certain contracts with industrial customers relating to assets held by the Group.

The Group has recognized finance lease receivables in relation to its co-generation plants for Solvay, Total (Belgium), Bowin (Thailand) and Air Products (the Netherlands).

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Undiscounted future minimum lease payments	399.5	464.5	518.2
Unguaranteed residual value accruing to the lessor	21.8	24.0	25.3
TOTAL GROSS INVESTMENT IN THE LEASE	**421.3**	**488.5**	**543.5**
Unearned financial income	**137.8**	**165.7**	**177.0**
NET INVESTMENT IN THE LEASE	**283.5**	**322.8**	**366.5**
o/w present value of future minimum lease payments	*274.9*	*312.8*	*354.5*
o/w present value of unguaranteed residual value	*8.6*	*10.0*	*12.0*

Amounts recognized in the balance sheet in connection with finance leases are detailed in Note 14.1.2 «Loans and receivables carried at amortized cost».

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Year 1	36.4	37.2	37.8
Years 2 to 5 inclusive	142.4	147.2	195.6
Beyond year 5	220.7	280.1	284.8
TOTAL	**399.5**	**464.5**	**518.2**

NOTE 23
OPERATING LEASES

23.1 Operating leases for which SUEZ acts as lessee

The SUEZ Group has entered into operating leases mainly in connection with LNG tankers, and miscellaneous buildings and fittings.

Operating lease income and expense for 2007, 2006 and 2005 can be analyzed as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Minimum lease payments	(359.8)	(403.4)	(379.6)
Contingent lease payments	(149.3)	(161.6)	(161.2)
Sub-letting income	8.5	4.1	0.2
Sub-letting expenses	(25.6)	(2.5)	(11.5)
Other operating lease expenses	(86.1)	(115.9)	(93.8)
TOTAL	**(612.3)**	**(679.3)**	**(646.0)**

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

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Year 1	296.1	221.3	209.4
Years 2 to 5 inclusive	913.1	663.1	539.9
Beyond year 5	1,105.4	820.5	941.5
TOTAL	**2,314.6**	**1,704.9**	**1,690.8**

23.2 Operating leases for which SUEZ acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They concern primarily the HHPC plant in Thailand, the Baymina plant in Turkey, and the Hopewell and Red Hills plants in the United States. Operating lease income for 2007, 2006 and 2005 can be analyzed as follows:

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Minimum lease payments	676.4	668.5	611.9
Contingent lease payments	0.0	43.1	52.4
TOTAL	**676.4**	**711.6**	**664.3**

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

In millions of euros	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Year 1	422.4	458.0	475.5
Years 2 to 5 inclusive	1,463.2	1,591.1	1,546.0
Beyond year 5	2,084.7	2,487.3	2,859.6
TOTAL	**3,970.3**	**4,536.4**	**4,881.1**

NOTE 24
CONCESSION CONTRACTS

SUEZ manages a large number of concession contracts as defined by SIC 29, covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution.

The terms of the concessions vary between 10 and 65 years, depending mainly on the level of investments to be made by the concession operator.

The concession contracts specify a number of rights and obligations with regard to the infrastructure to be built, as well as rights and obligations relating to the public service concerned.

Contracts provide for a general obligation allowing users access to the public service, and in certain cases according to a specified timeframe.

A general obligation also exists to return the concession infrastructure in good working condition at the end of the concession. Where appropriate, this obligation leads to the recognition of a capital renewal and replacement liability (see Note 14.2.3). By exception, water distribution concessions in the United States do not provide for the return of the infrastructure to the grantor of the concession at the end of the contract. The infrastructure will remain the property of SUEZ and is therefore accounted for using the tangible asset model (see Note 1.4.6).

Certain contracts provide for an additional obligation to extend the service to new users or improve the existing service. Where necessary, these obligations lead to the recognition of an intangible asset and a related liability (see Note 1.4.6).

As consideration for these obligations, SUEZ is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users (distribution of drinking water or electricity) for the services provided. The rights to bill for expenses incurred in extending or improving the concession infrastructure give rise to a receivable or an intangible asset, depending on the party primarily responsible for payment (see Note 1.4.6).

Services are generally billed at a fixed price which is linked to a particular index over the term of the contract. However, contracts may contain clauses providing for price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions forecasted at the inception of the contracts. By exception, contracts exist in certain countries (e.g., the United States and Spain), under which the price is fixed on a yearly basis according to the costs incurred in connection with the concession, which is therefore recognized in assets (see Note 1.4.6).

NOTE 25
CASH FLOWS

25.1 Reconciliation with income tax expense in the income statement

	Tax cash flows (income tax expense)		
In millions of euros	2007	2006	2005
Impact in the income statement	**(527.5)**	**(815.1)**	**(585.3)**
- provisions for income taxes	(7.4)	5.8	8.6
- deferred tax [(a)]	(446.9)	29.6	(162.0)
- other [(b)]	(23.9)	(205.7)	15.8
Impact in the cash flow statement	**(1,005.6)**	**(985.4)**	**(722.9)**

(a) *In 2007, deferred tax assets relating to tax loss carry-forwards arising within the tax consolidation were recognized in an amount of €500 million.*

(b) *In 2006, the «Other» item mainly reflects the €265.9 million net increase in tax payables and receivables, and the impact of tax expenses arising on disposals, amounting to €56.2 million.*

25.2 Reconciliation with financial income/(loss) in the income statement

	Financial cash flows (financial income/loss)		
In millions of euros	2007	2006	2005
Impact in the income statement	**(722.1)**	**(731.0)**	**(725.3)**
Changes in amortized cost	37.2	28.2	55.3
Foreign currency translation and changes in fair value	(119.2)	64.5	(129.7)
Unwinding of discounting adjustments to provisions	372.5	340.4	330.0
Other	(20.7)	(16.6)	(8.1)
Impact in the cash flow statement	**(452.3)**	**(314.5)**	**(477.8)**

NOTE 26
SHARE-BASED PAYMENT

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

Expense for the year

In millions of euros	Notes	2007	2006	2005
Stock option plans	26.1	43.3	35.4	26.1
Employee share issues (a)	26.2	37.0	15.9	12.5
Bonus/performance share plans	26.3	38.1	7.5	NA
Exceptional bonus	26.4	6.7	0.0	NA
TOTAL		**125.1**	**58.8**	**38.6**

(a) *Including Stock Appreciation Rights (SARs).*

26.1 Stock option plans

26.1.1 Stock option policy

The SUEZ stock option plan aims to closely involve executive and senior management, as well as high-potential managers, in the future development of the Company and in creating shareholder value.

The award of stock purchase or subscription options is also a means of retaining employee loyalty, both in terms of adhesion to Group values and commitment to strategic policies. Conditions for the award of options and the list of beneficiaries are defined by the Board of Directors in accordance with authorizations granted at Shareholders' Meetings.

In 2007, Executive Management reaffirmed its wish to maintain a growing base of beneficiaries, so as to preserve the coherence of SUEZ's policy in this area. The decision taken in 2000 not to apply a discount when determining the option price was renewed in 2007.

Since the Board of Directors' decision in 2005, the number of options awarded has been reduced and partly replaced by an award of bonus SUEZ shares.

In 2007, awards of bonus shares testified to these principles.

In connection with the US delisting procedure, stock options granted to employees of Group companies in the US were replaced by a Stock Appreciation Rights scheme, which entitles beneficiaries to a cash payment equal to the profit they would make on exercising their options and immediately selling the underlying shares.

Furthermore, the Board of Directors decided that the exercise of a portion of options awarded would be subject to certain conditions, provided for in the conditional system for the Group's senior managers and in the enhanced conditional system for members of the Group Executive Committee.

Conditional system

2003 plan

As the performance conditions were satisfied at November 17, 2007, the stock subscription options granted to the Group's senior managers and members of the Group Executive Committee may be exercised.

2004 plan

The exercise of half of the stock subscription options granted to the Group's senior managers and half of the options awarded to members of the Group Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system), is subject to a performance condition. The options subject to this performance condition may be exercised if, during the period from November 17, 2008 to November 16, 2012, the SUEZ share price is equal to or greater than the exercise price of €18.14, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 17, 2004 to November 17, 2008.

2005 plan

The exercise of half of the stock subscription options granted to the Group's senior managers and members of the Group Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system) is subject to a performance condition. The options subject to this performance condition may be exercised if, during the period from December 8, 2009 to December 7, 2013, the SUEZ share price is equal to or greater than the exercise price of €24.20, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8, 2005 to December 8, 2009.

2006/2007 plan

The exercise of half of the stock subscription options granted to the Group's senior managers and members of the Group Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system) is subject to a performance condition. These options may be exercised if, during the period from January 17, 2011 to January 16, 2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €38.89, adjusted for the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011.

November 2007 plan

The exercise of half of the stock subscription options granted to the Group's senior managers and members of the Group Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system) is subject to a performance condition. These options may be exercised if, during the period from November 13, 2011 to November 13, 2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €44.37, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011.

Enhanced conditional system

2004 plan

Approximately 10% of the stock subscription options granted to the members of the Group's Executive Committee are subject to a more demanding performance condition. After deduction of this 10% portion, half of the remaining options are subject to the conditional system above, and the other half are free from performance conditions. The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on November 17, 2008 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the exercise price of the options, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 17, 2004 to November 17, 2008, plus 1% per annum. If this condition is met, then the associated options may be exercised; failing this, the options are irrevocably forfeited.

2005 plan

Approximately 10% of the stock subscription options granted to members of the Group Executive Committee are subject to a more demanding performance condition. After deduction of this 10% portion, half of the remaining options are subject to the conditional system above, and the other half are free from performance conditions. The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on December 8, 2009 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the exercise price of the options, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8, 2005 to December 8, 2009, plus 1% per annum. If this condition is met, then the associated options may be exercised; failing this, the options are irrevocably forfeited.

2006/2007 plan

Approximately 10% of the stock subscription options granted to the members of the Group's Executive Committee are subject to a more demanding performance condition. After deduction of this 10% portion, half of the remaining options are subject to the conditional system above, and the other half are free from performance conditions. The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on January 17, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011, plus 4%. If this condition is met, then the associated options may be exercised; failing this, the options are irrevocably forfeited.

November 2007 plan

Approximately 10% of the stock subscription options granted to members of the Group Executive Committee are subject to a more demanding performance condition. After deduction of this 10% portion, half of the remaining options are subject to the conditional system above, and the other half are free from performance conditions. The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on November 14, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011, plus 4%. If this condition is met, then the associated options may be exercised; failing this, the options are irrevocably forfeited.

The Board of Directors has also decided that if the merger with Gaz de France were to be approved, the objectives included within the performance conditions linked to stock option plans would be reduced by applying a coefficient of 0.8.

26.1.2 Stock option plans in force as at December 31, 2007

STOCK SUBSCRIPTION OPTION

Plan	Date of autho-rizing SM	Vesting date	Strike price	Number of benefi-ciaries per plan	Outstanding options at Dec. 31, 2006	Number of shares to be subscribed by the Executive Committee**	Options exercised***	Options can-celled	Outstanding options at Dec. 31, 2007	Expiration date	Resi-dual life
11/28/2000*	05/05/2000	11/28/2004	34.39	1,347	5,867,985	1,193,708	2,241,748	123,647	3,502,590	11/28/2010	2.9
12/21/2000*	05/05/2000	12/21/2004	35.74	510	2,663,335	153,516	1,500,328	3,574	1,159,433	12/20/2010	3.0
11/28/2001*	05/04/2001	11/28/2005	32.59	3,161	10,490,706	1,784,447	4,295,004	89,731	6,105,971	11/27/2011	3.9
11/20/2002*	05/04/2001	11/20/2006	16.69	2,528	6,134,051	1,327,819	3,633,462	52,376	2,448,213	11/19/2012	4.9
11/19/2003*	05/04/2001	11/19/2007	13.16	2,069	7,945,778	1,337,540	4,741,944	62,548	3,141,286	11/18/2011	3.9
11/17/2004	04/27/2004	11/17/2008	17.88	2,229	8,608,662	1,320,908	20,092	80,853	8,507,717	11/16/2012	4.9
12/09/2005	04/27/2004	12/09/2009	24.20	2,251	6,462,190	1,352,000	14,360	48,705	6,399,125	12/09/2013	5.9
01/17/2007	04/27/2004	01/16/2011	38.89	2,190	0	1,218,000	3,605	67,022	5,653,783	01/16/2015	7.0
11/14/2007	05/04/2007	11/13/2011	44.37	2,104	0	804,000	0	0	4,373,050	11/13/2015	7.9
TOTAL					**48,172,707**	**10,491,938**	**16,450,543**	**528,456**	**41,291,168**		

STOCK SUBSCRIPTION OPTION

06/30/1999*	06/11/1998	06/30/2004	30.56	29	132,516	31,772	132,516		0	06/30/2007	
11/15/1999*	06/11/1998	11/15/2004	28.54	1,115	2,604,474	1,183,464	2,469,841	134,633	0	11/15/2007	
01/31/2000*	06/11/1998	01/31/2005	28.46	143	403,281	52,941	308,979	2,086	92,216	01/31/2008	0.1
TOTAL					**3,140,271**	**1,268,177**	**2,911,336**	**136,719**	**92,216**		
TOTAL					**51,312,978**	**11,760,115**	**19,361,879**	**665,175**	**41,383,384**		

* *Exercisable plans.*

** *Corresponding to the Management Committee at the time the options were awarded in 1999, 2000 and 2001.*

*** *In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.Stock purchase options*

26.1.3 Number of options

	Options	Average strike price
Balance at December 31, 2006	**51,312,978**	**24.28**
Granted	10,097,460	41.26
Exercised	-19,361,879	24.68
Cancelled	-665,175	27.26
Balance at December 31, 2007	**41,383,384**	**28.19**

SUEZ shares traded at an average price of €40.98 in 2007.

26.1.4 Fair value of stock option plans in force

Stock option plans are valued based on a binomial model using the following assumptions:

	November 2007 plan	January 2007 plan	2005 plan	2004 plan	2003 plan
Volatility [(a)]	33.71%	32.87%	31.25%	29.66%	28.04%
Risk-free rate [(b)]	4.03%	4.00%	3.25%	3.70%	4.30%
In euros:					
Dividend [(c)]	1.34	1.2	0.8	0.8	0.7
Fair value of options at the grant date	15.04	12.28	7.24	4.35	3.11

(a) *Volatility corresponds to a moving average of volatilities over the life of the plan.*

(b) *The risk-free interest rate corresponds to a risk-free rate over the life of the plan.*

(c) *Last dividend paid/proposed.*

26.1.5 Accounting impact

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

Grant date	**Expense for the year**		
In millions of euros	**2007**	**2006**	**2005**
11/20/2002		9.4	10.6
11/19/2003	5.1	5.8	5.8
11/17/2004	9.0	9.0	9.0
12/09/2005	11.2	11.2	0.7
01/17/2007	15.9		
11/14/2007	2.1		
TOTAL	**43.3**	**35.4**	**26.1**

As allowed under IFRS 2, an expense has been recognized only for options granted after November 7, 2002 that had not yet vested at January 1, 2005.

26.1.6 Stock Appreciation Rights

The award of Stock Appreciation Rights (SARs) to US employees in November 2007 (as replacement for stock options) does not have a material impact on the Group's financial statements.

26.2 Employee share issues

26.2.1 Description of plans available

Employees are entitled to subscribe to share issues under Group corporate savings plans. They may subscribe to:

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

Stock Appreciation Rights (SAR): this leveraged plan entitles beneficiaries to receive a cash bonus equal to the appreciation in the Company's stock after a period of five years. The resulting employee liability is covered by warrants.

26.2.2 Accounting impact

The exercise price for the 2007 plan was based on the share price at the grant date less a 20% discount, representing €33.26.

The cost of these plans is based on the difference between the fair value of the shares subscribed and their subscription price, taking into account the mandatory five-year holding period provided for by French law. For leveraged employee savings plans, the calculation also considers the implicit opportunity cost for SUEZ in allowing its employees to benefit from more advantageous financial terms than would otherwise be applied.

The assumptions used in the calculation were as follows:

- Five-year risk-free interest rate: 4.4%;
- Spread applied by the retail banking network: 2.0%;
- Financing rate available to employees: 6.4%;
- Borrowing cost of the shares: 1.5%.

The resulting expense for 2007 is €35.0 million (concerning 13.1 million subscribed shares).

The accounting impact of these cash-settled Stock Appreciation Rights consists of recognizing a payable to the employee over the vesting period of the rights, with the corresponding adjustment recorded in income. At December 31, 2007, the fair value of the liability related to these awards in 2004, 2005 and 2007 amounted to €21.2 million.

The fair value of the liability is determined using the Black & Scholes model.

The impact of these awards on the income statement is a loss of €2.0 million.

Upon expiration of the Spring 2002 plan in August 2007, 116,468 warrants were exercised for a total amount of €10.9 million.

26.3 Bonus / performance share plans

26.3.1 Bonus share policy

At its December 9, 2005 Meeting, SUEZ's Board of Directors decided to put in place a bonus / performance share plan scheme. This initiative had two objectives:

- to round out the system applicable to current beneficiaries of stock option plans, by partly replacing stock options with bonus share awards (the rate at which the stock options are replaced varies according to the seniority of the beneficiaries);
- to grant bonus shares to a category of employees not eligible for stock option awards, as exceptional recognition for their contribution and in order to enhance their commitment to their company and the SUEZ Group.

On February 13, 2006, 658,232 bonus shares were awarded under this plan. With the same objectives in mind, the Board of Directors' Meetings of October 18, 2006 and November 14, 2007 respectively granted 963,074 and 1,179,348 bonus shares, subject to a vesting period of two years as from February 12, 2007 and November 14, 2007, respectively.

Bonus shares are awarded on the basis of several conditions:

1. presence in the Group (except in the event of retirement, death or disability);
2. performance condition based on the Group's return on capital employed (ROCE);
3. a mandatory holding period of two years as from the final vesting date.

In addition to bonus share plans set up within the scope of the Board's objectives as described above, the Group awarded bonus shares on two other occasions:

- as part of the capital increase reserved for employees, bonus shares were awarded to beneficiaries in certain countries (outside France), based on two shares for every €40 subscribed, up to a maximum amount of €200 (10 bonus shares) per beneficiary. A total of 177,336 bonus shares were awarded, subject to a vesting period of five years;
- as part of a three-year global financial incentive scheme designed to involve employees more closely in the Group's performance, 14 bonus shares were awarded to each employee in 2007, representing a total of 2,030,000 bonus shares. The vesting periods applicable to the share awards vary depending on the country concerned.

26.3.2 Bonus share plans in force

HISTORICAL STOCK OPTION PLANS IN FORCE

Grant date	Number of shares	Fair value per share
02/13/2006	658,232	28.3
02/12/2007	963,074	36.0
07/16/2007	2,030,000	37.8*
08/23/2007	177,336	32.1
11/14/2007	1,179,348	42.4
Balance at December 31, 2007	**5,007,990**	

* *Weighted average value.*

26.3.3 Valuation method and impact on income for the period

The expense recorded during the period in relation to current bonus share plans is as follows:

Grant date	Expense for the year	
In millions of euros	**2007**	**2006**
02/13/2006	8.5	7.5
02/12/2007	13.9	
07/16/2007	12.7	
08/23/2007	0.4	
11/14/2007	2.6	
TOTAL	**38.1**	**7.5**

26.4 SUEZ exceptional bonus

In November 2006, the Group introduced a temporary exceptional bonus award scheme aimed at rewarding employee loyalty and involving employees more closely in the Group's success. This scheme provides for the payment of an exceptional bonus equal to the value of four SUEZ shares in 2010 and the amount of gross dividends for the period 2005-2009 (including any extraordinary dividends).

Around 166,000 Group employees are eligible for this bonus at December 31, 2007.

The accounting impact of this cash-settled instrument consists of recognizing a payable to the employee over the vesting period of the rights, with the corresponding adjustment recorded in income. The fair value of the total liability is estimated on the basis of the SUEZ share price. At December 31, 2007, the corresponding expense amounted to €6.7 million.

The estimated fair value of the liability upon expiry of the plan is €26 million.

NOTE 27
RELATED PARTY TRANSACTIONS

This note describes material transactions between the Group and its related parties.

Compensation payable to key management personnel is disclosed in Note 28.

The Group's main subsidiaries (fully consolidated companies) are listed in Note 32. Only material transactions are described below.

27.1 Joint ventures

Acea-ELECTRABEL group (Italy)

ELECTRABEL Italia is a wholly-owned subsidiary of ELECTRABEL, and has a 40.59% interest in Acea-ELECTRABEL which itself owns several subsidiaries.

Elettria was created during 2007 by Acea ELECTRABEL Elettricita Spa, which owns 49% of its share capital. Elettria markets electricity sold by Acea-ELECTRABEL group entities.

SUEZ sold electricity and gas to the Acea-ELECTRABEL group for an amount of €204.2 million in 2007, compared to €146.4 million in 2006.

SUEZ has also granted loans to the Acea-ELECTRABEL group, on which €363.1 million remained outstanding at December 31, 2007 compared with €380.0 million at end-2006.

Zandvliet Power

Zandvliet Power is a 50%-50% joint venture between ELECTRABEL and RWE.

ELECTRABEL has granted a loan to Zandvliet Power of which €77.3 million was outstanding at December 31, 2007 compared with €95.8 million at December 31, 2006.

Hisusa

To finance its acquisition of Agbar shares owned by Torreal, Hisusa received a loan from its shareholders, including €104 million from SUEZ Environment.

27.2 Associates

Elia System Operator (ESO)/Elia

Elia is a listed company and is 24.36%-owned by ELECTRABEL.

Elia, a subsidiary of Elia System Operator (ESO), was set up in 2001 as grid operator of the high-voltage electricity transmission network in Belgium. ESO and Elia have been accounted for under the equity method since ESO was appointed to manage the transmission network by the Belgian Federal Council of Ministers. Transmission fees are subject to the approval of the Belgian Electricity and Gas Regulatory Commission (CREG).

ELECTRABEL purchased electricity transmission services from ESO/Elia for an amount of €155.6 million during 2007, compared to €200.2 million in 2006.

The Group rendered services to ESO/Elia for a total amount of €79.5 million in 2007, compared to €97.0 million in 2006.

At December 31, 2007, outstanding loans granted to ESO/Elia amounted to €808.4 million (€354.8 million maturing in 2009 and €453.6 million maturing in 2010 and thereafter), unchanged from December 31, 2006. In 2007, the loan generated financial income of €41.0 million compared with €31.8 million in 2006.

Inter-municipal companies

Up until 2006, the equity-accounted inter-municipal companies in the Walloon and Brussels regions distributed gas and electricity produced by ELECTRABEL to residential Belgian customers. Since January 1, 2007, the Belgian gas and electricity markets have been fully deregulated, meaning that ELECTRABEL now sells gas and electricity directly to end customers rather than through the inter-municipal companies. Gas and electricity sold by ELECTRABEL to the inter-municipal companies in 2006 amounted to €931.1 million.

ELECTRABEL Customer Solutions (ECS) has purchased rights to use the gas and electricity network from the inter-municipal companies for an amount of €1,704.4 million at December 31, 2007 (€1,203.2 million at December 31, 2006). This increase stems from the afore-mentioned structural changes resulting from deregulation, whereby ECS rather than the inter-municipal companies now bears the cost of network usage.

At December 31, 2007, only the Walloon inter-municipal companies did not employ their own personnel. In accordance with the bylaws, ELECTRABEL makes personnel available to them with a view to carrying out network maintenance and distribution services. ELECTRABEL bills the inter-municipal companies for all work, supplies and services provided to them. Amounts billed totaled €480.3 million in 2007 compared with €582.7 million in 2006. This decrease results from the sale of the service provider for the Brussels region with effect from July 1, 2006.

Receivables relating to services provided and to gas and electricity supply (2006 only) stood at €37.2 million at December 31, 2007 compared with €111.4 million at December 31, 2006.

Payables due by ELECTRABEL and ELECTRABEL Customer Solutions to the inter-municipal companies stood at €148.9 million at December 31, 2007, compared with €274.8 million at December 31, 2006.

At December 31, 2007, ELECTRABEL had granted cash advances totaling €430.1 million to the inter-municipal companies, compared to €341.0 million at December 31, 2006. Amounts due to the inter-municipal companies by ELECTRABEL came to €208.4 million at end-2007, compared with €44.2 million at end-2006.

ELECTRABEL's reimbursement rights corresponding to the pension provisions set aside in its accounts for distribution employees seconded to Walloon inter-municipal companies totaled €309.7 million at December 31, 2007 and €377.9 million at December 31, 2006.

Contassur

Contassur is 10%-owned by SUEZ-Tractebel and 5%-owned by ELECTRABEL.

Contassur is a captive insurance company accounted for under the equity method. The pension fund trusts for certain employees of the Group have entered into insurance contracts with Contassur.

These insurance contracts give rise to reimbursement rights, and are therefore recorded under «Other assets» in the balance sheet in the amounts of €179.6 million and €186.6 million at December 31, 2007 and 2006, respectively.

NOTE 28
EXECUTIVE COMPENSATION

The Group's key management personnel comprise the members of the Executive Committee, Central Management Committee and Board of Directors.

Their compensation breaks down as follows:

In millions of euros	2007	2006*	2005*
Short-term benefits	24.5	23.1	19.6
Post-employment benefits	5.8	4.2	3.1
Share-based payment	11.4	6.7	3.8
Termination benefits	6.5		
TOTAL	**48.2**	**34.0**	**26.5**

* *2005 and 2006 figures have been restated to comprise compensation and benefits of the Central Management Commmittee.*

NOTE 29
CONTINGENT ASSETS AND LIABILITIES

The Group did not identify any material contingent liabilities, since the probability that its existing commitments give rise to an outflow of resources embodying economic benefits is considered to be remote.

NOTE 30
LEGAL AND ARBITRATION PROCEEDINGS

30.1 Competition and industry concentration

30.1.1 Energy Europe

A sector inquiry was launched into the energy markets during the summer of 2005 by the European Commission. Such inquiries do not concern particular operators, but rather seek to analyze the overall functioning of specific markets, such as those for the supply of gas and electricity. On January 10, 2007, the European Commission made public the final results of this inquiry specifying what it considered to be the major weaknesses of the electricity and gas sectors in Europe. It is now up to the European Council and the Member States to assess the Commission's report and take any necessary initiatives with regard to their legislation. Since the Group is a major player in both these sectors, such measures would have an impact on its activities. However, it is impossible to assess such impact at the present time.

Alongside the sector inquiry, the Commission completed its review of systems with respect to long-term agreements signed during the privatization of electricity-producing companies in Hungary and Poland. It has invited the Hungarian and Polish governments to review these systems and,where necessary, to indemnify the signatories. The Group is directly involved in its capacity as contracting party in Hungary (Dunamenti) and in Poland (Polaniec).

By decision of October 11, 2007, the Commission completed its review of the term of the gas supply contracts between Distrigas and its industrial clients in Belgium. This decision, in the nature of a settlement, does not under any circumstances find that the competition rules have been breached. However, the Commission's formal decision concluded that since the commitments made by Distrigas as regards the term of these contracts for the 2007-2010 period were binding on Distrigas, there was no need to continue the proceedings.

The European Commission also started an investigation on the term of the electricity supply contracts entered into by certain European producers in their historical markets. Electrabel is cooperating fully with the Directorate-General for Competition on this issue.

This is also the case for the inquiry into the rise of gas prices (retail supply contracts) initiated by the rapporteurs of the Belgian Competition Council announced by Electrabel Customer Solutions at the beginning of the summer 2007.

30.1.2 Environment

In its decision of July 11, 2002, French Anti-trust Council ruled that the existence of equal stakes in water distribution companies held by Compagnie Générale des Eaux (a subsidiary of Veolia Environment) and Lyonnaise des Eaux France (a subsidiary of SUEZ Environment) created a collective dominant position between the two groups. Although the French Anti-trust Council did not impose sanctions against the two companies, it requested the Minister of the Economy to order the two companies to modify or terminate the agreements that combine their resources within joint subsidiaries to lift the barrier to competition.

Compagnie Générale des Eaux unsuccessfully appealed against the decision to the Paris Court of Appeal. Compagnie Générale des Eaux lodged a further appeal before the Court of Cassation (France's highest court of ordinary jurisdiction). In its decision of July 12, 2004, the Court of Cassation overturned the decision of the Paris Court of Appeal on the grounds that the Paris Court of Appeal did not have jurisdiction for measures relating to merger control. However, the decision of the Court of Cassation does not overturn the decision of the French Anti-trust Council.

Compagnie Générale des Eaux also filed an appeal to the Conseil d'Etat (France's highest administrative court) against the decision of the Competition Council for abuse of power. This appeal was dismissed by the Conseil d'Etat, in its decision of November 7, 2005, on the grounds that the decision of the French Anti-trust Council did not impose any sanctions and was only a preparatory act to the decision of the Minister of the Economy, which is not subject to appeal.

As of the date hereof, no decision has been made by the Minister of the Economy.

30.2 Disputes and arbitration

In the normal course of its business, the Group is involved in a certain amount of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for this litigation and arbitration when (i) a legal, contractual, or constructive obligation exists at the balance sheet date with respect to a third party; (ii) it is probable that there will be an outflow of resources without economic benefits in order to settle the obligation; and (iii) a reliable estimate can be made of this obligation. Provisions recorded in respect of these claims, disputes and tax risks totalled €336.1 million at December 31, 2007.

30.2.1 Disputes with the Argentine government

In Argentina, tariffs under concession contracts have been frozen since the Public Emergency and Exchange Regime Reform Law (Emergency Act) was passed in January 2002. Consequently, in 2003, pursuant to the Franco-Argentine Bilateral Investment Protection Treaties, SUEZ and certain other shareholders of concession holders (Aguas Argentinas in Buenos Aires, Aguas Provinciales de Santa Fe in Rosario and Aguas Cordobesas in Cordoba) launched arbitration proceedings in relation to this issue before the International Centre for Settlement of Investment Disputes (ICSID). These proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentine government following the adoption of the abovementioned Emergency Act.

Negotiations with the concession-granting authorities were immediately initiated in each case.

With respect to Aguas Cordobesas, an agreement providing for a new tariff regime was reached with the Province of Cordoba on October 13, 2006 and approved by the Provincial Congress on November 11, 2006. At the same time, SUEZ and Agbar sold control of the company to Roggio SA, a private Argentine utilities group, keeping only 10% (5% SUEZ, 5% Agbar) in Aguas Cordobesas. Pursuant to the terms of the agreement with the Province and the sale agreement with Roggio SA, Aguas Cordobesas and its foreign shareholders (including SUEZ) withdrew from the ICSID arbitration proceeding on December 22, 2006.

With respect to Aguas Argentinas and Aguas Provinciales de Santa Fe, negotiations between the concession holder and the concession-granting authorities continued in 2005, but stopped in 2006 without having resulted in the implementation of tariff increases or the drafting of new guidelines to restore a sustainable financial and economic equilibrium for the two Argentine contracts. Given this context and the resulting decline in the companies' financial and operational performance, Aguas Argentinas and Aguas Provinciales de Santa Fe were obliged to launch termination proceedings in respect of their concession contracts.

The voluntary liquidation of Aguas Provinciales de Santa Fe was announced at the company's annual Shareholders' Meeting on January 13, 2006. On January 31, 2006, an administrative decree was issued by the authorities terminating the current concession contract and duly acknowledging the transfer of services back to the grantor, with effect from February 8, 2006. On April 20, 2006, Aguas Provinciales de Santa Fe challenged the validity of this administrative decree.

The concession-granting authorities rejected Aguas Argentinas' termination request. Negotiations with a view to selling European shareholders' interests in Aguas Argentinas failed. On March 21, 2006, the Argentine government issued a decree terminating the Aguas Argentinas concession contract citing alleged infringement by the concession holder, and transferred all its assets to AYSA, a newly established, Argentine wholly-owned company. The decision of the Argentine authorities resulted in the suspension of the company's payment. On April 28, 2006, Aguas Argentinas filed for *Concurso Preventivo* (a similar mechanism to bankruptcy in France).

ICSID arbitration proceedings in relation to the protection of foreign shareholders' investment in both of these contracts are ongoing. ICSID found that it had jurisdiction to decide both cases. The decision on jurisdiction in the Aguas Provinciales de Santa Fe case was delivered on May 16, 2006 and that regarding the Aguas Argentinas' case on August 3, 2006. Hearings on the merits of the cases took place between April 28, 2007 and May 2, 2007 for the Aguas Provinciales de Santa Fe case, and between October 29, 2007 and November 8, 2007 for Aguas Argentina case.

Finally, a claim was filed with the Federal District Court of New York in late September 2006 by an entity entitled «Aguas Recovery Lenders' Group», in order to obtain the payment by SUEZ, Agbar and AYSA (the Argentine wholly-owned company that succeeded to Aguas Argentinas) of USD 130 million owed by Aguas Argentinas to unsecured lenders.

30.2.2 AEP dispute

In the United States, SUEZ Energy Marketing North American (SEMNA, formerly TEMI) was involved in a dispute with AEP (AEP Power Marketing Inc.) concerning a long-term Power Purchase and Sale Agreement within the scope of which SEMNA was to buy electricity to be produced by the owner (AEP) of a power station located in Plaquemine in Louisiana.

At the U.S. District Court for the Southern District of New York (First Circuit), SEMNA claimed damages in excess of USD 17 million on the grounds that, due to failure by the parties to agree on one of the essential elements of the agreement (operational protocols), the agreement was not capable of enforcement. AEP made a counterclaim for damages in excess of USD 643 million mainly on the grounds of the termination of the agreement by SEMNA and to a lesser extent for unpaid bills.

On August 8, 2005, the District Court awarded damages in the amount of USD 122 million to AEP (the portion of the claim relating to unpaid bills), to be increased by prejudgment interest. SEMNA firstly appealed the decision before the United States Court of Appeal (Second Circuit) and secondly filed an appeal before the District Court requesting reconsideration of the damages awarded to AEP. AEP filed a counter-appeal requesting total damages of more than USD 500 million.

On January 20, 2006, the District Court rejected SEMNA's appeal and partially rejected AEP's claim. In the amendment to the Opinion and Order, SEMNA was required to pay a further USD 50 million to AEP pursuant to the guarantee provided by SUEZ-TRACTEBEL SA (STSA). SEMNA requested a review of this decision on the grounds that this amount is not owed directly by SEMNA, but by STSA, assuming that SEMNA did not pay the full amount owed to AEP. The District Court acceded to SEMNA's request for a review of this decision.

On May 22, 2007, the Court of Appeal rendered its decision confirming the decision of the District Court regarding (i) the enforceability of the contract, (ii) AEP's good faith in its relations with SEMNA, and (iii) the substantial efforts made by AEP to obtain QF certification. The Court of Appeal vacated the District Court's decisions to (i) award AEP damages of USD 116.5 million with respect to Replacement Products; and (ii) deny the payment of damages to AEP pursuant to the termination payment provisions of the contract. The Court of Appeal remanded the case to the District Court for further proceedings regarding the vacated portions of the District Court decision.

On June 5, 2007, AEP filed a petition for panel rehearing to the Court of Appeal, requesting that the court restore the USD 50.7 million capacity award (which is part of the aforementioned vacated award of USD 116.5 million for Replacement Products) against SEMNA in AEP's favor. On July 24, 2007, the Court of Appeal dismissed AEP's petition.

On September 25, 2007, SEMNA filed a Motion for Summary Judgment with the District Court, seeking the dismissal of AEP's counterclaim for damages.

The proceedings before the District Court resumed. The case was due to be heard in late January 2008 (as regards the Motion for Summary Judgment) and in early February 2008 as regards the other issues.

On January 28, 2008, the parties decided to end their dispute by means of an out-of-court settlement without recognition by either party of any liability. The consequences of such settlement have been accounted for in the annual financial statements for fiscal year 2007.

30.2.3 Snohvit dispute

On July 16, 2002, Tractebel Gas Engineering Belgium SA (TGE) as leader of the TGE - Fabricom-GTI SA - Entrepose Contracting SA consortium (the «Contractor») entered into a contract with Statoil ASA (the «Company») regarding the construction of storage and loading facilities at Hammerfest (Norway) within the framework of the Snohvit LNG project.

The performance of this contract was affected by excessive requests for modifications and other readjustments on behalf of the Company. As the Company refused to compensate the Contractor for the fact that the budget and the deadline for completion were exceeded, TGE, as leader of the consortium, sued the Company before the Stavanger City Court (Norway) for a principal amount of €243 million.

The Contractor's position is that the Company deviated so far from the initial provisions of the contract that the contract is no longer valid and that the Contractor can thus request full payment of the project on a cost reimbursement basis. The Contractor also argued that the significant number of modifications and the cumulative effect thereof largely exceeded expectations the parties' could have had upon signature of the contract and that the Company had overstepped its right to request modifications pursuant to the contract.

The Company dismissed the above arguments and claimed entitlement to liquidated damages from the Contractor in the event of any delay, such damages being capped at 10% of the contract's value, i.e. €28 million due by Contractor.

On completion of the proceedings (the court's decision is expected by mid 2008), the parties settled and in return the Company agreed to compensate the Contractor. The consequences have been recognised in the annual financial statements for fiscal year 2007.

30.2.4 Dispute with Togo Electricity

In December 2000, Togo Electricité signed a concession contract (the «Contract») with the Togolese government for the management of Togo's public power distribution service.

Togo Electricité terminated the Contract on the basis of the terms thereof providing for such termination in the event of a breach of the financial and economic equilibrium between the parties that could not be settled out of court. The Contract was terminated on February 22, 2006.

The Togolese government did not recognize the validity of the termination declared by Togo Electricité. On February 22, 2006, it adopted two decrees by which it also terminated the Contract on the basis of breaches by Togo Electricité of its obligations with respect to the Contract. On February 22, 2006, it took possession of the entire assets of Togo Electricité, without any indemnity.

In March 2006, the Togolese government instituted several proceedings in Togo to justify taking possession of the assets of Togo Electricité.

These included proceedings on the merits of the case instituted first against Togo Electricité and then extended to S.E.S., with a view to sentencing these two companies to pay compensation of between FCFA 27 billion and FCFA 33 billion (between €41 million and €50 million) to the Togolese government for breach of Agreement. In March 2006, Togo Electricité instituted arbitration proceedings before the International Center for Settlement of Investment Disputes (ICSID) citing the existence of an arbitration clause in the Contract. Preliminary claims are currently being submitted in the proceedings, which S.E.S. is proposing to join.

The proceedings are extremely slow, partly due to the fact that the condition stated by S.E.S. to join as a party to the proceedings (stay of all proceedings in Togo), has not yet been fully met.

30.2.5 Queen Mary dispute

Following the collapse of a footbridge leading onto the Queen Mary II ocean liner in St Nazaire on November 15, 2003, as a result of which 15 people died and 30 or so people were injured, a third party claim was brought against Endel, a subsidiary of SES, with respect to the assembly of hired footbridges leading from the dock to the liner.

By decision of February 11, 2008 rendered by the criminal court of Saint Nazaire, Endel was sentenced to a fine of €150,000 for manslaughter and 11 fines of €2,500 for involuntary injuries. The four employees of Endel charged with manslaughter and involuntary injuries were acquitted in the absence of established misconduct.

Les Chantiers de l'Atlantique and Endel were ordered, jointly and severally, to indemnify the victims for damages suffered.

The public prosecutor of Saint Nazaire appealed against the decision on February 20, 2008.

30.2.6 Legal proceedings in Hungary

Electrabel and Dunamenti have taken preliminary steps towards international arbitration proceedings against the Hungarian State for breach of obligations pursuant to the Hungarian-Belgian Investment Protection Treaty and the Energy Charter Treaty in relation to Dunamenti.

Electrabel and Dunamenti sent a formal notice to the Hungarian State on September 4, 2006, pursuant to the Hungarian-Belgian Investment Protection Treaty and the Energy Charter Treaty. This formal notice triggered a mandatory discussion period of at least six months for the Hungarian-Belgian Investment Protection Treaty and of at least three months for the Energy Charter Treaty. At the same time, Dunamenti initiated out-of-court proceedings pursuant to the power purchase agreement with MVM.

The period of out-of-Court proceedings engaged with MVM to settle the dispute regarding the power purchase agreement ended on November 20, 2006, without any agreement being reached. On November 16, 2006, the Hungarian Ministry of Transport and Economy sent a reply to the above-mentioned formal notice of September 4, 2006, requesting to meet with high-level Electrabel representatives. An initial meeting was held in January 2007 between Electrabel and the Hungarian government, represented by the Secretary of State for Energy. On June 13, 2007, Electrabel submitted its dispute with Hungary to the ICSID, an arbitration tribunal operating under the auspices of the World Bank. After Electrabel's request for international arbitration was registered by the ICSID on August 13, 2007, the arbitration tribunal was constituted. The arbitrator designated by the Hungarian government has been challenged. The dispute mainly concerns electricity prices and allocations of CO_2 emissions rights in the country.

30.2.7 Ghislenghien dispute

On July 30, 2004, carelessness by a third party resulted in a leak in one of Fluxys' gas transit pipes in Ghislenghien in Belgium. Twenty-four people died as a result of this accident, and over one hundred and thirty people were injured.

In September 2005, Fluxys was indicted, in its capacity as a legal entity, by the Investigating Judge of Tournai for manslaughter and involuntary injuries due to failure to take protective or precautionary measures. On February 1, 2007, a management-level employee of Fluxys' Dispatching division was personally indicted on the same charges as Fluxys. On February 20, 2007, Electrabel was indicted in its capacity as a legal entity on the same charges as Fluxys.

To date, twenty-two legal entities and individuals have been indicted.

The investigation is continuing. Various parties have requested additional matters to be included within the scope of the investigation and a court-ordered expert appraisal is also in progress.

Victims of the disaster have also instituted legal proceedings before the regional and commercial courts of Brussels against Fluxys and/or its insurers. The civil proceedings are continuing.

30.2.8 Claim by the Belgian tax authorities

The Special Inspection department of the Belgian tax authorities is claiming €188 million from SUEZ-TRACTEBEL SA (formerly Tractebel), concerning past investments in Kazakhstan. SUEZ-TRACTEBEL has filed an appeal with the administrative courts against those claims. SUEZ-TRACTEBEL continues to contest this claim which, based on the advice of legal counsel, it considers unfounded.

30.2.9 Squeeze-out bid for the Electrabel shares

On July 10, 2007, Deminor and two other funds initiated proceedings before the Brussels Court of Appeal against SUEZ and Electrabel under which they sought additional consideration following the squeeze-out bid launched by SUEZ in June 2007 on Electrabel shares that it did not already own. At the time the squeeze-out bid was launched, Deminor and the other funds held 58,309 Electrabel shares. The case will be heard on February 29, 2008.

On July 11, 2007, MM Geenen and others also initiated proceedings before the Brussels Court of Appeal seeking additional consideration. Electrabel and the Banking, Financial and Insurance Commission were joined as parties to the proceedings. At the time of the launch of the squeeze-out bid, MM Geenen and others held 231 Electrabel shares The case will be heard on February 29, 2008.

SUEZ is not aware of any other dispute or arbitration which is likely to have, or has recently had, a material impact on the financial position, results of operations, business or assets of the Company or the Group.

NOTE 31
SUBSEQUENT EVENTS

31.1 Public tender offer for Aguas de Barcelona (Agbar)

The offer launched by SUEZ, La Caixa and Hisusa for the Aguas de Barcelona shares they did not already own concluded successfully on January 16, 2008, with the bidding companies gaining control of 90.01% of Agbar's share capital.

Upon completion of the offer, Agbar is:

- 66.44%-owned by Hisusa (proportionately consolidated);
- 12.02%-owned by SUEZ Environment (fully consolidated);
- 11.55%-owned by Criteria (Caixa), a non-Group company.

Borrowings will be reduced by €210 million owing to the transaction's final acceptance rate (see Note 2.1.1).

As reminder, the bidding companies intend to maintain Agbar's listing on the Spanish stock market, with a free float of around 30% within two years.

31.2 GDF-SUEZ merger

On January 7, the European Consultative Committee (ECC) gave its opinion on the planned merger between GDF and SUEZ. Consequently, and in view of the opinions previously given, the employee representative body consultation process within the SUEZ Group was closed.

The French courts rejected Gaz de France's request that it order the employee representative bodies to give their opinion on the merger, which is needed for the transaction to move forward.

Further to Crédit Agricole's decision to sell its direct interest in SUEZ, three major SUEZ shareholders decided to increase their stakes in SUEZ by purchasing one-third of Crédit Agricole's interest. Sofina has decided to participate in the SUEZ Environment shareholders' agreement. The interest held by SUEZ and its major shareholders in SUEZ Environment will remain unchanged as a result of these developments.

NOTE 32

LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2007

Company name	Corporate headquarters	% interest Dec. 2007	% interest Dec. 2006	% control Dec. 2007	% control Dec. 2006	Consolidation method Dec. 2007	Consolidation method Dec. 2006
SUEZ ENERGY EUROPE (SEE)							
ELECTRABEL	Boulevard du Regent, 8 - 1000 Brussels - Belgium	100.0	98.6	100.0	98.6	FC	FC
RENDO Energielevering BV	De Vos van Steenwijklaan 73, 7902NP Hoogeveen - Netherlands	100.0	98.6	100.0	98.6	FC	FC
COGAS Energie BV	Rohofstraat 83, 7605AT Almelo - Netherlands	100.0	98.6	100.0	98.6	FC	FC
SUEZ-TRACTEBEL	Place du Trône, 1 - 1000- Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ELIA SYSTEM OPERATOR - ESO	Boulevard de l'Empereur 20 - 1000 Brussels - Belgium	24.4	27.1	24.4	27.5	EM	EM
ELECTRABEL France	Le César, 20 place Louis-Pradel, 69001 Lyon, France	100.0	98.6	100.0	100.0	FC	FC
ELECTRABEL CUSTOMER SOLUTIONS	Boulevard du Regent, 8 - 1000 Brussels - Belgium	95.8	60.0	95.8	95.8	FC	FC
ENERGY EUROPE INVEST	Place du Trône 1 - 1000 Brussels - Belgium	100.0	98.6	100.0	100.0	FC	FC
DUNAMENTI	Erömü ut 2, 2442 Szazhalombatta - Hungary	74.8	73.8	74.8	74.8	FC	FC
ELECTRABEL NEDERLAND NV	Dr. Stolteweg 92, 8025 AZ Zwolle, Netherlands	100.0	98.6	100.0	100.0	FC	FC
ELECTRABEL DEUTSCHLAND AG	FriedrichstaBe 200, 10117 Berlin, Germany	100.0	98.6	100.0	100.0	FC	FC
ENERGIE SAARLORLUX Gmbh	Richard Wagner Strasse 14 - 16, 66111 Saarbruck - Germany	51.0	50.3	51.0	51.0	FC	FC
ELECTRABEL NEDERLAND SALES BV	Dr. Stolteweg 92, 8025 AZ Zwolle, Netherlands	100.0	98.6	100.0	100.0	FC	FC
POLANIEC	Zawada 26, 28-230 Polaniec - Poland	100.0	98.6	100.0	100.0	FC	FC
ROSIGNANO ENERGIA SPA	Via Piave N° 6 Rosignano Maritimo - Italy	99.5	98.1	99.5	99.5	FC	FC
Group ACEA Electrabel [a] [b]	Piazzale Ostiense, 2, 00100 Rome - Italy	40.6	40.0	40.6	40.6	PC	PC
CASTELNOU	Calle General Castanõs 4 - 3a planta, 28004 Madrid - Spain	100.0	98.6	100.0	100.0	FC	FC
TIRRENO POWER SPA	47, Via Barberini, 00187 Rome - Italy	35.0	34.5	35.0	35.0	PC	PC
COMPAGNIE NATIONALE DU RHONE (CNR) [c]	2, rue André-Bonin 69 004 Lyon - France	49.9	49.3	47.9	47.9	FC	FC
SYNATOM	Avenue Ariane 7 - 1200 Brussels	100.0	98.6	100.0	100.0	FC	FC
SHEM [d]	28, Boulevard Raspail, 75007 Paris - France	99.7	98.2	99.7	99.6	FC	FC
DISTRIGAZ	Rue de l'Industrie, 10 - 1000 Brussels - Belgium	57.2	57.2	57.2	57.2	FC	FC
DISTRIGAZ & Co	Rue de l'Industrie, 10 - 1000 Brussels - Belgium	57.2	57.2	100.0	100.0	FC	FC
FLUXYS	Avenue des Arts, 31 - 1040 Brussels - Belgium	57.2	57.2	57.2	57.2	FC	FC
FLUXYS LNG	Rue Guimard 4, 1040 Brussels - Belgium	60.2	60.2	100.0	100.0	FC	FC

(a) *Ownership interest in the ACEA/Electrabel holding company.*
(b) *ALP Energia Italia was included in the accounts of ACEA Electrabel group in 2006.*
(c) *See Note 12.*
(d) *The option on 19.6% of SHEM's capital was exercised before maturity in 2006.*

Company name	Corporate headquarters	% interest Dec. 2007	% interest Dec. 2006	% control Dec. 2007	% control Dec. 2006	Consolidation method Dec. 2007	Consolidation method Dec. 2006
SUEZ ENERGY INTERNATIONAL (SEI)							
TRACTEBEL ENERGIA (formerly GERASUL)	Rua Antônio Dib Mussi, 366 Centro, 88015-110 Florianopolis, Santa Catarina - Brazil	68.7	68.7	68.7	68.7	FC	FC
COMPANHIA ENERGETICA MERIDIONAL	Rua Antonio Dib Mussi, n°366 - Centro Florianopolis - Santa Catarina - Brazil	68.7	68.7	100.0	100.0	FC	FC
ENERSUR	Av. República de Panamá 3490, San Isidro, Lima 27 - Peru	61.7	61.7	61.7	61.7	FC	FC
GLOW (THAILAND)	195 Empire Tower, 38th Floor-park Wing, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 - Thailand	69.1	69.1	69.1	69.1	FC	FC
SUEZ LNG LIQUEFACTION SA	Avenue de la Liberté, 76 L-1930 Luxembourg -Luxembourg	100.0	100.0	100.0	100.0	FC	FC
SUEZ ENERGY RESOURCES NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC
SUEZ ENERGY MARKETING NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC
SUEZ ENERGY GENERATION NORTH AMERICA	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC
SUEZ LNG AMERICA	One Liberty Square, Boston, MA 02109 - United States	100.0	100.0	100.0	100.0	FC	FC
BAYMINA	Ankara Dogal Gaz Santrali, Ankara Eskisehir Yolu 40.Km, Maliöy Mevkii, 06900 Polatki/ Ankara - Turkey	95.0	95.0	95.0	95.0	FC	FC
TBL ENERGIA DE MONTEREY	Carretera a Villa de Garcia km.9, C.P. 66000 Garcia Nuevo Leon - Mexico	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2007	% interest Dec. 2006	% control Dec. 2007	% control Dec. 2006	Consolidation method Dec. 2007	Consolidation method Dec. , 2006
SUEZ ENERGY SERVICES (SES)							
ELYO	1, place des degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
ELYO ITALIA	Via Miramare, 15 20126 Milan - Italy	60.0	60.0	60.0	60.0	FC	FC
AXIMA France	46, Boulevard de la Prairie du Duc - 44000 Nantes - France	100.0	100.0	100.0	100.0	FC	FC
AXIMA AG	12, Zürcherstrasse - 8401 Winterthur - Switzerland	100.0	100.0	100.0	100.0	FC	FC
CPCU	185, Rue de Bercy, 75012 Paris - France	64.4	64.4	64.4	64.4	FC	FC
FABRICOM SA	254, Rue de Gatti de Gamond - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ENDEL	1, place des degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
FABRICOM GTI SA	Rue de Gatti de Gamond 254 - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GTI GROUP	Hogeweg 35A - 5301 LJ Zaltbommel - Netherlands	100.0	100.0	100.0	100.0	FC	FC
INEO	1, place des Degrés 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. , 2006
ENVIRONMENT							
SUEZ ENVIRONMENT	1, rue d'Astorg 75008 PARIS - France	100.0	100.0	100.0	100.0	FC	FC
LYONNAISE DES EAUX France	11, place Edouard VII 75009 PARIS - France	100.0	100.0	100.0	100.0	FC	FC
DEGREMONT	183, avenue du 18-Juin-1940 92500 Rueil-Malmaison - France	100.0	100.0	100.0	100.0	FC	FC
HISUSA	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona - Spain	51.0	51.0	51.0	51.0	PC	PC
AGBAR [e]	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona - Spain	51.0	25.9	51.0	48.5	PC	PC
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES - United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SITA DEUTSCHLAND GmbH	Industriestrasse 161 D-50999, Cologne - Germany	100.0	100.0	100.0	100.0	FC	FC
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbis 7009, NL - 6801 HA Amhem - Netherlands	100.0	100.0	100.0	100.0	FC	FC
SITA France	123, rue des Trois-Fontanot 92000 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC
SITA SVERIGE AB.	Kungsgardsleden - 26271 Angelholm - Sweden	75.0	75.0	75.0	75.0	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca - Morocco	51.0	51.0	51.0	51.0	FC	FC
UNITED WATER RESOURCES	200 Old Hook Road, Harrington Park New Jersey - United States	100.0	100.0	100.0	100.0	FC	FC

(e) *Agbar is fully consolidated by Hisusa, which in turn is proportionately consolidated by SUEZ (see Note 2).*

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. , 2006
OTHER SERVICES							
SUEZ SA	16 Rue de la Ville L'Evêque - 75008 Paris - France	100.0	100.0	100.0	100.0	FC	FC
GIE - SUEZ ALLIANCE	16, rue de la Ville l'Evêque - 75383 Paris Cedex 08 - France	100.0	100.0	100.0	100.0	FC	FC
SUEZ FINANCE SA	16, rue de la Ville l'Evêque - 75383 Paris Cedex 08 - France	100.0	100.0	100.0	100.0	FC	FC
COSUTREL	Place du trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GENFINA	Place du trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
SI FINANCE	68, rue du Faubourg-Saint-Honoré - 75008 Paris - France	100.0	100.0	100.0	100.0	FC	FC

FC: Full consolidation (subsidiaries).

PC: Proportionate consolidation (joint ventures).

EM: Equity method (associates).

20.3 VERIFICATION OF YEARLY FINANCIAL HISTORICAL DATA

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the Group management report.
This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with our assignement as statutory auditors by your Annual General Meetings, we have audited the accompanying consolidated financial statements of SUEZ for the year ended December 31, 2007.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with IFRS, as adopted in the European Union.

II. JUSTIFICATION OF OUR ASSESMENTS

In accordance with the requirements of article L. 823-9 of French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Accounting policies and methods

We have examined the accounting treatments adopted by the SUEZ Group, in particular, in respect of the recognition of the acquisition of minority interests, and the practical applications of the provisions of IAS 39 relating to the type of contracts considered to be part of "normal activity", areas that are not the subject of specific provisions under IFRS, as adopted in the European Union. We are satisfied that Note 1 to the consolidated financial statements provides appropriate disclosure in this regard.

Accounting estimates

As disclosed in Note 1 to the consolidated financial statements, the SUEZ Group is required to make estimates and assumptions in order to prepare its financial statements. This note also specifies that these estimates and assumptions are not necessarily indicative of the future results of the operations in question. These significant accounting estimates relate to the measurement of goodwill, property, plant and equipment and intangible assets, provisions, financial derivative instruments, revenues generated but not metered (as in "meters not read") and the assessment of the tax loss carry-forwards recognised as deferred tax asset.

- With respect to the aforementioned assets, we have examined the methods adopted to perform impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by the Group and verified that Notes 1 and 5 to the consolidated financial statements provide appropriate information.
- As regards provisions, in particular, provisions for nuclear fuel reprocessing and storage, decommissioning of nuclear power plants, litigation, and retirement and other employee benefits, we have assessed the bases on which these provisions have been established and verified that Notes 19, 20 and 30 to the consolidated financial statements provide appropriate information.
- As regard the valuation of financial derivative instruments that are not listed on regulated financial markets, the Group uses internal computer models to represent market practices. Our work consisted in examining the system for monitoring these models, to assess the data and assumptions used, and to verify that Notes 14 and 15 to the consolidated financial statements provides appropriate information.
- In respect of sales of electricity and gas to customers whose energy consumption is metered during the accounting period, the Group prepared an estimate of the revenues based on historical data of consumptions as well as the estimated selling price. Our work consisted in examining the method for reconciling the accounting estimates with the actual amounts invoiced as well as examining the data and assumptions used to calculate these estimates and verifying that Note 1 to the consolidated financial statements provides appropriate information.
- As regards the tax loss carry-forwards recognised as deferred tax asset, our work consisted in verifying that the recognition criteria were satisfied and to appreciate the hypotheses underlying the forecasts of taxable profits and the relating consumptions of tax loss carry-forwards. We have also verified that Note 7 to the consolidated financial statements provides appropriate information.

The assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine, March 17, 2008

The statutory auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Autres	
Jean-Paul PICARD	**Pascal PINCEMIN**	**Pascal MACIOCE**	**Nicole MAURIN**

20.4 DIVIDEND DISTRIBUTION POLICY

In view of the Group's sparkling performance in 2007 and the favorable outlook for each of its businesses, at its February 25, 2008 meeting the Board of Directors decided to recommend to the Shareholders' Meeting to be held on May 6, 2008 an ordinary dividend of €1.36 for 2007, representing a 13.3% increase over the dividend paid for 2006.

The continuous rise in dividend payouts since 2003 (up 70%) reflects the Group's dynamic shareholder remuneration program which seeks to remain in line with profit trends while offering a competitive return on investment compared with the sector as a whole.

In 2007, this dividend payout policy was complemented by share buyback programs that will continue into 2008.

20.4.1 DIVIDEND PER SHARE

Dividends over the last five years (after adjustment following the cash capital increase with preferential subscription rights on October 12, 2005)

Fiscal year *(in euros)* *(fully paid up shares)*	Net dividend	Tax credit	Gross dividend
2002	0.70	0.35	1.05
2003	0.70	0.35	1.05
2004	0.79	-	0.79
2005	1.00	-	1.00
2006	1.20	-	1.20

After a period of five years, unclaimed dividends are automatically paid to the French Treasury.

20.5 LEGAL AND ARBITRATION PROCEEDINGS

COMPETITION AND INDUSTRY CONCENTRATION

Energy Europe

A sector inquiry was launched into the energy markets during the summer of 2005 by the European Commission. Such inquiries do not concern particular operators, but rather seek to analyze the overall functioning of specific markets, such as those for the supply of gas and electricity. On January 10, 2007, the European Commission made public the final results of this inquiry specifying what it considered to be the major weaknesses of the electricity and gas sectors in Europe. It is now up to the European Council and the Member States to assess the Commission's report and take any necessary initiatives with regard to their legislation. Since the Group is a major player in both these sectors, such measures would have an impact on its activities. However, it is impossible to assess such impact at the present time.

Alongside the sector inquiry, the Commission completed its review of systems with respect to long-term agreements signed during the privatization of electricity-producing companies in Hungary and Poland. It has invited the Hungarian and Polish governments to review these systems and, where necessary, to indemnify the signatories. The Group is directly involved in its capacity as contracting party in Hungary (Dunamenti) and in Poland (Polaniec).

By decision of October 11, 2007, the Commission completed its review of the term of the gas supply contracts between Distrigas and its industrial clients in Belgium. This decision, in the nature of a settlement, does not under any circumstances find that the competition rules have been breached. However, the Commission's formal decision concluded that since the commitments made by Distrigas as regards the term of these contracts for the 2007-2010 period were binding on Distrigas, there was no need to continue the proceedings.

The European Commission also started an investigation on the term of the electricity supply contracts entered into by certain European producers in their historical markets. Electrabel is cooperating fully with the Directorate-General for Competition on this issue.

This is also the case for the inquiry into the rise of gas prices (retail supply contracts) initiated by the rapporteurs of the Belgian Competition Council announced by Electrabel Customer Solutions at the beginning of the summer 2007.

Environment

In its decision of July 11, 2002, the French Anti-trust Council ruled that the existence of equal stakes in water distribution companies held by Compagnie Générale des Eaux (a subsidiary of Veolia Environment) and Lyonnaise des Eaux France (a subsidiary of SUEZ Environment) created a collective dominant position between the two groups. Although the French Anti-trust Council did not impose sanctions against the two companies, it requested the Minister of the Economy to order the two companies to modify or terminate the agreements that combine their resources within joint subsidiaries to lift the barrier to competition.

Compagnie Générale des Eaux unsuccessfully appealed against the decision to the Paris Court of Appeal. Compagnie Générale des Eaux lodged a further appeal before the Court of Cassation (France's highest court of ordinary jurisdiction). In its decision of July 12, 2004, the Court of Cassation overturned the decision of the Paris Court of Appeal on the grounds that the Paris Court of Appeal did not have jurisdiction for measures relating to merger control. However, the decision of the Court of Cassation does not overturn the decision of the French Anti-trust Council.

Compagnie Générale des Eaux also filed an appeal to the Conseil d'Etat (France's highest administrative court) against the decision of the Competition Council for abuse of power. This appeal was dismissed by the Conseil d'Etat, in its decision of November 7, 2005, on the grounds that the decision of the French Anti-trust Council did not impose any sanctions and was only a preparatory act to the decision of the Minister of the Economy, which is not subject to appeal.

As of the date hereof, no decision has been made by the Minister of the Economy.

DISPUTES AND ARBITRATION

In the normal course of its business, the Group is involved in a certain amount of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for this litigation and arbitration when (i) a legal, contractual, or constructive obligation exists at the balance sheet date with respect to a third party; (ii) it is probable that there will be an outflow of resources without economic benefits in order to settle the obligation; and (iii) a reliable estimate can be made of this obligation. Provisions recorded in respect of these claims, disputes and tax risks totaled €336.1 million at December 31, 2007.

Disputes with the Argentine government

In Argentina, tariffs under concession contracts have been frozen since the Public Emergency and Exchange Regime Reform Law (Emergency Act) was passed in January 2002. Consequently, in 2003, pursuant to the Franco-Argentine Bilateral Investment Protection Treaties, SUEZ and certain other shareholders of concession holders (Aguas Argentinas in Buenos Aires, Aguas Provinciales de Santa Fe in Rosario and Aguas Cordobesas in Cordoba) launched arbitration proceedings in relation to this issue before the International Centre for Settlement of Investment Disputes

(ICSID). These proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentine government following the adoption of the abovementioned Emergency Act.

Negotiations with the concession-granting authorities were immediately initiated in each case.

With respect to Aguas Cordobesas, an agreement providing for a new tariff regime was reached with the Province of Cordoba on October 13, 2006 and approved by the Provincial Congress on November 11, 2006. At the same time, SUEZ and Agbar sold control of the company to Roggio S.A., a private Argentine utilities group, keeping only 10% (5% SUEZ, 5% Agbar) in Aguas Cordobesas. Pursuant to the terms of the agreement with the Province and the sale agreement with Roggio S.A., Aguas Cordobesas and its foreign shareholders (including SUEZ) withdrew from the ICSID arbitration proceeding on December 22, 2006.

With respect to Aguas Argentinas and Aguas Provinciales de Santa Fe, negotiations between the concession holder and the concession-granting authorities continued in 2005, but stopped in 2006 without having resulted in the implementation of tariff increases or the drafting of new guidelines to restore a sustainable financial and economic equilibrium for the two Argentine contracts. Given this context and the resulting decline in the companies' financial and operational performance, Aguas Argentinas and Aguas Provinciales de Santa Fe were obliged to launch termination proceedings in respect of their concession contracts.

The voluntary liquidation of Aguas Provinciales de Santa Fe was announced at the company's annual Shareholders' Meeting on January 13, 2006. On January 31, 2006, an administrative decree was issued by the authorities terminating the current concession contract and duly acknowledging the transfer of services back to the grantor, with effect from February 8, 2006. On April 20, 2006, Aguas Provinciales de Santa Fe challenged the validity of this administrative decree.

The concession-granting authorities rejected Aguas Argentinas' termination request. Negotiations with a view to selling European shareholders' interests in Aguas Argentinas failed. On March 21, 2006, the Argentine government issued a decree terminating the Aguas Argentinas concession contract citing alleged infringement by the concession holder, and transferred all its assets to AYSA, a newly established, Argentine wholly-owned company. The decision of the Argentine authorities resulted in the suspension of the company's payment. On April 28, 2006 Aguas Argentinas filed for *Concurso Preventivo* (a similar mechanism to bankruptcy in France).

ICSID arbitration proceedings in relation to the protection of foreign shareholders' investment in both of these contracts are ongoing. ICSID found that it had jurisdiction to decide both cases. The decision on jurisdiction in the Aguas Provinciales de Santa Fe case was delivered on May 16, 2006 and that regarding the Aguas Argentinas' case on August 3, 2006. Hearings on the merits of the cases took place between April 28, 2007 and May 2, 2007 for the Aguas Provinciales de Santa Fe case, and between October 29, 2007 and November 8, 2007 for Aguas Argentina case.

Finally, a claim was filed with the Federal District Court of New York in late September 2006 by an entity entitled «Aguas Recovery Lenders' Group», in order to obtain the payment by SUEZ, Agbar and AYSA (the Argentine wholly-owned company that succeeded to Aguas Argentinas) of USD 130 million owed by Aguas Argentinas to unsecured lenders.

AEP dispute

In the United States, SUEZ Energy Marketing North American (SEMNA, formerly TEMI) was involved in a dispute with AEP (AEP Power Marketing Inc.) concerning a long-term Power Purchase and Sale Agreement within the scope of which SEMNA was to buy electricity to be produced by the owner (AEP) of a power station located in Plaquemine in Louisiana.

At the US District Court for the Southern District of New York (First Circuit), SEMNA claimed damages in excess of USD 17 million on the grounds that, due to failure by the parties to agree on one of the essential elements of the agreement (operational protocols), the agreement was not capable of enforcement. AEP made a counterclaim for damages in excess of USD 643 million mainly on the grounds of the termination of the agreement by SEMNA and to a lesser extent for unpaid bills.

On August 8, 2005, the District Court awarded damages in the amount of USD 122 million to AEP (the portion of the claim relating to unpaid bills), to be increased by prejudgment interest. SEMNA firstly appealed the decision before the United States Court of Appeal (Second Circuit) and secondly filed an appeal before the District Court requesting reconsideration of the damages awarded to AEP. AEP filed a counter-appeal requesting total damages of more than USD 500 million.

On January 20, 2006, the District Court rejected SEMNA's appeal and partially rejected AEP's claim. In the amendment to the Opinion and Order, SEMNA was required to pay a further USD 50 million to AEP pursuant to the guarantee provided by SUEZ-TRACTEBEL SA (STSA). SEMNA requested a review of this decision on the grounds that this amount is not owed directly by SEMNA, but by STSA, assuming that SEMNA did not pay the full amount owed to AEP. The District Court acceded to SEMNA's request for a review of this decision.

On May 22, 2007, the Court of Appeal rendered its decision confirming the decision of the District Court regarding (i) the enforceability of the contract, (ii) AEP's good faith in its relations with SEMNA, and (iii) the substantial efforts made by AEP to obtain QF certification. The Court of Appeal vacated the District Court's decisions to (i) award AEP damages of USD 116.5 million with respect to Replacement Products; and (ii) deny the payment of damages to AEP pursuant to the termination payment provisions of the contract. The Court of Appeal remanded the case to the District Court for further proceedings regarding the vacated portions of the District Court decision.

On June 5, 2007, AEP filed a petition for panel rehearing to the Court of Appeal, requesting that the court restore the USD 50.7 million capacity award (which is part of the aforementioned vacated award of USD 116.5 million for Replacement Products) against SEMNA in AEP's favor. On July 24, 2007, the Court of Appeal dismissed AEP's petition.

On September 25, 2007, SEMNA filed a Motion for Summary Judgment with the District Court, seeking the dismissal of AEP's counterclaim for damages.

The proceedings before the District Court resumed. The case was due to be heard in late January 2008 (as regards the Motion for Summary Judgment) and in early February 2008 as regards the other issues.

On January 28, 2008, the parties decided to end their dispute by means of an out-of-court settlement without recognition by either party of any liability. The consequences of such settlement have been accounted for in the annual financial statements for fiscal year 2007.

Snohvit dispute

On July 16, 2002, TRACTEBEL Gas Engineering Belgium S.A. (TGE) as leader of the TGE - Fabricom-GTI S.A. - Entrepose Contracting S.A. consortium (the «Contractor») entered into a contract with Statoil ASA (the «Company») regarding the construction of storage and loading facilities at Hammerfest (Norway) within the framework of the Snohvit LNG project.

The performance of this contract was affected by excessive requests for modifications and other readjustments on behalf of the Company. As the Company refused to compensate the Contractor for the fact that the budget and the deadline for completion were exceeded, TGE, as leader of the consortium, sued the Company before the Stavanger City Court (Norway) for a principal amount of €243 million.

The Contractor's position is that the Company deviated so far from the initial provisions of the contract that the contract is no longer valid and that the Contractor can thus request full payment of the project on a cost reimbursement basis. The Contractor also argued that the significant number of modifications and the cumulative effect thereof largely exceeded expectations the parties' could have had upon signature of the contract and that the Company had overstepped its right to request modifications pursuant to the contract.

The Company dismissed the above arguments and claimed entitlement to liquidated damages from the Contractor in the event of any delay, such damages being capped at 10% of the contract's value, i.e. €28 million due by Contractor.

On completion of the proceedings (the court's decision is expected by mid 2008), the parties settled and in return the Company agreed to compensate the Contractor. The consequences have been recognized in the annual financial statements for fiscal year 2007.

Dispute with Togo Electricity

In December 2000, Togo Electricité signed a concession contract (the «Contract») with the Togolese government for the management of Togo's public power distribution service.

Togo Electricité terminated the Contract on the basis of the terms thereof providing for such termination in the event of a breach of the financial and economic equilibrium between the parties that could not be settled out of court. The Contract was terminated on February 22, 2006.

The Togolese government did not recognize the validity of the termination declared by Togo Electricité. On February 22, 2006, it adopted two decrees by which it also terminated the Contract on the basis of breaches by Togo Electricité of its obligations with respect to the Contract. On February 22, 2006, it took possession of the entire assets of Togo Electricité, without any indemnity.

In March 2006, the Togolese government instituted several proceedings in Togo to justify taking possession of the assets of Togo Electricité.

These included proceedings on the merits of the case instituted first against Togo Electricité and then extended to S.E.S., with a view to sentencing these two companies to pay compensation of between FCFA 27 billion and FCFA 33 billion (between €41 million and €50 million) to the Togolese government for breach of Agreement. In March 2006, Togo Electricité instituted arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID) citing the existence of an arbitration clause in the Contract. Preliminary claims are currently being submitted in the proceedings, which S.E.S. is proposing to join.

The proceedings are extremely slow, partly due to the fact that the condition stated by S.E.S. to join as a party to the proceedings (stay of all proceedings in Togo), has not yet been fully met.

Queen Mary dispute

Following the collapse of a footbridge leading onto the Queen Mary II ocean liner in St Nazaire on November 15, 2003, as a result of which 15 people died and 30 or so people were injured, a third party claim was brought against Endel, a subsidiary of SES, with respect to the assembly of hired footbridges leading from the dock to the liner.

By decision of February 11, 2008 rendered by the criminal court of Saint Nazaire, Endel was sentenced to a fine of €150,000 for manslaughter and 11 fines of €2,500 for involuntary injuries. The four employees of Endel charged with manslaughter and involuntary injuries were acquitted in the absence of established misconduct.

Les Chantiers de l'Atlantique and Endel were ordered, jointly and severally, to indemnify the victims for damages suffered.

The public prosecutor of Saint Nazaire, -chantiers de l'Atlantique, Endel and their respective insurance companies have appealed against the decision.

Legal proceedings in Hungary

Electrabel and Dunamenti have taken preliminary steps towards international arbitration proceedings against the Hungarian State for breach of obligations pursuant to the Hungarian-Belgian Investment Protection Treaty and the Energy Charter Treaty in relation to Dunamenti.

Electrabel and Dunamenti sent a formal notice to the Hungarian State on September 4, 2006, pursuant to the Hungarian-Belgian Investment Protection Treaty and the Energy Charter Treaty. This formal notice triggered a mandatory discussion period of at least six months for the Hungarian-Belgian Investment Protection Treaty and of at least three months for the Energy Charter Treaty. At the same time, Dunamenti initiated out-of-court proceedings pursuant to the power purchase agreement with MVM.

The period of out-of-Court proceedings engaged with MVM to settle the dispute regarding the power purchase agreement ended on November 20, 2006, without any agreement being reached. On November 16, 2006, the Hungarian Ministry of Transport and Economy sent a reply to the above-mentioned formal notice of September 4, 2006, requesting to meet with high-level Electrabel representatives. An initial meeting was held in January 2007 between Electrabel and the Hungarian government, represented by the Secretary of State for Energy. On June 13, 2007, Electrabel submitted its dispute with Hungary to the ICSID, an arbitration tribunal operating under the auspices of the World Bank. After Electrabel's request for international arbitration was registered by the ICSID on August 13, 2007, the arbitration tribunal was constituted. The arbitrator designated by the Hungarian government has been challenged. The dispute mainly concerns electricity prices and allocations of CO_2 emissions rights in the country.

Ghislenghien dispute

On July 30, 2004, carelessness by a third party resulted in a leak in one of Fluxys' gas transit pipes in Ghislenghien in Belgium. Twenty-four people died as a result of this accident, and over one hundred and thirty people were injured.

In September 2005, Fluxys was indicted, in its capacity as a legal entity, by the Investigating Judge of Tournai for manslaughter and involuntary injuries due to failure to take protective or precautionary measures. On February 1, 2007, a management-level employee of Fluxys' Dispatching division was personally indicted on the same charges as Fluxys. On February 20, 2007, Electrabel was indicted in its capacity as a legal entity on the same charges as Fluxys.

To date, twenty-two legal entities and individuals have been indicted.

The investigation is continuing. Various parties have requested additional matters to be included within the scope of the investigation and a court-ordered expert appraisal is also in progress.

Victims of the disaster have also instituted legal proceedings before the regional and commercial courts of Brussels against Fluxys and/or its insurers. The civil proceedings are continuing.

Claim by the Belgian tax authorities

The Special Inspection department of the Belgian tax authorities is claiming €188 million from SUEZ-TRACTEBEL SA (formerly TRACTEBEL), concerning past investments in Kazakhstan. SUEZ-TRACTEBEL has filed an appeal with the administrative courts against those claims. SUEZ-TRACTEBEL continues to contest this claim which, based on the advice of legal counsel, it considers unfounded.

Squeeze-out bid for Electrabel shares

On July 10, 2007, Deminor and two other funds initiated proceedings before the Brussels Court of Appeal against SUEZ and Electrabel under which they sought additional consideration following the squeeze-out bid launched by SUEZ in June 2007 on Electrabel shares that it did not already own. At the time the squeeze-out bid was launched, Deminor and the other funds held 58,309 Electrabel shares. The case will be heard on February 29, 2008.

On July 11, 2007, MM. Geenen and others also initiated proceedings before the Brussels Court of Appeal seeking additional consideration. Electrabel and the Banking, Financial and Insurance Commission were joined as parties to the proceedings. At the time of the launch of the squeeze-out bid, MM Geenen and others held 231 Electrabel shares. The case will be heard on February 29, 2008.

SUEZ is not aware of any other dispute or arbitration which is likely to have, or has recently had, a material impact on the financial position, results of operations, business or assets of the Company or the Group.

20.6 SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL SITUATION

See Section 20 – Note 31 «Subsequent Events».

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ISSUED CAPITAL

As of December 31, 2007, the share capital of the Company was €2,614,087,044, divided into 1,307,043,522 fully paid-up shares with a par value of €2 each.

SUEZ shares are listed on Euronext Paris, Euronext Brussels, and on the stock exchanges in Luxembourg, Milan, Frankfurt and Zurich.

SUEZ shares, which had been listed on the New York Stock Exchange in the form of American Depositary Shares (ADS) since September 18, 2001, were delisted from the NYSE on September 21, 2007 and deregistered from the SEC on December 21, 2007.

SUEZ stock appears in all the major international stock indexes: CAC 40, BEL. 20, Dow Jones STOXX 50, Dow Jones EURO STOXX 50, Euronext 100, FTSE Eurotop 100, FTSE Eurotop MSCI Europe and ASPI Eurozone.

SHARE PRICE HIGHS AND LOWS AND TRADING VOLUMES IN SUEZ SHARES IN PARIS

	High *(€)*	**Low** *(€)*	**Trading volume**[a]	**Capital**[a] *(in thousands of euros)*
2006				
September	35.04	33.20	4,645,175	159,014
October	35.50	34.08	4,790,641	167,074
November	36.95	34.95	5,025,844	181,463
December	39.23	35.90	5,732,859	216,335
2007				
January	40.34	37.16	6,611,078	255,003
February	40.34	28.54	6,242,433	211,725
March	40.0	35.58	7,014,218	265,208
April	41.98	39.65	5,235,491	213,975
May	43.54	41.81	4,911,998	209,104
June	42.49	39.46	6,259,068	257,623
July	42.50	38.11	4,631,506	189,197
August	41.74	36.17	6,240,113	237,998
September	41.30	37.39	7,361,595	289,973
October	44.93	41.41	5,486,494	236,303
November	46.0	44.0	5,904,984	266,315
December	47.11	45.21	4,683,302	216,275
2008				
January	48.59	38.04	8,178,309	361,481
February	42.78	40.65	4,993,071	208,361

(a) *Daily average (source: Bloomberg).*

ADS PRICE HIGHS AND LOWS AND TRADING VOLUMES ON THE NEW YORK STOCK EXCHANGE

	High *(USD)*	**Low** *(USD)*	**Trading volume***	**Capital**[a] *(in thousands of USD)*
2006				
September	44.65	42.12	51,245	2.2
October	44.91	43.04	109,523	4.8
November	47.99	44.71	59,595	2.8
December	51.96	48.09	70,725	3.5
2007				
January	52.37	48.22	94,685	4.7
February	51.44	48.33	46,856	2.4
March	53.37	46.12	92,332	4.6
April	57.10	53.30	88,620	4.9
May	58.77	55.98	73,323	4.3
June	57.32	52.28	109,300	6.0
July	58.09	51.73	109,767	6.1
August	57.28	49.04	117,713	6.1
September	58.60	51.95	118,341	6.5

(a) *Daily average (source: Bloomberg).*

* *The ADS were delisted on September 21, 2007.*

POTENTIAL CAPITAL

The Company's potential capital as of December 31, 2007 was 41,290,066 shares that could result from the exercise of stock subscription options.

As of such date, the percentage of dilution in the event of the exercise of these stock subscription options would represent 3.2 % of the capital.

The tables relating to the various stock option plans are set out in Note 26 of Section 20.

PLEDGES, GUARANTEES AND COLLATERAL

Pledges of assets

The percentage of shares pledged is not material.

- Pledge of property, plant and equipment: see Note 11.2 of Section 20.
- Pledge of financial assets: see Note 14 of Section 20.

Other pledges

In millions of euros	Total value	2008	2009	2010	2011	2012	from 2013 to 2017	> 2017	Account total	Corresponding %
Intangible assets	14.4	6.8	0.8	0.4	0.3	0.2	0.7	5.2	3,497.7	0.4
Property, plant and equipment	2,190.1	389.0	39.7	40.5	38.5	66.6	148.8	1,467.0	22,597.1	9.7
Equity instruments	966.1	143.1	7.2	15.9	17.7	19.1	270.3	492.8	5,335.0	18.1
Bank accounts	58.9	55.0	0.8				0.7	2.4	6,720.2	0.9
Other assets	159.7	155.9	0.4	0.4	0.4	0.4	1.9	0.3	16,728.1	0.9
TOTAL	**3,389.2**	**749.8**	**48.9**	**57.2**	**56.9**	**86.3**	**422.4**	**1,967.7**	**54,878.1**	**6.2**

Note: the total amount of the pledge relating to equity instruments may relate to consolidated equity instruments with zero value in the consolidated balance sheet (elimination of these equity instruments upon consolidation).

21.1 AMOUNT OF SUBSCRIBED CAPITAL

The main transactions affecting the share capital in 2007 were as follows:

- issuance of 16,450,543 shares, with dividend rights as of January 1, 2007, following the exercise of stock subscription options;
- issuance of 13,148,576 new shares, with dividend rights as of January 1, 2007, within the scope of the capital increase reserved for the group's employees (Spring program in 2007).

In all, 29,599,119 SUEZ shares were issued during the 2007 fiscal year.

21.1.1 AUTHORIZED UNISSUED CAPITAL

MAIN AUTHORIZATIONS AVAILABLE TO SUEZ AS OF DECEMBER 31, 2007

Reso.	Purpose of the resolution	Period	Maximum amount	Amount utilized	Remaining balance
AUTHORIZATIONS GRANTED BY THE SHAREHOLDERS' MEETING OF MAY 4, 2007					
10th	Authorization to trade in the Company's shares	18 months (as from May 4, 2007)	Maximum purchase price: **€55** Maximum shareholding: 10% of the share capital Aggregate amount of purchases: **≤ €7 billion**	SUEZ held 2.25% of its capital as of December 31, 2007	7.75% of the share capital
11th	Issue of free equity warrants in the event of an unsolicited bid for the Company	18 months (as from May 4, 2007)	**€2.7 billion** (i.e. double the fully-diluted share capital)	None	Full amount of the authorization
12th	Increase in the share capital, with cancellation of preferential subscription rights, of shares in favor of all entities whose sole purpose is to facilitate access by the group's foreign employees to SUEZ's share capital	18 months (as from May 4, 2007)	**€30 million** i.e. 15 million shares (approximately 1.15% of the share capital)	4,849,184 shares, i.e. 0.38% of the share capital as of May 4, 2007	0.77% of the share capital
13th	Authorization to the Board of Directors to grant stock options for the subscription or purchase of shares to corporate officers and employees of group companies	38 months (as from May 4, 2007)	Maximum shareholding: 3% of the share capital	Award of 4,373,050 stock subscription options on November 14, 2007, i.e. 0.34% of the share capital as of November 14, 2007	2.66% of the share capital
14th	Authorization to award bonus shares to corporate officers and employees	38 months (as from May 4, 2007)	Maximum shareholding: 1% of the share capital To be deducted from the 3% provided for in the 13th resolution approved by the Shareholders' Meeting of May 4, 2007	Award on July 16, 2007 and November 14, 2007 respectively of 2,030,000 and 1,182,048 existing performance shares, i.e. 0.25% of the share capital as of November 14, 2007	i.e. 0.75% of the share capital and 2.5% taking into account stock subscription options which are deducted from the same overall amount
15th	Authorization to reduce the share capital by cancelling shares	18 months (as from May 4, 2007)	10% of the share capital per 24-month period	None	Full amount of the authorization

Reso.	Purpose of the resolution	Period	Maximum amount	Amount utilized	Remaining balance
AUTHORIZATIONS GRANTED BY THE SHAREHOLDERS' MEETING OF MAY 5, 2006					
7th	Increase in the share capital through the issue, **with retention of preferential subscription rights**, of shares and/or securities convertible, redeemable or otherwise exercisable for shares of the Company or its subsidiaries, or by the capitalization of additional paid-in capital, reserves, earnings or other amounts	26 months (as from May 5, 2006)	**€500** million for shares* (corresponding to an increase in the share capital of 19.2%) or the total amount of the sums that may be capitalized in the event of capitalization of additional paid-in capital, reserves, earnings or other amounts **+€5 billion** for debt securities*	None	Full amount of the authorization
8th	Increase in the share capital through the issue, **with cancellation of preferential subscription rights**, of shares and/or securities convertible, redeemable or otherwise exercisable for shares in the Company or its subsidiaries, or of shares in the Company to which entitlement is granted through securities to be issued by the subsidiaries, including in exchange for shares tendered within the context of a public exchange offer or, subject to a maximum limit of 10% of the Company's share capital, in consideration for contributions in kind to the Company consisting of shares or securities	26 months (as from May 5, 2006)	**€500 million** for shares* (corresponding to an increase in the share capital of **19.2%)** **+ €5 billion** for debt securities*	None	Full amount of the authorization
9th	In the event of an increase in capital, **with cancellation of preferential subscription rights**, the possibility to set the issue price, subject to a maximum limit of 10% of the capital, in accordance with specific terms and conditions (10% reduction)	26 months (as from May 5, 2006)	**€260.8 million** for shares* (corresponding to an increase in the share capital of **10%** per12-month period)	None	Full amount of the authorization
11th	Issue of complex debt securities	26 months (as from May 5, 2006)	**€5 billion***	None	Full amount of the authorization
12th	Issue of shares reserved for employees belonging to a SUEZ Group corporate savings plan	26 months (as from May 5, 2006)	3% of the share capital	Issuance of 8,299,392 shares, i.e. 0.65% of the share capital as of May 5, 2006	2.35% of the share capital

* *These amounts may not be cumulated (with the exception of additional paid-in capital that may be capitalized). This is a common ceiling, set for the 7th, 8th, 9th and 11th resolutions of the Shareholders' Meeting of May 5, 2006.*

21.1.2 SHARES NOT REPRESENTING AN INTEREST IN THE SHARE CAPITAL

None.

Securities not representing an interest in the share capital

October and December 1999 SUEZ 5.875% bond issue

On October 13, 1999, SUEZ privately placed bonds with an initial tranche of €1,250 million, followed in December 1999 by an additional tranche of €150 million, under the following terms and conditions:

First tranche	
Issue amount:	€1,250,000,000 made up of 1,250,000 bonds of €1,000 nominal value each
Issue price:	101.045% of the nominal value
Issue and settlement date:	October 13, 1999
Interest:	5.875% per annum payable on October 13 of each year and for the first time on October 13, 2000
Redemption:	At par, in full, on October 13, 2009
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	10 years
Repurchase:	Bonds may be repurchased on or off the stock market. All bonds repurchased will be cancelled.
Stock exchange listing:	Euronext Paris
ISIN code:	FR 0000495848
Second tranche	
Issue amount:	€150,000,000 made up of 150,000 bonds of €1,000 nominal value each
Issue price:	100.813% of the nominal value
Issue date:	October 13, 1999
Interest:	5.875% per annum payable on October 13 of each year and for the first time on October 13, 2000
Redemption:	At par, in full, on October 13, 2009
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	10 years
Repurchase:	Bonds may be repurchased on or off the stock market. All bonds repurchased will be cancelled.
Stock exchange listing:	Euronext Paris
ISIN code:	FR 0000495848
Repurchases and cancellations made by SUEZ with regard to both tranches:	15,000 bonds in 2003 and 164,352 bonds in 2004
Number of bonds outstanding as of December 10, 2007:	1,220,648

This bond issue, guaranteed by GIE SUEZ Alliance, was transferred to Belgelec Finance S.A, an Electrabel subsidiary, on December 10, 2007.

2000/2007 SUEZ 6.25% bond issue

At the beginning of November 2000, SUEZ launched a €500 million bond issue, made up of 50,000 bonds with a €10,000 nominal value, under the following terms and conditions:

Issue price:	100% of the nominal value
Issue and settlement date:	November 2, 2000
Interest:	6.25% per annum payable on November 2 of each year and for the first time on November 2, 2001
Redemption:	At par, in full, on November 2, 2007
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	7 years
Repurchase:	Bonds may be repurchased on or off the stock market. All bonds repurchased will be cancelled.
Assimilation:	The issuer reserves the right to issue new bonds comparable to the existing bonds provided that these new bonds have the same characteristics.
Stock exchange listing:	Euronext Paris
ISIN code:	FR 0000483430
Repurchases and cancellations made by SUEZ:	2,605 bonds in 2004

This bond issue, guaranteed by GIE SUEZ Alliance, matured on November 2, 2007.

Bond issues via GIE SUEZ Alliance

GIE SUEZ Alliance, created in November 2001, is the Group's preferred financing vehicle in the financial and bond markets. It comprised eight members as of December 31, 2007 (SUEZ, SUEZ Finance, SUEZ Energie Services, Ondeo, Lyonnaise des Eaux France, SUEZ Environnement, Electrabel and SITA France).

SUEZ-TRACTEBEL has withdrawn from the GIE SUEZ Alliance but remains jointly and severally liable with regard to the grouping's creditors for the commitments that arose prior to indication of the withdrawal in the Trade and Companies Registry.

Electrabel, a new member of the GIE SUEZ Alliance is exempt from the commitments that arose before it joined the GIE.

The main characteristics of the outstanding bond issues are as follows:

2002/2009 GIE SUEZ Alliance 5.50% bond issue

In February 2002, GIE SUEZ Alliance launched a €1,250 million bond issue made up of 1,250,000 bonds of €1,000 nominal value, under the following terms and conditions:

Issue price:	€1,000,000,000: 99.731% of the nominal value, payable in full on the settlement date
	€250,000,000: 98.704% of the nominal value, payable in full on the settlement date
Issue and settlement date:	February 20, 2002
Interest:	5.50% per annum payable in arrears on February 20 each year and for the first time on February 20, 2003
Redemption:	At par, in full, on February 20, 2009
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	7 years
Repurchase:	Bonds may be repurchased on the stock market. All bonds repurchased will be cancelled.
Stock exchange listing:	Luxembourg Stock Exchange
ISIN code:	FR 0000488207

At the beginning of March 2007, after repurchase and cancellation by GIE SUEZ Alliance of 746,432 2002/2009 5.50% bonds, within the scope of a public repurchase offer, the number of bonds that remained outstanding with regard to this issue amounts to 503,568.

As of December 10, 2007, the number of outstanding bonds remained unchanged.

On December 10, 2007, this bond issue was transferred to Belgelec Finance S.A, an Electrabel subsidiary.

2003/2023 GIE SUEZ Alliance 3-tranche bond issu

In June 2003, GIE SUEZ Alliance launched a €3 billion bond issue (in 3 tranches) made up of bonds of €1,000 nominal value each under the following terms and conditions:

First tranche (7 years) (2003-2010)

Issue price:	€1,250,000,000: 99.467% of the nominal value, payable in full on the settlement date
Issue and settlement date:	June 24, 2003
Interest:	4.25% per annum payable in arrears on June 24 of each year and for the first time on June 24, 2004
Redemption:	At par, in full, on June 24, 2010
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	7 years
Repurchase:	Bonds may be repurchased on or off the stock market. All bonds repurchased will be cancelled.
Stock exchange listing:	Luxembourg Stock Exchange
ISIN code:	FR 0000475733

Second tranche (12 years) (2003-2015)

Issue price:	€750,000,000: 99.583% of the nominal value for €500 million and 101.744% of the nominal value for €250 million, payable in full on the settlement date
Issue and settlement date:	June 24, 2003
Interest:	5.125% per annum payable in arrears on June 24 of each year and for the first time on June 24, 2004
Redemption:	At par, in full, on June 24, 2015
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	12 years
Repurchase:	Bonds may be repurchased on or off the stock market.
All bonds repurchased will be cancelled.	Bourse du Luxembourg
Stock exchange listing:	Luxembourg Stock Exchange
ISIN code:	FR 0000475741

Third tranche (20 years) (2003-2023)

Issue price:	€1,000,000,000: 99.446% of the nominal value, payable in full on the settlement date
Issue and settlement date:	June 24, 2003
Interest:	5.75% per annum payable in arrears on June 24 of each year and for the first time on June 24, 2004
Redemption:	At par, in full, on June 24, 2023
Early redemption:	In the event of a change in the tax treatment applicable to bonds
Term:	20 years
Repurchase:	Bonds may be repurchased on or off the stock market. All bonds repurchased will be cancelled.
Stock exchange listing:	Luxembourg Stock Exchange
ISIN code:	FR 0000475758

At the beginning of March 2007, after repurchase and cancellation by GIE SUEZ Alliance of 599,598 bonds of the 1st tranche at 4.25% for seven years (2003-2010), within the scope of a public repurchase offer, the number of bonds that remained outstanding with regard to this 1st tranche amounted to 650,402.

As of December 10, 2007, none of the bonds from this issue had been repurchased by GIE SUEZ Alliance.

On December 10, 2007, the 7-year tranche (2003-2010) and the 12-year tranche (2003-2015) of this bond issue were transferred to Belgelec Finance S.A, an Electrabel subsidiary.

Euro Medium Term Notes (EMTN) Program

In March 2001, SUEZ launched a €2 billion Euro Medium Term Notes program.

In June 2002, GIE SUEZ Alliance was added to SUEZ and SUEZ Finance as an additional issuer and guarantor under this program.

In October 2003, the amount of the program was raised to €5 billion.

In July 2006, Electrabel joined SUEZ, SUEZ Finance and GIE SUEZ Alliance as an additional issuer under this program.

In August 2007, the amount of the program was raised to €10 billion.

In December 2007, Belgelec Finance joined SUEZ, SUEZ Finance, GIE SUEZ Alliance and Electrabel as an additional issuer under this program.

As of the end of December 2007, the outstanding amount under this notes issue totaled €1,716 million.

Treasury notes

In 2002, SUEZ Finance increased the amount of its treasury note program to €3 billion. This program is guaranteed by GIE SUEZ Alliance. As of December 31, 2007, the outstanding amount under this program stood at €152 million.

21.1.3 TREASURY STOCK HELD BY THE ISSUER

Treasury stock as of December 31, 2007

The tenth resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 authorized the Company to trade in its own shares for equity management purposes, subject to the terms and conditions of applicable laws and regulations.

Conditions:	Maximum purchase price:	€55
	Maximum shareholding:	10% of the capital
	Aggregate amount of acquisitions:	€7 billion

A one-year liquidity agreement for an initial amount of €40 million, subject to automatic renewal, was entered into in December 2004 on Euronext Paris with Rothschild et Cie Banque, and increased to €80 million on February 28, 2006. It was extended to include Euronext Brussels for €7.5 million on December 21, 2005. The main purpose of this agreement is to reduce the volatility of SUEZ shares and thus the risk perceived by investors; the agreement complies with the Code of Conduct of the AFEI (French Association of Investment Firms). This agreement continued in effect in 2007.

In addition, SUEZ shares were purchased by SUEZ outside the scope of this agreement.

Between the Shareholders' Meeting held on May 4, 2007 and December 31, 2007, the Company purchased 24,340.305 of its own shares on the stock market, 9,350.503 shares under the liquidity agreement, and 14,989.802 shares outside the scope of this agreement, 1,395.318 shares were purchased between May 4 and June 30, 2007 and 13,594.484 shares were purchased during the second half of the year for a total amount of €1,035.04 million and a price per share of €42.52. Over the same period, SUEZ sold 9,350.503 shares on the stock market for a total net disposal value of €391.14 million and a price per share of €41.83.

As of December 31, 2007, the Company held 29,473.508 of its own shares, representing 2.25% of the share capital.

Between January 1, 2008 and February 28, 2008, the Company purchased 1,011.213 of its own shares (940,881 shares under the liquidity agreement and 70,332 shares pursuant to the stock repurchase agreement) on the stock market for a total amount of €42.32 million and a price per share of €41.85 and sold 940.881 shares on the stock market for a total net disposal value of €39.36 million and a price per share of €41.83.

Overview of the stock repurchase program submitted to the Combined Ordinary and Extraordinary Shareholders' Meeting held on May 6, 2008 (11th resolution)

The purpose of this overview of the program is to describe, as provided for in Articles 241-1 to 241-6 of the AMF General Regulation, the objectives and terms and conditions of the program for repurchase by SUEZ of its own shares that will be submitted to the Ordinary and Extraordinary Shareholders' Meeting on May 6, 2008.

A. Main characteristics of the program

The main potential characteristics of this program are set out below:

- securities concerned: shares listed on the Eurolist – SRD with Euronext Paris, or the Eurolist with Euronext Brussels;
- maximum percentage of capital authorized by the Shareholders' Meeting for repurchase: 10%;
- maximum authorized purchase price per share: €60.

B. Objectives of the stock repurchase program

The objectives pursued by SUEZ in connection with this stock repurchase program are as follows:

- enabling an investment services provider to stabilize the share price under liquidity agreements;
- the subsequent cancellation of the repurchased shares as part of a reduction of share capital decided or authorized by an Extraordinary Shareholders' Meeting;
- granting or selling them to employees or former employees of the Group, or corporate officers or former corporate officers of the Group, or implementing stock option plans or bonus share award schemes;
- keeping them and subsequently using them in exchange or as payment for external growth transactions, subject to a maximum limit of 5% of the share capital;
- using them to cover issued securities which carry with them rights to shares in the Company, by means of the allocation of shares at the time of exercise of the rights attached to the issued securities, which give entitlement by way of redemption, conversion, exchange, presentation of a coupon or by any other means, to the allotment of shares in the Company.

C. Terms and conditions

1. Maximum number of shares that may be purchased and maximum amount payable by SUEZ

The maximum number of shares purchased by SUEZ may not exceed 10% of the Company's share capital as estimated at the date of the Shareholders' Meeting, namely approximately 130.7 million shares, for a maximum theoretical amount of €7.5 billion. SUEZ reserves the right to use the entire amount of the authorized program.

As of February 29, 2008, SUEZ directly held 29,5 million shares, i.e. 2.3% of the share capital.

Accordingly, on the basis of the estimated share capital as of the date of the Shareholders' Meeting, the repurchases of stock may relate to 101.2 million shares, representing 7.7% of the share capital, *i.e.* a maximum amount payable of €6.1 billion.

2. Duration of the stock repurchase program

The stock repurchase program will be carried out, in accordance with the 11th resolution of the Shareholders' Meeting of May 6, 2008, over a period of 18 months as from the date of the Shareholders' Meeting, that is until November 6, 2010.

21.1.4 AMOUNT OF SECURITIES CONVERTIBLE, EXCHANGEABLE OR ACCOMPANIED BY EQUITY WARRANTS, WITH AN INDICATION OF THE TERMS AND CONDITIONS FOR CONVERSION, EXCHANGE OR SUBSCRIPTION

Not applicable

21.1.5 INFORMATION ON THE CONDITIONS GOVERNING ANY RIGHT OF PURCHASE AND/OR ANY OBLIGATION RELATED TO THE SUBSCRIBED, UNPAID CAPITAL, OR ANY ACTION AIMED AT INCREASING THE SHARE CAPITAL

Not applicable

21.1.6 INFORMATION ON THE SHARE CAPITAL OF ANY MEMBER OF THE GROUP THAT IS UNDER OPTION OR SUBJECT TO A CONDITIONAL OR UNCONDITIONAL AGREEMENT PROVIDING THAT IT BE PLACED UNDER OPTION

Not applicable

21.1.7 CHANGES IN SHARE CAPITAL (OVER A 5-YEAR PERIOD)

		Share issues			
Year	**Capital increase**	**Par value** *(in €)*	**Additional paid-in capital** *(in €)*	**Share capital** *(In € thousands)*	**Number of shares**
12/31/2002				**2,014,845**	**1,007,422,403**
	Issuance of 2,300 shares with a €2 par value each by conversion of January-February 1996 4% convertible bonds	4,600	31,864.20	2,014,849	1,007,424,703
	Issuance of 199,603 shares with a €2 par value each by the exercise of stock subscription options	399,206	2,600,654.20	2,015,249	1,007,624,306
06/30/2003				**2,015,249**	**1,007,624,306**
	Issuance of 55,500 shares with a €2 par value each by the exercise of stock subscription options	111,000	660,450.00	2,015,360	1,007,679,806
12/31/2003				**2,015,360**	**1,007,679,806**
	Issuance of 2,392 shares with a €2 par value each by conversion of January-February 1996 4% convertible bonds	4,784	31,442.39	2,015,364	1,007,682,198
	Issuance of 360,241 shares with a €2 par value each by the exercise of stock subscription options			2,016,085	1,008,042,439
06/30/2004				**2,016,085**	**1,008,042,439**
	Issuance of 11,996,123 shares with a €2 par value each through a share issue reserved for Group employees (Spring 2004 program)	23,992,246	150,071,498.73	2,040,077	1,020,038,562
	Issuance of 1,830 shares with a €2 par value each by conversion of January-February 1996 4% convertible bonds	3,660	24,235.90	2,040,081	1,020,040,392
	Issuance of 424,994 shares with a €2 par value each by the exercise of stock subscription options	849,988	5,283,550.31	2,040,931	1,020,465,386
12/31/2004				**2,040,931**	**1,020,465,386**
	Issuance of 4,560,940 shares with a €2 par value each by the exercise of stock subscription options	9,121,880	66,919,292.67	2,050,053	1,025,026,326
	Issuance of 11,665,701 shares with a €2 par value by conversion and early redemption of January-February 1996 4% convertible bonds	23,331,402	153,826,532.98	2,073,384	1,036,692,027
	Issuance of 115,044,247 shares with a €2 par value via a cash share issue with retention of the preferential subscription rights	230,088,494	2,104,814,310.18	2,303,473	1,151,736,274
	Issuance of 106,265,504 shares with a €2 par value following the combined purchase and exchange offer for the Electrabel shares not yet owned	212,531,008	2,202,536,946.72	2,516,004	1,258,001,778
	Issuance of 12,754,477 shares with a €2 par value each through a share issue reserved for Group employees (Spring 2005 program)	25,508,954	199,218,071.97	2,541,513	1,270,756,255

Year	Capital increase	Share issues Par value *(in €)*	Additional paid-in capital *(in €)*	Share capital *(In € thousands)*	Number of shares
12/31/2005				**2,541,513**	**1,270,756,255**
	Issuance of 299,804 shares with a €2 par value each, with dividend rights as of January 1, 2005 following the combined purchase and exchange offer for the Electrabel shares not yet owned	599,608	6,199,946.72	2,542,112	1,271,056,059
	Issuance of 6,388,344 shares with a €2 par value each by the exercise of stock subscription options	12,776,688	149,269,736.57	2,554,889	1,277,444,403
12/31/2006				**2,554,880**	**1,277,444,403**
	Issuance of 16,450,543 shares with a €2 par value each by the exercise of stock subscription options	32,901,086	361,681,950.03	2,587,790	1,293,894,946
	Issuance of 13,148,576 shares with a €2 par value each through a share issue reserved for Group employees (Spring 2007 program)	26,297,152	405,966,763.84	2,614,087	1,307,043,522
12/31/2007				**2,614,087**	**1,307,043,522**
	Issuance of 721,440 shares with a €2 par value each by the exercise of stock subscription options	1,442,880	17,130,222.65	2,615,530	1,307,764,962
01/15/2008				**2,615,530**	**1,307,764,962**

21.2 INCORPORATION DOCUMENTS AND BYLAWS

21.2.1 THE ISSUER'S CORPORATE PURPOSE (ARTICLE 3)

The corporate purpose of the Company is the management and development of its current and future assets, in all countries and by all means and, in particular:

a) obtaining, purchasing, leasing and operating any and all concessions and companies involved in supplying towns with drinking or industrial water, the evacuation and treatment of waste water, drying and draining operations, irrigation and the development of all water transport, protection and storage structures;

b) obtaining, purchasing, leasing and operating any and all selling and service activities to local public authorities and private individuals with respect to urban development and management of the environment;

c) the design, development and performance of any and all projects and any and all public or private works on behalf of local public authorities and private individuals; the preparation and signing of any and all treaties, contracts and agreements relating to the performance of these projects and works;

d) the acquisition of any and all investments through the subscription, purchase, transfer, exchange or by any other means, of shares, interests, bonds and any and all other securities in companies already in existence or to be created;

e) obtaining, purchasing, assigning, conceding and operating all patents, licenses and processes;

f) and, more generally, any and all industrial, commercial, financial, personal or real-estate transactions relating directly or indirectly to the corporate purpose or which are likely to favor and develop the business of the Company.

21.2.2 MANAGEMENT AND SUPERVISION

The Company is managed by the Board of Directors. The powers of the Board of Directors were changed at the time of the Shareholders' Meeting held on April 26, 2002, in accordance with the new French Act of May 15, 2001 on the new economic regulations (the "NRE Act").

The term of office of Directors is four years. When a Director is appointed to replace another Director whose term of office has expired, he or she may only be appointed for the remainder of his or her predecessor's term of office. Subject to the case of termination of the employment contract, where the Director is an employee, or subject to the cases of resignation, dismissal or death, the Director's term of office expires at the end of the Annual Shareholders' Meeting that takes place during the year in which the Director's term of office expires.

Chairman. The Board of Directors elects from among its members a Chairman and, where applicable, one or more Vice-Chairmen. The Chairman will cease to perform his duties at the latest at the end of the Shareholders' Meeting that takes place during the year in which the Chairman reaches 65 years of age. The Board of Directors is empowered, at the next Shareholders' Meeting, on one or more occasions, to extend this age limit by a maximum of five years. The Chairman represents the Board of Directors. He organizes and directs the Board's activities, on which he reports at Shareholders' Meetings. He ensures that the Company's management bodies function smoothly and ensures, in particular, that the Directors are in a position to perform their duties.

Decisions by the Board of Directors. Notice of Board meetings is sent to Directors by the Chairman or, where applicable, the Vice-Chairman. If no Board meeting is called for over two months, at least one-third of the Directors are empowered to ask the Chairman to call a meeting in order to handle the specific matters included on the agenda. The Chairman and Chief Executive Officer is also empowered to ask the Chairman to call a Board meeting in order to discuss specific matters included on the agenda. Decisions are taken in accordance with the quorum and majority rules provided for by law. In the event of a tie in the voting, the Chairman will have the casting vote.

Regulated agreements. Any agreement entered into between SUEZ and one of the members of its Board of Directors that is not in connection with the Company's day-to-day management must receive the prior authorization of the Board of Directors. This authorization is also required with regard to agreements entered into between SUEZ and another Company, when one of the members of the Board of Directors is the owner, managing partner, manager, Director, Chief Executive Officer or member of the Management Board or Supervisory Board of the other company. Furthermore, any agreement entered into between SUEZ and any shareholder holding more than 10% of the voting rights or, in the case of a legal entity, a company controlling the other company in accordance with Article L. 233-3 of the French Commercial Code, will be subject to the same authorization procedure. The Director, senior management executive or company concerned are required to a) inform the Board of Directors of such agreement and b) obtain its consent. The Chairman of the Board of Directors must inform the Statutory Auditors of the existence of the agreement and the Shareholders' Meeting will then have to vote on the basis of a special report drawn up by the Statutory Auditors with regard to the agreement. In the event that the Shareholders' Meeting refuses to approve the agreement, such agreement will nevertheless be enforceable against third parties, but the Director will be held liable with regard to the Company for any loss that the Company might incur as a result of such agreement. The party that has entered into the agreement may neither take part in the vote of the Board of Directors nor that of the Shareholders' Meeting. Furthermore, the shares held by the party to the agreement will not be taken into account when calculating the quorum and majority.

Directors' compensation. The total compensation of the Board of Directors is set at the Shareholders' Meeting. The Board of Directors will allocate such compensation between its members. The Board is empowered to award extra compensation to certain of its members in respect of the tasks or assignments entrusted to them.

Age limit for Directors. The number of Directors who have reached 70 years of age may not exceed one-third of the total number of Directors in office at any time. Where the number of Directors is not a multiple of three, the result is rounded off.

21.2.3 RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO EACH CLASS OF SHARES

Attendance at Shareholders' meetings (Article 22 of the bylaws)

All shareholders, irrespective of the number of shares held, are entitled to attend meetings in person or be represented by a proxy holder, on provision of proof of identity and ownership of the shares. Ownership of the shares is evidenced by an entry in the Company's share register in the name of the shareholder (or of the intermediary acting on their behalf, in accordance with the seventh paragraph of Article L. 228-1 of the French Commercial Code), or in the register of bearer shares held by the applicable authorized intermediary. Such entries must be recorded by zero hours (Paris time), on the third working day preceding the Meeting.

All shareholders may also, if permitted by the Board of Directors or its Chairman when the shareholders' meeting is convened, attend the meeting by video conference or by electronic communications or remote transmission; the Company may, for this purpose, use an identification process meeting the conditions laid down in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code. Such shareholders are considered present at the meeting when calculating the quorum and majority.

Shareholders' Meetings, duly called and held, represent all shareholders.

All shareholders are bound by the decisions of Shareholders' Meetings made in accordance with applicable laws and the bylaws.

Voting rights (Article 24 of the bylaws)

Single voting rights

The voting rights attached to shares are in proportion to the percentage of share capital they represent. Each share carries entitlement to at least one vote.

Where shares are subject to beneficial ownership, the voting rights attached to these shares are exercised by the beneficial owner at Ordinary and Extraordinary Shareholders' Meetings.

Shareholders may vote by correspondence in accordance with the terms, conditions and procedures laid down by prevailing law and regulations.

Double voting rights

Double voting rights to those attached to other shares, in terms of the portion of share capital they represent, are attributed to all fully paid-up shares held in registered form for at least two years in the name of the same shareholder or of this shareholder and individuals whose rights he holds, either intestate or by virtue of a will, as a result of the division of marital property between spouses or *inter vivos* donation to a spouse or relative entitled to a share in the deceased's estate.

In the event of an increase in share capital by capitalization of earnings, reserves or additional paid-in capital, double voting rights shall be conferred, from issuance, on registered shares allotted free to shareholders in respect of existing shares which benefit from such rights.

Double voting rights attached to shares cease on the conversion of such shares to bearer shares or their transfer to another shareholder, with the exception of registered to registered transfers as a result of an inheritance or family gift.

Double voting rights can only be cancelled:

- by a decision made at an Extraordinary Shareholders' Meeting by all the shareholders with a view to amending the bylaws;
- subject to the ratification of such decision by the Special Meeting of shareholders that hold double voting rights, which must approve this cancellation by a two-thirds majority.

As of December 31, 2007, after deduction of treasury stock, the Company had 205,911,177 shares carrying double voting rights.

21.2.4 ACTIONS REQUIRED TO CHANGE SHAREHOLDERS' RIGHTS

Any amendment to the bylaws, that define the rights attached to the SUEZ shares, must be approved by a two-thirds majority at an Extraordinary Shareholders' Meeting. The Extraordinary Shareholders' Meeting may not provide for any increase in the obligations of shareholders, except in the event of merger of two different classes of shares. However, a decision of any kind involving an amendment of the rights attached to a class of shares may only become final and binding if it is ratified by a two-thirds majority at a Special Shareholders' Meeting for the class of shares concerned.

21.2.5 CONDITIONS GOVERNING THE MEANS FOR CALLING ANNUAL SHAREHOLDERS' MEETINGS AND EXTRAORDINARY SHAREHOLDERS' MEETINGS, INCLUDING THE CONDITIONS FOR ADMISSION TO SUCH MEETINGS

Notice of meetings (Articles 22 and 23 of the bylaws)

Shareholders' Meetings are considered to be "Extraordinary" when the decisions relate to a change in the bylaws and "Ordinary" in all other cases.

Shareholders' Meetings are called and conducted in accordance with the terms and conditions of French law.

Meetings are held at the corporate headquarters or at any other place in the same *département* or a neighboring *département*.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors, or, in his absence, by the oldest Vice-Chairman present at the meeting, or failing this, by a Director specially appointed for this purpose by the Board of Directors. Failing all of the above, the Shareholders' Meeting can elect its own Chairman.

Minutes of Shareholders' Meetings are prepared and copies thereof are certified and issued in accordance with French law.

Attendance at Shareholders' meetings (Article 22 of the bylaws)

See paragraph 21.2.3.

21.2.6 PROVISION IN THE INCORPORATION DOCUMENTS, BYLAWS, A CORPORATE CHARTER OR A REGULATION OF THE ISSUER THAT MAY HAVE THE EFFECT OF DELAYING, POSTPONING OR PREVENTING A CHANGE IN CONTROL

The bylaws do not contain any provision that could have the effect of delaying, postponing or preventing a change in our management.

21.2.7 PROVISION IN THE INCORPORATION DOCUMENTS, BYLAWS, A CORPORATE CHARTER OR A REGULATION SETTING THE THRESHOLD ABOVE WHICH ANY SHAREHOLDING MUST BE DISCLOSED

Notices that must be made to the company (Article 7 of the bylaws)

All private individuals and legal entities, acting alone or in concert, who acquire or cease to hold, directly or indirectly, a fraction of the share capital equal to or greater than 1% or a multiple thereof, up to 34% of the share capital, are required to inform the Company, by registered letter with return receipt requested, within 5 days from the date on which one of these thresholds is crossed, of the total number of shares held directly, indirectly or in concert.

Failure to comply with the above requirements results in rescission of the voting rights attached to those shares relating to the unreported fraction at all Shareholders' Meetings held during a two-year period following the date of filing of the aforementioned notice. Application of this penalty is subject to a request by one or more shareholders holding at least 1% of the Company's share capital. This request is recorded in the minutes of the Shareholders' Meeting.

21.2.8 CHANGES IN SHARE CAPITAL

Any change in the share capital or rights conferred by shares must be made in accordance with Title II of the bylaws. Capital increases may only be authorized by shareholders at an Extraordinary Shareholders' Meeting, upon presentation of a report by the Board of Directors.

Where the Company's capital is increased by the capitalization of reserves, earnings or additional paid-in capital, the Shareholders' Meeting must vote in accordance with the quorum and majority requirements applicable to Ordinary Shareholders' Meetings.

22 MATERIAL CONTRACTS

See Section 10 “Cash flow and share capital”, and Note 2 of Section 20.

23 INFORMATION FROM THIRD PARTIES, STATEMENTS MADE BY EXPERTS AND DECLARATIONS OF INTERESTS

Not applicable.

24 DOCUMENTS ACCESSIBLE TO THE PUBLIC

24.1 CONSULTATION OF DOCUMENTS P.341

24.2 CORPORATE COMMUNICATION P.341

24.1 CONSULTATION OF DOCUMENTS

The documents relating to SUEZ that must be made available to the public (the bylaws, reports, historical financial information of SUEZ and its subsidiaries included or referred to in this Reference Document and those relating to each of the two fiscal years prior to the filing of this Reference Document) may be consulted throughout the entire validity period at the corporate headquarters of SUEZ (16, rue de la Ville l'Evêque, 75008 PARIS, France). These documents may also be obtained in electronic format on the SUEZ site (www.suez.com) and, for certain of them, on the site of the *Autorité des Marchés Financiers* (www.amf-france.org).

24.2 CORPORATE COMMUNICATION

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www.suez.com

The SUEZ Reference Document is translated into English, Spanish and Dutch.

Tentative Financial Reporting schedule

Presentation of revenues for 2007	January 31, 2008
Presentation of earnings for 2007	February 26, 2008
Shareholders' meeting	May 6, 2008

25 INFORMATION ON INVESTMENTS

LIST OF THE MAIN CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2007 P.343

LIST OF THE MAIN CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2007

See section 20 – Note 32.

A

APPENDICES TO THE REFERENCE DOCUMENT

REPORTS ON INTERNAL CONTROL PROCEDURES

- Report of the Chairman of the Board of Directors of SUEZ P.346
- Statutory Auditors' report on the report prepared by the Chairman of the Board of SUEZ P.352
- Auditors' report on the review of environmental and social indicators P.353

Special report on the stock repurchase program P.355

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 6, 2008

- Agenda P.356
- Board of Directors' report P.357
- Statutory Auditors' special report on regulated agreements and commitments with related parties P.363
- Statutory Auditors' Reports on the Shareholders' Combined General Meeting of May 6, 2008 P.367
- Independent Expert's report P.370
- Resolutions P.371

Reports on internal control procedures

Report of the Chairman of the Board of Directors of SUEZ on the terms and conditions governing the preparation and organization of the work performed by the Board of Directors, the internal control procedures implemented by the company, the limitations imposed by the Board on the powers of the Chief Executive Officer, and the principles and rules adopted by the Board of Directors in order to determine the compensation and benefits granted to corporate officers Year ended December 31, 2007

Pursuant to Article L.225-37 of the French Commercial Code, I hereby report to you on the terms and conditions governing the preparation and organization of the work performed by the Board of Directors of SUEZ SA (hereinafter the «Company»), the internal control procedures implemented by the Company, the limitations imposed by the Board on the powers of the Chief Executive Officer and the principles and rules adopted by the Board of Directors in order to determine the compensation and benefits granted to corporate officers.

This report (and the preparatory work and procedures required) has been drawn up with the support of the General Secretary's Department and the Internal Control Department. This report is presented to the Group's Executive Committee and submitted to the Control & Disclosure Committee for approval.

1. TERMS AND CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1.1 Board of Directors

SUEZ is incorporated in the form of a *société anonyme* (corporation) with a Board of Directors subject to the provisions of Book II of the French Commercial Code, as well as to all laws applicable to business corporations.

Article 15 of the Company's bylaws defines the powers of the Board of Directors:

«The Board of Directors determines the strategic direction of the Company's activities and oversees its implementation. It considers all issues concerning the proper functioning of the Company and settles all matters relating thereto, within the scope of the corporate purpose and subject to those powers expressly granted by law to Shareholders' Meetings.

The Board of Directors performs all controls and verifications it considers appropriate. Each Director receives all information necessary to the performance of his or her duties and may request any documents he or she considers necessary.»

The Board met on eight occasions during 2007.

In 2001, the Board of Directors adopted Internal Regulations, which have subsequently been amended on several occasions, and a Directors' Charter. These documents provide the Board with the modus operandi necessary to operate efficiently, while serving the interests of the Company and its shareholders, and set out the rights and obligations of Directors in a fully transparent manner. In addition, the SUEZ Ethics Charter and, in particular, the Confidentiality and Privileged Information Guide are applicable to Directors.

The Board relies on the work of specialized committees: the Audit Committee, the Ethics, Environment and Sustainable Development Committee, the Nomination Committee and the Compensation Committee. The powers, duties and methods of functioning of these committees are defined in the Board's Internal Regulations. On July 9, 2003, following the conclusions of the Board's performance evaluation, the Board of Directors decided to replace the Strategy Committee by periodic strategy consultation meetings, open to all Directors, for the purpose of preparing Board decisions.

Article 5 of the Directors' Charter stipulates that the Board must evaluate its own performance at regular intervals (every two years at least) and that this evaluation must be led by an independent Director.

On October 6, 2004, the Ethics, Environment and Sustainable Development Committee chose a methodology for evaluating the Board and its committees based on a document prepared by an external consultancy firm and, after an invitation for bids from three specialized firms, it appointed an external consultant to carry out this evaluation.

The summary report on the evaluation work was approved by the Ethics, Environment and Sustainable Development Committee at its meeting of February 25, 2008 and was submitted to the meeting of the Board of Directors held on the same day. The Board of Directors' meeting took note of the suggestions for improvements in the functioning of the Board and its committees and will oversee their implementation.

The Board's Internal Regulations and the Directors' Charter may be consulted at the Company's headquarters and on its website, www.suez.com.

At its meeting on April 26, 2002, the Board of Directors decided to combine the functions of Chief Executive Officer with those of Chairman of the Board of Directors. The Board's Internal Regulations define the internal rules setting out the limits on the powers of the Chairman and Chief Executive Officer.

The terms and conditions governing the preparation and organization of the work performed by the Board of Directors are set out in Section 16 of the Reference Document entitled «Functioning of the Board of Directors and other management structures». They follow the recommendations of the French Financial Markets Authority (*Autorité des Marchés Financiers* or «AMF»).

The principles and rules adopted by the Board of Directors in order to determine the compensation and benefits granted to corporate officers are described in Section 15 of the Reference Document entitled «Compensation and benefits».

1.2 Executive Management

Limitation on the powers of the Chairman and Chief Executive Officer

Article 3 of the Internal Regulations defines the powers of the Chairman and Chief Executive Officer.

1) The following decisions of the Chairman shall first be submitted to the Board of Directors for approval:

a) significant decisions to set up foreign operations by creating an establishment, a direct or indirect subsidiary, or by acquiring a stake in a foreign operation, as well as any decisions to discontinue such operations;

b) decisions concerning significant operations likely to affect the strategy of the Group or change its financial structure or scope of activity; the assessment as to the significant nature of an operation is the responsibility of the Chairman.

2) The Chairman shall obtain the prior authorization of the Board of Directors to carry out the following transactions involving an amount in excess of €500 million:

a) to acquire or sell any interests in any companies already in existence or to be created; to participate in the creation of any companies, groups and organizations; to subscribe to any issue of shares, share equivalents or bonds;

b) to approve all transactions involving an exchange of goods, shares or securities, with or without a balancing cash payment;

c) to acquire or dispose of any real estate assets;

d) in the event of litigation, to enter into any agreements and settlements, or accept any compromise;

e) to grant any guarantees over corporate property.

3) The Chairman shall obtain the prior authorization of the Board of Directors to carry out the following transactions involving an amount in excess of €1.5 billion:

a) to grant or enter into any agreement concerning loans, borrowings, credits and advances;

b) to acquire or dispose of any receivables in any manner whatsoever.

4) The Board of Directors shall be consulted in a timely manner by the Chairman prior to any appointments to Group Executive Management positions or proposed nomination of a chairman of a company responsible for one of the Group's Divisions. The Board may delegate this duty to the Nomination Committee, which must then issue a report.

2. INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

2.1. Introduction: Group objectives and standards in the area of internal control

Objectives

Internal control is a process implemented by the SUEZ Board of Directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following areas:

- compliance with applicable laws and regulations;
- reliability of accounting and financial information;
- effectiveness and efficiency of operations.

The internal control system is based on a preliminary assessment of the risks identified throughout the Group's businesses and on a system for containing such risks.

However, as with any control system, it can only provide reasonable assurance that all risks of error or fraud are completely controlled or eliminated. Internal control objectives are affected by the limitations inherent to all internal control systems.

By constantly improving its internal control procedures, SUEZ continues to enhance the reliability and effectiveness of its operations as well as control over all of its operating processes.

Standards applied

In order to achieve each of these objectives, the SUEZ Group has defined and implemented an internal control structure and internal control procedures based on the «COSO» model, developed by the Committee of Sponsoring Organizations of the Treadway Commission.

The standards developed by SUEZ based on the «COSO» model and rolled out within the scope of the Codis program are compliant with the reference framework, supplemented by the application guide published in January 2007 by the French Financial Markets Authority (AMF).

2.2 Coordination and monitoring of operations and internal control

Coordination and monitoring of operations

Coordination and monitoring of operations in the SUEZ Group is based around (see also Sections 14.1 and 16 of the Reference Document):

- the Board of Directors, which determines the strategic direction of the Company's activities and oversees its implementation as described in the first section of this report. It sets out the objectives of the Company's internal control system through its ongoing activities and work. Periodic reviews of internal control are submitted to the Audit Committee;
- the Chairman and Chief Executive Officer who heads up the SUEZ Group and implements the strategic decisions taken by the Board. As such, he has overall responsibility for implementing internal control procedures throughout the Group's Divisions and subsidiaries which he delegates to the Audit and Internal Control Department;
- the Executive Committee (COMEX), which comprises ten members drawn from Executive Management, the operational departments of the Group's Divisions and the key Group functional departments. The Executive Committee usually meets each week to coordinate and control Group operations. Its composition and the manner in which it operates are described in detail in the Reference Document;
- the operational departments of the Group's four Divisions, which are responsible for the conduct of business in the context of the strategic objectives defined by the Board. These four Divisions, to which the Group's various subsidiaries are assigned are: SUEZ Energy Europe (SEE), SUEZ Energy International (SEI), SUEZ Energy Services (SES) and SUEZ Environment (SE);
- the seven Headquarters functional departments which coordinate activities that apply transversally to the entire Group.

These departments are: Operations, Finance, Human Resources, Communications and Sustainable Development, Business Strategy, Risks, Organization and Central Services, and the General Secretary's Department.

Coordination and monitoring of operations is based on a system of delegation of authority, applicable at both Headquarters and subsidiary levels, which ensures that the decision-making process is compliant with corporate governance principles.

The principles which guide the conduct and actions of Group managers and personnel are set out in a number of Group codes and charters. The most important such documents are: the Ethics Charter, the Group Company Rules of Organization and Codes of Conduct, the Code of Ethics for Group Financial Officers, the guidelines for application of the Code of Ethics for Group Financial Officers, the Guidelines for Handling Information Protecting the Confidentiality of Inside Information, the Practical Guide for Ethical Business Relations, the Environmental Charter, the Work Health and Safety Charter, the International Social Charter, and the Purchasing Ethics Charter.

Coordination and monitoring of internal control

The SUEZ Group's structure for coordinating and monitoring internal control is based on:

- the operational and functional departments, which define their own control procedures. Control procedures in the industrial and commercial sectors are implemented and monitored mainly by the management and personnel of subsidiaries, on the basis of Group policy and in a manner tailored to each of the businesses;
- the Internal Control Department, which is tasked with improving internal control systems and performing analyses of such systems, in liaison with the operational and functional departments. It is assisted by a network of correspondents and managers at Division and subsidiary level;
- the Internal Audit Department, which is in charge of assessing the effectiveness of internal control throughout the Group. Its activity is organized on a decentralized basis in the Divisions and major subsidiaries and is coordinated at Group level. It performs audit engagements, issues recommendations and oversees their implementation. As an independent function, the Internal Audit Department serves the Executive Committee and the SUEZ Audit Committee and regularly reports to them on its activities.

The Group's methodology for coordinating and monitoring internal control is communicated through an intranet system which ensures that personnel are rapidly and fully informed of the different standards, rules and instructions as and when they are updated. In addition, information and training sessions on this topic are organized on a regular basis.

2.3 Implementation of internal control objectives

Risk assessment and management

The main risks to which the Group is exposed, and the mechanisms put in place to manage and control such risks are described in Section 4.1 of the Reference Document.

Implementation of internal control objectives in this area is based around the position of the Chief Risk Officer who coordinates the Group's integrated enterprise risk management strategy. At each level of the organization (Group, Division and subsidiary level), the network of Risk Officers is in charge of applying standardized and consistent risk assessment and management processes. In particular, they are tasked with organizing risk identification and reporting processes.

This work involves aggregating risks by type of risk and classifying risks by probability of occurrence and level of potential impact, and results in a map of the major risks to which the Group is exposed which is prepared annually and discussed by the Risk Advisory Committee before being presented to the Executive Committee. The Risk Advisory Committee, which is composed of the Risk Officers from the different Divisions and the heads of Internal Control, Management Control, Internal Audit and Insurance, is an advisory committee which enables best practices to be exchanged and recommendations in the area of risk management to be prepared.

Implementation of risk management policy and action plans remains the responsibility of the Divisions, functional departments and subsidiaries in their respective spheres of competence. For example, certain transversal risks are directly managed by the relevant functional departments:

- the Corporate Legal Department and International Legal Department oversee and manage the Group's legal risks by operating an "early warning duty" and a "right of involvement";
- the Finance Department analyzes and manages, together with the Divisions, the main financial risks to which the Group is exposed (interest rates, main foreign currencies, liquidity and bank counterparties);
- the Environment and Innovation Department studies environmental risks and coordinates actions required to enhance control over such risks and ensures compliance with environmental requirements (see also the annual Activity and Sustainable Development Report);
- the Information Systems Department analyzes and manages system-related risks in order to ensure availability, integrity and confidentiality of data.

The Group Risks Department liaises with each of the operational and functional departments on a regular basis for the purpose of identifying and managing risks.

Compliance with laws and regulations

«I expect all of our employees, wherever they may be, to act in accordance with law and regulations when doing business, as well as in accordance with the highest ethical standards. We aspire to a culture of ethics and integrity[1]». Within the General Secretary's Department, the Corporate Legal Department and the International Legal Department help to create a secure legal framework for the Group's operations and the decisions of its corporate officers. Dedicated teams within these departments are tasked with providing the other operational and functional departments with the necessary expertise.

Compliance with laws and regulations remains the responsibility of each operational and functional department in its respective sphere of competence. Implementation of internal control objectives in terms of compliance with laws and regulations is performed at each level throughout the Group. For example, certain transversal compliance objectives are managed directly by the relevant Headquarters functional department:

- the Finance Department oversees Group compliance in accounting, finance and tax matters and is responsible for statutory financial reporting;
- within the General Secretary's Department, the Ethics and Compliance Department is tasked with drafting rules on ethics and compliance for the Group as a whole, as well as checking that such rules are actually applied in accordance with laws and regulations currently in force;
- the Human Resources Department is in charge of compliance with current labor legislation and regulations and of employee data reporting. It is tasked with implementing SUEZ's labor policies, particularly those relating to work health and safety;
- within the Business Strategy Department, the Environment and Innovation Department is responsible for compliance with environmental laws and regulations throughout the Group. It assesses the environmental maturity of the Group's various businesses and is in charge of regulatory environmental reporting.

Reliability of accounting and financial information

Accounting standards and procedures

The main procedures applicable when preparing the statutory and consolidated financial statements are set out in two Group documents:

- the manual of Group accounting policies issued by the Accounting Standards Center of Expertise within the Planning, Control and Accounting Department. This manual may be consulted on the intranet by all members of finance departments throughout the Group and is regularly updated in line with the latest developments in international standards. The manual includes a definition of the performance indicators used by the Group;
- closing instructions sent out prior to each consolidation phase. These instructions cover the assumptions made when preparing the year-end accounts (exchange rates, discount rates and tax rates), the scope of consolidation, the timetable for submitting data, the specific points requiring attention at year-end, and the main changes in accounting regulations and standards.

Organization principles

Responsibility for accounting and financial reporting is defined at each level of the Group (Headquarters, Divisions and subsidiaries). This includes setting up and maintaining an effective system of internal control.

The Planning, Control and Accounting Department coordinates the production of the SUEZ Group's consolidated financial statements. The Consolidation and Management Control Departments of the different Divisions help it to coordinate reporting from the subsidiaries.

1. *Extract from Gérard Mestrallet's introduction to the SUEZ Group Ethics Charter.*

Each of these players carries out controls in its own sphere of competence to ensure that accounting standards and Group accounting policies have been circulated, understood and correctly applied. This principle of subsidiarity makes it possible to apply second-tier controls to the information produced:

- controls at Division level on the information submitted to the Divisions by the subsidiaries;
- controls at Headquarters level on the information submitted to Headquarters by the Divisions.

Centers of expertise (the Consolidation Methods Center of Expertise – described below – and the Accounting Standards Center of Expertise, for example) have been set up in order to develop optimal solutions to complex technical issues. They pool expertise from throughout the Group, thus ensuring that both the analyses performed and the resulting positions adopted are of a consistently high standard.

Information systems management

In order to secure and standardize the processes used in preparing management forecasts and financial statements, the Group has deployed a single, standardized software application known as SMART. It is managed jointly by:

- the Consolidation Methods Center of Expertise (part of the Planning, Control and Accounting Department) which handles administration (access, relations with service providers involved in system support and operation), system configuration (identification of system enhancement needs, drawing up specifications and validating system updates) and providing assistance to users (running a hotline);
- the Information Systems Department which is in charge of roll-out management and the specific related infrastructures.

Other information systems used in the preparation of accounting and financial information are managed as appropriate on a decentralized basis by the various subsidiary IT departments.

Preparation of accounting and financial information

All reporting levels in the Group are involved in preparing financial and accounting information. They must comply with the internal control guidelines developed at Headquarters level by the Internal Control Department within the scope of the Codis program. This process involves, inter alia:

- the finance department of each subsidiary which formally validates financial and accounting information prepared in accordance with policies and procedures defined at Group level;
- the different finance departments at Division level in charge of implementing procedures with all operational subsidiaries. These include management control procedures performed in a decentralized manner in order to take account of the specific characteristics of each business;
- the Planning, Control and Accounting Department (part of the Finance Department), which is in charge of financial reporting, monitoring the statutory and consolidated financial statements and liaising with the accounting departments of the French Financial Markets Authority.

Setting objectives and coordination

Group Executive Management updates and circulates the SUEZ Group's overall objectives and allocates resources to the different Divisions. The Group Management Control Department (part of the Planning, Control and Accounting Department) prepares written instructions to be sent out to the operational departments of the Divisions, setting out the macro-economic assumptions to be applied (exchange rates, interest rates, commodity prices), the financial and non-financial indicators to be measured in the following period, the reporting timetable and the basis of segmentation to be used in financial reporting. Each Division is responsible for sending these instructions to its subsidiaries after tailoring them to the specific characteristics of the businesses.

Management control is performed in a decentralized manner to reflect the specific characteristics of each business. In particular, it must take account of the instructions circulated on a periodic basis by the Planning, Control and Accounting Department, the SMART software application and the manual of Group accounting policies.

The Quarterly Committee Meeting held in the fall validates the objectives set for each Division and the corresponding budget. The Committee comprises representatives from Executive Management, Group operational and functional departments and the operational department of the Division concerned. The consolidated budget is presented to the Audit Committee before being submitted to the Board. Group Executive Management then sends a summary memorandum to each Division setting out its quantitative and qualitative objectives.

At subsequent Quarterly Committee Meetings, actual figures are compared to budget and any adjustments to annual forecasts are validated by the Group's Executive Management and Division Management.

Financial communications

Preparation and approval of the Annual Report

The SUEZ Group's operational and functional departments are assisted by the Control & Disclosure Committee in their duty of controlling the quality and appropriateness of all information disclosed by the Group.

This Committee works closely with the Group Audit Committee to ensure the implementation of French, international and US financial transparency regulations.

The General Secretary's Department is in charge of preparing the Reference Document filed with the French Financial Markets Authority which involves the following:

- defining the procedures for submitting and validating the information that will appear in the Annual Report;
- overseeing the work of the Annual Report Steering Committee;
- liaising with the AMF and applying its regulations.

Preparation and approval of press releases

In line with the growing importance of financial communications and the imperative of providing high-quality financial information, the SUEZ Group ensures that the Communications Department has the necessary resources to present fair and reliable information and to contain any possible risks to its image.

This Department is responsible for coordinating communication initiatives that could impact SUEZ in terms of image, reputation, brand integrity or share value.

The guidelines for exercising this responsibility are set out in the "Media Communications" procedure and consist of:

- coordinating actions between the communication teams at Headquarters and Division level;
- implementing an approval process whenever information is communicated, whether internally or externally;
- setting up a crisis management system and steering committees for each type of media.

Effectiveness and efficiency of operations

Enhancing the Group's internal control system is dealt with in the rolling, multi-annual Codis program. This program is rolled out on several different levels, from Executive Committee (COMEX) down to subsidiary staff level, by a network of identified internal control specialists. Implementation of internal control procedures is the responsibility of all SUEZ employees under the supervision of the management of each Division and subsidiary, which is also responsible for achieving the Group's operational objectives.

The Internal Control Department is tasked by SUEZ Executive Management with promoting and coordinating internal control. This involves monitoring regulatory developments, the use of communication tools and tailored training, and dedicated software for the purpose of circulating, describing and self-assessing SUEZ's internal control system which has been standardized throughout the Group and is reviewed periodically with a view to improvement.

The internal control system is incorporated into the Group's operational and functional processes. The Internal Audit Department is tasked with testing internal control within the scope of the engagements entrusted to it by the Audit Committee. It carries out internal control testing procedures in accordance with professional standards.

The Performance and Organization Department is responsible for promoting coherent initiatives to improve and optimize the organization and functioning of the Group. In particular, it is tasked with improving the effectiveness of operations through the pooling of resources and expertise, and the use of organization models.

2.4 Internal control progress plan

SUEZ has committed to a multi-annual process for improving its internal control system in line with the general guidelines and priorities laid down by the SUEZ Audit Committee, the Chairman and Chief Executive Officer and the Executive Committee (COMEX). The actions undertaken within the scope of this process are the responsibility of the operational and functional departments and are coordinated at the appropriate level of the internal control network.

Several different spheres are affected by internal control enhancement and the progress plan, *inter alia*:

- business ethics and anti-fraud measures;
- risk identification and containment;
- information systems strategy and management;
- analysis of roles and responsibilities at key management levels.

The internal control system is an integral part of the Group's processes and it evolves and adapts to changes in the business environment. It is constantly being strengthened to keep pace with the ever-increasing demands of SUEZ Executive Management as well as the expectations of its partners and the regulatory authorities.

Statutory auditors' report,

prepared in accordance with Article L. 225-235 of the French Commercial Code (Code de Commerce), on the report prepared by the Chairman of the Board of SUEZ, on the internal control procedures relating to the preparation and processing of accounting and financial information

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of SUEZ, and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L. 225-37 of the French Commercial Code (Code de commerce) for the year ended December 31, 2007.

It is the Chairman's responsibility to describe in his report the preparation and organization of the Board's work and the internal control procedures implemented by the company.

It is our responsibility to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

We conducted our procedures in accordance with the relevant French professional standard. This standard requires that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our procedures, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L. 225-37 of French Commercial Code (*Code de Commerce*).

Neuilly-sur-Seine, March 17, 2008

The Statutory Auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Autres	
Jean-Paul Picard	**Pascal Pincemin**	**Pascal Macioce**	**Nicole Maurin**

Auditors' report on the review of environmental and social indicators

This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers

At the request of SUEZ and in our capacity as the company's Statutory Auditors, we performed a review in the aim of providing moderate assurance on the environmental and social indicators selected by SUEZ ("the data") identified by the symbol ✓ among the environmental and social indicators shown in paragraphs 6.6.1 and 6.6.2 for fiscal year 2007.

The data, which is the responsibility of SUEZ management, has been prepared in accordance with the following internal reporting criteria:

- set of procedures relating to environmental data reporting;
- set of procedures relating to social data reporting.

Available for consultation at the Human Resources and Environment & Innovation departments, and summarized in paragraphs 6.6.1.5 and 6.6.2.7. It is our responsibility, based on the work performed, to express a conclusion on the selected data.

NATURE AND SCOPE OF OUR WORK

We performed a limited review to provide moderate assurance that the selected data does not contain any material anomalies. A higher level of assurance would have required more extensive work. Our work covers the consolidated data at Group level; it does not include the rate of coverage related to the data.

- We assessed the environmental and social data reporting criteria with regard to its relevance, reliability, neutrality, understandability, and completeness;
- We met with the persons responsible for the application of the reporting criteria at the Environment & Innovation Department, at the Social Relations Department, at the SUEZ headquarters, and in the branches: SUEZ Energy Europe (SEE), SUEZ Energy International (SEI), SUEZ Energy Services (SES), SUEZ Environment (SE);
- We performed validation tests at 31 sites belonging to 19 selected entities[1] for environmental data, representing on average 72% of SUEZ consolidated data[2], and at 26 selected entities[3] for social data, representing 68% of SUEZ consolidated staff.
- In addition, we have carried out analytical reviews and consistency tests for 5 additional entities for environmental reporting and 14 additional entities for social reporting.
- We examined, on a sampling basis, the calculations and verified data reporting at different consolidation levels.

To assist us in conducting our work, we referred to the environment and sustainable development experts of our firms under the responsibility of Mr. Eric Duvaud for Ernst & Young and Mr. Eric Dugelay for Deloitte & Associés.

1. *SEE: Electrabel SA (Saint Ghislain, Doel, Langerlo and Ruien sites), Polaniec, Voghera, Shem, Electrabel Spain (Castelnou), Electrabel Nederland NV (Almere site) – SEI: SEGNA (Syracuse, Nassau and NEPCO sites), Enersur (Chilca, Yuncan sites), Electroandina (Tocopilla) – SES: Elyo France (Elyo Centre Ouest headquarters and Airbus site), Elyo UK (Elyo Industrial Limited headquarters and London Hall site) – SE: Lyonnaise des Eaux (headquarters), Degrémont (Rithala and Sonia Vihar, India), United Water (Camden and Pennsylvania, USA), Sita France (headquarters, Scori, Hersin, Montlouis, Inveko sites), SITA UK (headquarters and Cleveland and Ellington sites), Sita Wallonia (headquarters and Grâce-Hollogne site), Sita Poland (headquarters and Lublin site), Teris Belgium (headquarters and Grimbergen site)*
2. *Number of sites covered by certified EMS: 86%, Total primary energy consumption: 56%, Electricity consumption (excluding own consumption): 77%, Energy efficiency (electric production equivalent): 59% Installed capacity – Electricity and heat – Total renewable energy sources: 66%, Quantity of electricity and heart produced – Renewable sources: 64%, Greenhouse gas emissions (excluding vehicle fleet): 62%, SOx emissions: 88%, NOx emissions: 66%, Dust emissions: 79%, Mercury emissions: 98%, Industrial water consumption: 44%, Cooling process water: 73%; Pollution load treated (purification): 87%, Non-specific and non-hazardous waste: 73%, Non-specific hazardous waste: 82%, Specific waste: 76%, Total waste: 79%, Quantities of treated leachates: 69%.*
3. *SEE: Electrabel, Electrabel Nederland, SHEM, CNR, N-ALLO – SEI: SENA, Enersur – SES: Fabricom GTI SA, Groupe Ineo, GTI, Axima Service Belgium, Elyo Iberica, Elyo France,– SE: Lyonnaise des Eaux France, Eurawasser, Degrémont India, Sita France, Sita the Netherlands, Sita Flanders, Sita UK, Sita Poland.*

COMMENTS ON THE PROCEDURES

SUEZ has continued to improve the reliability of environmental and social data reporting practices and took into account our comments formulated in the auditor's report on the 2006 environmental and social indicators. We would like to draw your attention to the following comments regarding these practices:

Environmental reporting

- Since the previous fiscal year, controls at certain division and entity levels have been improved, especially for SEI and certain SE entities. However, internal control measures should be strengthened, particularly for a certain number of entities, especially with respect to identifying their relevant industrial sites.
- The application of the reporting criteria and the control of its application need to be reinforced at site and entity level, especially concerning the following indicators: "greenhouse gas emissions – landfills", "consumption of primary energy – waste collection and treatment" and "total recovered waste and by-products".

Social reporting

- The implementation of a new reporting tool has enabled the reliability of the social data reporting process to be improved and the reinforcement of control implementation and formalization. Nevertheless,

– the implementation of controls should be continued for all entities;

– the application of reporting criteria for certain indicators, especially "turnover", and "number of staff trained" should be improved.

- Health and safety reporting can still be improved by reinforcing the application of reporting criteria and the control of its application, especially for the reporting perimeter, and for the "number of hours worked" and "number of days of sick leave" indicators.

CONCLUSION

During our review, the following anomalies were identified.

- Mercury emissions were reported for the first time this year for which we identified errors and omissions at several sites, which have not all been corrected.
- Industrial water consumption for which we have identified reporting errors at several entities, which have been corrected.

Based on our review and subject to the exceptions mentioned above, we did not identify any material anomalies likely to call into question the fact that the data examined was prepared, in all material respects, in accordance with the above-mentioned reporting criteria.

Neuilly-sur-Seine, March 17, 2008.

The Auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Autres	
Jean-Paul Picard	**Pascal Pincemin**	**Pascal Macioce**	**Nicole Maurin**

Special report on the stock repurchase program authorized pursuant to the 10th resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007, presented to the Ordinary and Extraordinary Shareholders' Meeting of May 6, 2008

STATEMENT BY THE ISSUER OF TRANSACTIONS CARRIED OUT WITH REGARD TO ITS OWN SHARES BETWEEN MAY 4, 2007 AND FEBRUARY 29, 2008

Situation at February 29, 2008	
Percentage of treasury stock:	2.3%
Number of shares cancelled over the last 24 months:	0
Number of shares held in portfolio:	29.451.524
Market value of portfolio:	€1.243.148.828.04 *

** (as per the share price at February 29, 2008, i.e., €42.21)*

These shares are appropriated as follows:

- 16.134.984 held to cover stock purchase options; and
- 13,316,540 to the stock repurchase program for subsequent cancellation.

Between May 4, 2007 and February 29, 2008, the Company purchased 25,351,518 of its own shares, including 10,291,384 shares purchased within the context of the liquidity agreement entered into with Rothschild & Cie Banque and 15,060,134 shares purchased separately, for a total of €1,077.36 million, or €42.50 per share.

The Company also sold 10,291,384 shares for a total of €430.5 million, or €41.83 per share, during the same period.

The Company did not use derivative instruments in relation to this stock repurchase program. There were no open positions via these derivative instruments, for purchase or sale, as of the date of this report.

Ordinary and Extraordinary Shareholders' Meeting of May 6, 2008

AGENDA

A. Deliberations of the Ordinary Shareholders' Meeting

- Board of Directors' report.
- Statutory Auditors' reports.
- Approval of transactions and the statutory financial statements for fiscal year 2007.
- Approval of the consolidated financial statements for fiscal year 2007.
- Appropriation of earnings and declaration of dividend.
- Regulated agreements.
- Renewal of the terms of office of six Directors.
- Authorization for the Board of Directors to trade in the Company's shares.

B. Deliberations of the Extraordinary Shareholders' Meeting

- Board of Directors' report.
- Statutory Auditors' special report.
- Independent Expert's report
- Authorization granted to the Board of Directors to increase the share capital by means of the issue, with retention of preferential subscription rights, of shares and/or securities convertible, redeemable or otherwise exercisable, immediately or in the future, for shares of the Company or its subsidiaries or by the capitalization of additional paid-in capital, reserves, earnings or other amounts.
- Authorization granted to the Board of Directors to increase the share capital by means of the issue, with cancellation of preferential subscription rights, of shares and/or securities convertible, redeemable or otherwise exercisable, immediately or in the future, for shares of the Company or its subsidiaries or shares in the Company to which entitlement is granted through securities to be issued by subsidiaries, including in consideration of shares transferred.
- Authorization granted to the Board of Directors to issue complex debt securities.
- Authorization granted to the Board of Directors to issue shares reserved for employees belonging to a SUEZ Group corporate savings plan.
- Authorization for the Board of Directors to increase the share capital, with cancellation of preferential subscription rights in favor of any entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan.
- Authorization for the Board of Directors to reduce the share capital by cancelling shares.
- Powers to carry out the shareholders' decisions and perform the related formalities.

Board of Directors' report

1. BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

Approval of transactions and the statutory financial statements for fiscal year 2007 (1st resolution)

The shareholders are asked to approve the Company's transactions and statutory financial statements for fiscal year 2007, which show net earnings of €5,760,911,877.77.

Approval of the consolidated financial statements for fiscal year 2007 (2nd resolution)

The shareholders are asked to approve the consolidated financial statements for fiscal year 2007, which show consolidated net earnings of €3.9 billion.

Appropriation of earnings and declaration of dividend (3rd resolution)

The Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 decided to distribute a dividend of €1.20 per share.

On May 7, 2007, the date on which the dividends for 2006 were paid, SUEZ held 15,046,167 of its own shares. The dividend that should have been paid in respect of these shares, i.e., 15,046,167 x €1.20 = €18,055,400.40, was not distributed, but instead appropriated to «other reserves», in accordance with the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007.

	Euros
Given zero retained earnings as of December 31, 2007	0.00
and the net earnings for fiscal year 2007	5,760,911,877.77
THE TOTAL AMOUNT TO BE ALLOCATED IS	**5,760,911,877.77**

The Board of Directors proposes the following appropriations:

	Euros
Statutory dividend of 5% of the par value (**€0.10 per share**) on:	
• 1,307,043,522 shares as of December 31, 2007, with dividend rights as of January 1, 2007	130,704,352
Additional dividend (**€1.26 per share**) on these 1,307,043,522 shares	1,646,874,837.72
Maximum total distribution (**€1.36 per share**)	1,777,579,189.92
To «other reserves»	3,983,332,687.85
	5,760,911,877.77

If the shareholders approve this proposal, the net dividend for 2007 will be set at €1.36 per share. This entire distribution is eligible for the 40% deduction provided for in paragraph 3 of Article 158 of the French Tax Code.

This dividend shall be paid on Wednesday, May 14, 2008.

In the event that, on the date the dividend is paid, the Company holds a certain number of its own shares, the sums corresponding to the dividend not paid on these shares will be allocated to «other reserves».

This dividend compares as follows with the dividends paid over the last three years:

Fiscal year	Number of shares with dividends	Total dividend	Net dividend per share
		euros	*euros*
2004	1,008,434,678 shares fully paid up	806.70 million	0.79
2005	1,260,366,555 shares fully paid up	1,260.30 million	1.00
2006	1,262,393,345 shares fully paid up	1,514.90 million	1.20

Statutory Auditors' special report on regulated agreements (4th resolution)

The regulated agreements referred to in Article L. 225-38 of the French Commercial Code are the subject of a special report by the Statutory Auditors.

This report is set out on page 363 of this Reference Document.

Pursuant to applicable law, the Board of Directors asks the shareholders to approve the transactions entered into or performed during the fiscal year.

Renewal of the term of office of a Director (Edmond Alphandéry) (5th resolution)

Edmond Alphandéry was appointed Director of SUEZ in April 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. Alphandéry is considered by the Board of Directors of SUEZ as an independent Director. He is also a member of the Audit Committee.

Details of his background and activities are shown on page 154 of this Reference Document.

Renewal of the term of office of a Director (René Carron) (6th resolution)

René Carron was appointed Director of SUEZ in April 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. Carron is considered by the Board of Directors of SUEZ as a non-independent Director. He is also Chairman of the Nomination Committee and a member of the Ethics, Environment and Sustainable Development Committee.

Details of his background and activities are shown on page 155 of this Reference Document.

Renewal of the term of office of a Director (Etienne Davignon) (7th resolution)

Etienne Davignon was appointed member of the Supervisory Board of SUEZ Lyonnaise des Eaux in June 1997, then Director of SUEZ in May 2001. He was re-elected as Director for a four-year period by the Ordinary and Extraordinary Shareholders' Meeting of April 27, 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. Davignon is considered by the Board of Directors of SUEZ as a non-independent Director. He is also Chairman of the Ethics, Environment and Sustainable Development Committee and a member of the Compensation Committee.

Details of his background and activities are shown on page 156 of this Reference Document.

Renewal of the term of office of a Director (Albert Frère) (8th resolution)

Albert Frère was appointed member of the Supervisory Board of SUEZ Lyonnaise des Eaux in June 1997, then Director of SUEZ in May 2001. He was re-elected as Director for a four-year period, by the Ordinary and Extraordinary Shareholders' Meeting of April 27, 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. Frère is considered by the Board of Directors of SUEZ as a non-independent Director.

Details of his background and activities are shown on page 157 of this Reference Document.

Renewal of the term of office of a Director (Jean Peyrelevade) (9th resolution)

Jean Peyrelevade was appointed member of the Supervisory Board of SUEZ Lyonnaise des Eaux in June 1997, then Director of SUEZ in May 2001. He was re-elected as Director for a four-year period, by the Ordinary and Extraordinary Shareholders' Meeting of April 27, 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. Peyrelevade is considered by the Board of Directors of SUEZ as a non-independent Director.

Details of his background and activities are shown on page 158 of this Reference Document.

Renewal of the term of office of a Director (Thierry de Rudder) (10th resolution)

Thierry de Rudder was appointed Director of SUEZ in April 2004.

His term of office is due to expire at the end of this Shareholders' Meeting.

The shareholders are asked to renew his term of office for a further four-year period, expiring at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Mr. de Rudder is considered by the Board of Directors of SUEZ as a non-independent Director.

Details of his background and activities are shown on page 158 of this Reference Document.

Authorization for the Board of Directors to trade in the Company's shares (11th resolution)

The Shareholders' Meeting of May 4, 2007 authorized the Company to trade in its own shares under the following terms and conditions:

- maximum purchase price: **€55**
- maximum shareholding: **10% of the share capital**
- aggregate amount of purchases: **€7 billion**

Between the Shareholders' Meeting of May 4, 2007 and January 31, 2008, the Company:

- purchased 24,839,518 of its own shares on the stock market for a total amount of €1,056 million and at a price per share of €42.50;
- and sold 9,849,384 shares on the stock market, via the liquidity agreement, for a total net disposal value of €414 million and a price per share of €42.06.

The authorization granted by the Shareholders' Meeting of May 4, 2007 to trade in the Company's shares is due to expire in November 2008. The shareholders are now asked to grant the Board of Directors a further authorization to trade in the Company's shares for a period of 18 months, with the corresponding cancellation of the previous authorization.

Share purchases enable an investment services provider to stabilize the share price on the Paris and Brussels stock exchanges, within the scope of a liquidity agreement entered into in accordance with the Code of Conduct of the AFEI (French Association of Investment Firms) and the subsequent cancellation of the shares in order to improve the return on equity and earnings per share. In this respect, the shareholders are asked in the 17th resolution to renew the authorization to reduce the share capital as a result of such cancellation. The purchases may also make it possible to set up programs intended for employees or corporate officers, stock option plans or bonus share award schemes and to carry out financial transactions by way of the transfer, sale or exchange of shares.

The shareholders are asked to set a maximum share purchase price of €60 including any increase in the share price.

The proposed terms and conditions are as follows:

- maximum purchase price: **€60**
- maximum shareholding: **10% of the share capital**
- aggregate amount of purchases: **€7.5 billion**

This authorization would be granted for a period of **18 months** as from the date of this Shareholders' Meeting.

2. BOARD OF DIRECTORS' REPORT ON THE RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Authorization granted to the Board of Directors to issue securities with retention of preferential subscription rights (12th resolution)

The authorization granted by the Shareholders' Meeting of May 5, 2006 to issue securities, with retention of preferential subscription rights, is due to expire in June 2008.

The authorization is, as in the past, granted for a limited period of time and is subject to a maximum limit, which the Board may not exceed. This authorization will give the Board of Directors, as previously, the necessary flexibility to perform, as appropriate, the issues that are the best adapted to market conditions.

The shareholders are now asked to authorize the Board of Directors for a period of **26 months**, with the corresponding cancellation of the previous authorization, (i) to issue, with retention of preferential subscription rights, shares or securities that are convertible, redeemable or otherwise exercisable, immediately or in the future, for shares of the Company (convertible bonds, shares or bonds with attached stock warrants, bonds redeemable in shares, etc.) and (ii) to increase the share capital by the capitalization of reserves.

The Company may also issue securities of any kind that are convertible, redeemable or otherwise exercisable, immediately or in the future, for shares in its subsidiaries.

Finally, in the event that demand for an issue exceeds the amount on offer, the Board of Directors may increase the number of shares or securities issued, subject to a maximum limit of 15% of the initial issue and at the same price, while remaining within the overall limit set by the Shareholders' Meeting.

The nominal amount of the shares that could be issued in this manner would be limited, except in the event of capitalization of reserves, to €500 million and that of debt securities to €5 billion, from which would be deducted the amounts of the issues made pursuant to the 13th and 14th resolutions respectively.

As far as the maximum nominal increase in share capital by capitalization of reserves is concerned, it may not exceed the total of amounts that can be capitalized.

Authorization granted to the Board of Directors to issue securities with cancellation of preferential subscription rights (13th resolution)

The authorization granted by the Shareholders' Meeting of May 5, 2006 to issue securities, with cancellation of preferential subscription rights, is due to expire in June 2008.

The shareholders are now asked to authorize the Board of Directors, for a period of **26 months**, to issue, with cancellation of preferential subscription rights, the same shares or securities as those covered by the 12th resolution on the French and/or international markets.

This resolution will also enable the Board of Directors to issue shares in consideration of shares that may be transferred to the Company within the scope of a public exchange offer initiated by it or, subject to a maximum limit of 10% of the Company's share capital, in consideration of contributions in kind to the Company consisting of equity securities.

This same authorization will also allow for the issue of shares to which securities issued in agreement with the Board of Directors, by direct or indirect SUEZ subsidiaries, would confer entitlement.

Finally, in the event that demand for an issue exceeds the amount on offer, the Board of Directors may increase the number of shares or securities issued, subject to a maximum limit of 15% of the initial issue and at the same price, while remaining within the overall limit set by the Shareholders' Meeting.

The nominal amount of the shares that could be issued within the scope of this 13th resolution would be limited, like the amount provided for by the 12th resolution, to €500 million and that of debt securities to €5 billion, from which would be deducted the amounts of the issues made pursuant to the 12th and 14th resolutions respectively.

The authorizations proposed to you will allow the Board of Directors great flexibility to make, as appropriate, the share issues best adapted to market conditions. In addition to offering the Company's existing shareholders the possibility to subscribe for new shares or securities under preferential conditions, the Board of Directors will, by carrying out issues without preferential subscription rights, be able to perform transactions which must be performed rapidly if they are to succeed, while soliciting a wider investor base, where appropriate, by performing issues on French or foreign financial markets.

In all cases where preferential subscription rights are retained, shareholders may be granted, in addition to the subscription rights to which they are entitled as of right, additional subscription rights enabling holders of existing shares to subscribe for a greater number of shares than that to which their preferential rights confer entitlement, in proportion to the subscription rights they hold and subject to demand.

In cases where preferential subscription rights are cancelled, the Board of Directors may grant shareholders a priority of subscription without creating negotiable securities. This authorization also provides that the issuance of the equity securities will be carried out, in accordance with French law, on the basis of the weighted average listed price of the share during the three trading days prior to the beginning of the issue, less the 5% discount provided for by French law, and after adjustment of this average, where necessary, for different dividend dates. It should be noted that where stock warrants are issued, amounts received by the Company on subscription of these warrants shall be taken into account in this calculation.

Authorization granted to the Board of Directors to issue complex debt securities (14th resolution)

The shareholders are asked to authorize the Board of Directors for a period of **26 months**, with the corresponding cancellation of the previous authorization, to issue complex debt securities for a maximum amount of **€5 billion**, from which would be deducted the amounts of the issues made pursuant to the 12th and 13th resolutions respectively.

Employee shareholding

The 15th and 16th resolutions of this Shareholders' Meeting are aimed at promoting the development of employee shareholding throughout the Group by enabling the launch of a new employee shareholding plan, subject to approval by the Board of Directors.

Where applicable, a prospectus concerning this plan will be submitted for approval to the French financial markets authority *(Autorité des Marchés Financiers).*

As for previous operations, the objectives of this plan are to:

- make employees full working partners of the Group;
- focus special attention on value creation as one of the points where shareholder and employee interests converge;
- enable the employees to be involved in shareholder choices made at annual Shareholders' Meetings;
- expand the concept of employee stock ownership internationally.

Two investment formulae would be offered to employees within the scope of this plan:

- a «standard» investment formula without financial leverage; and
- a «multiple» investment formula with financial leverage and guaranteed capital.

The aim of the resolutions which you are being asked to adopt is to grant the Board of Directors the means to decide on and implement this plan.

Authorization granted to the Board of Directors to issue shares reserved for employees belonging to a SUEZ Group corporate savings plan (15th resolution)

The shareholders are asked to authorize the Board of Directors, for a period of **26 months** as from the date of this Shareholders' Meeting, with the corresponding cancellation of the previous authorization, to issue shares, with cancellation of preferential subscription rights, reserved for employees who are members of a SUEZ Group corporate savings plan and/or a voluntary retirement savings plan (PPESVR).

The number of shares that would be issued pursuant to this authorization is limited to 2% of the share capital as of the date of the Board of Directors' decision.

In accordance with applicable law, the issue price of the new shares to be issued will be equal to 80% of the average opening price of the share on Euronext Paris during the 20 trading days prior to the date of the decision by the Board of Directors or the Chairman, where applicable, setting the opening date of the subscription period for the share issue reserved for employees.

Authorization for the Board of Directors to increase the share capital, with cancellation of preferential subscription rights in favor of all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan (16th resolution)

The shareholders are asked to authorize the Board of Directors for a period of **18 months**, with the corresponding cancellation of the prior authorization, to issue shares reserved for all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan, for a maximum total nominal amount of **€30 million**.

The subscription price for the shares issued by the entity or entities would be equal to that offered to employees subscribing for the multiple formula under the 15th resolution of this Shareholders' Meeting, subject to the possibility offered to the Board of Directors when setting the price, to eliminate or reduce the discount provided for in the 15th resolution of this Shareholders' Meeting.

The shares or equity interests of the entity or entities that are the beneficiaries of this reserved share issue may be proposed to the employees of foreign subsidiaries of the SUEZ Group falling within the Company's scope of consolidation pursuant to Article L. 444-3 of the French Labor Code and who, for local regulatory or tax reasons, may not subscribe for SUEZ shares within the framework of the 15th resolution of this Shareholders' Meeting.

The SUEZ shares subscribed for by the entity or entities could, where applicable, be assigned in full or in part to one or more credit institutions with their registered office either in France or in another European Union Member State for the purpose of ensuring:

- in part, the coverage of the multiple formula offered to employees of foreign subsidiaries within the scope of the 16th resolution of this Shareholders' Meeting;
- in part, the coverage of the multiple formula offered to employees of foreign subsidiaries subscribing for SUEZ shares within the scope of the 15th resolution of this Shareholders' Meeting.

The shareholders are asked to give the Board of Directors a certain amount of latitude in the choice of the structure allowing for the best implementation of the multiple formula for the employees of the SUEZ

Group in the countries concerned, in light of the changes in the applicable legislation.

In order to adapt the subscription formulae presented to the employees in each country concerned where applicable, the shareholders are asked to authorize the Board of Directors to determine the subscription formulae and to distinguish between (i) countries where employees will be offered shares or equity interests in the above-mentioned entity or entities and (ii) countries where employees will subscribe for SUEZ shares within the framework of the 15th resolution of this Shareholders' Meeting.

The equitable nature of the conditions for the issuance of the SUEZ shares in favor of the entity or entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan, was submitted to an Independent Expert, Mr. Jean Borjeix, whose report has been provided to you.

If, as a result of massive subscriptions, the number of subscriptions were to exceed the maximum number of shares authorized for issue, the Board of Directors would reduce employee subscriptions in accordance with the rules that it has then set in accordance with the provisions of French law and the limits set by the authorization granted by the Shareholders' Meeting. These rules will be laid down by the Board of Directors, by applying, as the case may be, a principle of cutting back and/or a principle of proportionality, and could be inspired by the following rules, it being specified that the final rules will be set by the Board of Directors when it determines the subscription formulae:

- the reduction would be made resolution by resolution: if the maximum number of shares authorized for issue within the framework of one of the two above-mentioned resolutions is not exceeded, the employees concerned by the resolution in question would receive the full amount of their subscriptions, with the reduction in the subscriptions only concerning the oversubscribed share issue;
- if, within the framework of only one of the two above-mentioned resolutions, the number of subscriptions is greater than the maximum number of shares authorized for issue pursuant to the resolution concerned, a reduction would be made by cutting back the number of subscriptions by employee and, as needs be, by a proportional reduction in employee subscriptions;
- where, within the framework of one of the two above-mentioned resolutions, the number of subscriptions is greater than the maximum number of shares authorized for issue pursuant to the resolution concerned and where one of the countries falling within the scope covered by such resolution, which is itself subject, for regulatory or tax reasons, to a maximum limit on subscriptions (hereinafter the «country subject to an upper limit») also exceeds its own upper limit, a proportional reduction would be made, in priority, in the subscriptions by the employees of the country subject to an upper limit;
- however, if such a reduction does not make it possible to comply with the maximum number of shares authorized for issue pursuant to the resolution concerned, a new proportional reduction would be made affecting all the employees concerned by such resolution, including those in the country or countries subject to an upper limit, with these employees being treated in the same way as the employees in other countries;
- foreign employees who subscribe for SUEZ shares within the scope of the 15th resolution of this Shareholders' Meeting, may receive, for each SUEZ share subscribed, an SAR (Share Appreciation Right), which would be covered by a corresponding issue of SUEZ shares within the scope of the 16th resolution of this Shareholders' Meeting;
- in the event of a reduction in subscriptions by foreign employees for SUEZ shares within the scope of the 15th resolution of this Shareholders' Meeting, the number of shares to be issued within the scope of the 16th resolution of this Shareholders' Meeting could also be reduced in certain cases, depending on the multiple formulae that are finally decided by the Board of Directors.

Authorization for the Board of Directors to reduce the share capital by cancelling shares (17th resolution)

The authorization granted by the Shareholders' Meeting of May 4, 2007 to reduce the share capital by cancelling shares is due to expire in November 2008.

The shareholders are now asked to grant the Board of Directors a further authorization for a period of **18 months**, with the corresponding cancellation of the prior authorization, to reduce the share capital by cancelling all or part of the shares purchased by the Company itself, pursuant to Article L. 225-209 of the French Commercial Code.

The Board of Directors would therefore have the possibility to reduce the Company's share capital within the statutory limit of **10%** of the amount of such share capital **per 24-month period**.

In the event that the Shareholders' Meeting were to authorize the issue of securities with cancellation of the preferential subscription rights within the scope of the resolutions proposed above, the Board of Directors will draw up an additional report at the time of application of such resolutions, in accordance with the provisions of paragraph 1 of Article R. 225-116 of the French Commercial Code.

This report will describe the final conditions of the transaction and indicate:

- the impact of the proposed securities issue on the situation of the shareholder, and in particular with regard to the percentage of equity held by him or her at the last fiscal year-end, it being specified that if this year-end was over six months before the proposed transaction, this impact will be assessed in light of interim financial statements drawn up using the same methods and the same presentation as the last annual balance sheet;
- the theoretical impact on the current market value of the share based on the average trading price for the last 20 trading sessions prior to the transaction.

This information will be provided taking into account all the securities that may grant entitlement to shares in the capital.

The Board of Directors

Statutory Auditors' special report on regulated agreements and commitments with related parties

Fiscal year ended December 31, 2007

This is a free translation into English of the Auditors' special report on regulated agreements and commitments with related parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

Pursuant to Article L.225-40 of the French Commercial Code (*Code de commerce*), the following agreements, previously authorized by the Board of Directors of your Company, have been brought to our attention.

The terms of our engagement do not require us to identify such other agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France; those standards require that we agree the information provided to us with the relevant source documents.

1. With Electrabel

Director concerned

Mr. Gérard Mestrallet,

Nature and purpose

On July 19, 2007, your Company entered into a share purchase agreement whereby it agreed to sell all of its SUEZ Tractebel shares to Electrabel.

This sale makes strategic sense.

The SUEZ Tractebel shareholding interest sold to Electrabel includes:

- the SUEZ Energy International (SEI) Division
- the Tractebel Engineering Research Department
- shareholding interest of 57.2% in Distrigaz and Fluxys

The draft share purchase agreement on the sale of SUEZ-Tractebel by SUEZ to Electrabel was presented to your Board of Directors at their March 7, 2007 meeting. The Board of Directors expressly approved the transaction as well as the agreement during its July 4, 2007 meeting, and authorized, Mr. Gérard Mestrallet, Chairman and Chief Executive Officer of SUEZ, to sign the said agreement.

Terms and conditions

The selling price amounted to €18.2 billion and the transfer of property took place on July 24, 2007.

The selling price reflected the intrinsic value of SUEZ Tractebel based on a sum-of-the parts approach which was validated by two banks.

The agreement included vendor warranties to cover liabilities for up to a maximum amount of €1.5 billion and for a maximum period ending March 31, 2013.

Moreover, the selling price also provided for a price adjustment which could be revised upwards or downwards, that would be linked to the selling price of a possible transfer of Distrigaz shares outside the SUEZ Group. This price adjustment will become time-barred as of July 19, 2008.

2. With CALYON

Director concerned

Mr. Edmond Alphandéry

Nature and purpose

Within the scope of the public offer by SUEZ to buy back the remaining Electrabel listed shares and the proposed sale of SUEZ-Tractebel to Electrabel, SUEZ management entrusted CALYON to perform an advisory and consulting engagement.

This agreement was expressly approved by your Board of Directors at their March 7, 2007 meeting.

Terms and conditions

Payment of CALYON's compensation was subordinated to the performance of two transactions. As a result of their successful completion, CALYON will receive a commission of €1,000,000, excluding taxes, which has been accrued for as of December 31, 2007.

3. With Electrabel

Director concerned

Mr. Gérard Mestrallet,

Nature and purpose

Electrabel expressed its wish to become a member of the GIE SUEZ-Alliance, an Economic Interest Group (or "EIG") at the same time as SUEZ Tractebel's withdrawal from the EIG.

As a new member, Electrabel is a party to the corporate documents of the GIE SUEZ Alliance and benefits from an unlimited guarantee granted by SUEZ in accordance with Article 2 of the internal agreement.

In its meeting of July 4, 2007, your Board of Directors expressly approved Electrabel as a party to the GIE SUEZ Alliance corporate documents, to which SUEZ is a party and the granting by SUEZ of the above-mentioned guarantee.

Terms and conditions

Electrabel's membership in the GIE SUEZ Alliance has been effective since August 28, 2007.

AGREEMENTS AND COMMITMENTS AUTHORIZED IN PREVIOUS YEARS AND HAVING CONTINUING EFFECT DURING THE YEAR

Moreover, in accordance with the French Commercial Code (*Code de commerce*) we have been informed that the performance of the following agreements and commitments, approved in previous fiscal years, continued during the year.

1. With Toulouse & Associés (which became Leonardo France in November 2006)

Nature and purpose

As part of the engagement to carry out a study regarding its development strategy within the scope of the electricity and gas markets, that was approved by the Board of Directors at its meeting on January 19, 2005 and entrusted to Toulouse & Associés beginning in February 2005, your Company has entered into a consulting agreement with Toulouse & Associés relating to a merger with or a partial business alliance with Gaz de France as well as the terms and conditions of a defense strategy in the event of a hostile takeover bid for SUEZ.

This transaction was authorized by your Board of Directors at its November 22, 2006 meeting.

The assignment is expected to last until December 31, 2007, and may possibly be extended by successive periods of 6 months.

As consideration for these services, Toulouse & Associés would receive compensation in the event of:

- a merger between SUEZ and Gaz de France,
- a takeover of Gaz de France by SUEZ and reciprocally,
- a takeover of SUEZ, following a hostile takeover bid resulting in the implementation of defense mechanisms by SUEZ.

The amount of the fixed commission payable upon completion of the transaction would be €2.5 million, excluding tax. This fixed commission would include a variable commission calculated based on the closing stock market price of the SUEZ share on the day before the completion of the transaction. Moreover, and should the transaction take place in a form other than that set forth in the contract, SUEZ and Léonardo France would discuss the terms and conditions of a fixed-amount compensation.

Terms and conditions

This agreement had no impact on fiscal year 2007.

2. With SUEZ Group members of the G.I.E. SUEZ Alliance

Nature and purpose

In its meeting on July 4, 2001, your Board of Directors authorized the creation of a special-purpose financing vehicle, the G.I.E. SUEZ Alliance, and the membership of your Company in this Economic Interest Group (E.I.G.).

During this same meeting, your Board of Directors approved the guarantee granted by your Company for the benefit of the other members of the E.I.G. that are subsidiaries Suez. Consequently, your Company, in its capacity as parent company of the Group, will be the ultimate guarantor for any debt incurred by any of the members and exceeding their share.

In its meeting of March 6, 2002, your Board of Directors authorized the membership of SUEZ-Tractebel in the G.I.E. SUEZ Alliance, and the Group guarantee granted to all other members of the E.I.G. granted by your Company to SUEZ-Tractebel, in accordance with Article 2 of the internal agreement.

Terms and conditions

These agreements had no impact on fiscal year 2007. The agreement with SUEZ Tractebel was terminated on August 6, 2007 following the sale of SUEZ-Tractebel to Electrabel and the consecutive withdrawal of SUEZ-Tractebel from the GIE SUEZ Alliance.

3. With SUEZ Group companies that are not members of the G.I.E. SUEZ Alliance

Nature and purpose

In its meeting on March 9, 2005, your Board of Directors expressly authorized the extension of the GIE SUEZ Alliance activities to the most significant subsidiaries of your Company that are not members of the GIE SUEZ Alliance, in order to facilitate their financing. The subsidiaries concerned by this new contractual agreement are the following: Distrigaz, Electrabel, Fluxys, SUEZ Energy North America, Tractebel Financial US Inc. (with the SENA guarantee), Fabricom, SUEZ Environnement UK Holding, SUEZ Environnement Allemagne Holding, SUEZ Environnement Espagne Holding, Degrémont, Eurawasser, Sita Allemagne, Sita Belgium, Sita NL, Sita UK, Teris NA, and United Water Inc.

In its capacity as parent company of the Group, your Company will be the ultimate guarantor with respect to these subsidiaries for any debt incurred that exceeds the pro rata share of the member company acting as guarantor.

Terms and conditions

This agreement had no impact on fiscal year 2007.

4. With SUEZ Group companies located in France, Belgium and the Netherlands

Nature and purpose

Within the framework of the SUEZ Group's refinancing policy, your Board of Directors decided to implement an international program for the securitization of receivables of Group companies located in France, Belgium and the Netherlands. This program, named Zeus, comprises three sections: Helios, Demeter and Nausikaa.

In its meeting on January 9, 2002, your Board of Directors expressly authorized the agreements signed within this framework and approved the participation of your Company in the securitization program for the Demeter part, containing SITA and some of its subsidiaries, and the Helios part containing Suez Energy Services and its subsidiary CPCU.

In its meeting on September 4, 2002, your Board of Directors approved the SUEZ Group's participation in the securitization program for the Nausikaa part containing the Fabricom group and some of its subsidiaries.

In addition, your Board of Directors authorized your Company to grant a guarantee, in favor of the securitized debt fund (FCC) and the participants, to cover the commitments of the SUEZ Group companies participating in the transaction.

Terms and conditions

These agreements had no impact and terminated during fiscal year 2007.

5. With FirstMark Communication France

Nature and purpose

In its meeting on April 26, 2002, your Board of Directors authorized the contribution of FirstMark Communication France shares to Neuf Telecom (formerly LD Com) by your Company, corresponding to a value of €210 million. In accordance with the terms of this contribution, your Company received approximately 16.7% of the share capital of Neuf Telecom.

This contribution includes certain direct commitments in favor of Neuf Telecom and a guarantee for all of the obligations of three of your Company's subsidiaries that were merged with SUEZ Communication during fiscal year 2004. Only warranties relating to tax matters still exist.

Terms and conditions

This agreement had no impact on fiscal year 2007.

6. With Ondeo Nalco

Nature and purpose

In the context of the sale by Ondeo Nalco of its corporate headquarters, followed by the signature of a 25-year lease agreement, which is renewable, your Board of Directors, in its meeting on November 20, 2002, authorized your Company to issue a guarantee with respect to all of Ondeo Nalco's obligations. In its meeting on August 26, 2003, the Board of Directors voted to maintain this guarantee after the sale of Ondeo Nalco.

This guarantee is unlimited for the term of the leasehold obligations (including renewals) and obligations relating to other agreements; it is also irrevocable and unconditional.

As Ondeo Nalco is counter-guaranteeing SUEZ and both companies are signatories to a "Participation Agreement" within the scope of this transaction, the corresponding agreements had been previously authorized.

Terms and conditions

This guarantee had no impact on fiscal year 2007.

7. With Elyo (which has become SUEZ Energie Services)

Nature and purpose

In its meeting on July 4, 2001, your Board of Directors authorized the performance guarantee granted by your Company in favor of SUEZ Energie Services (formerly Elyo), relating to the construction and operation of a household waste incineration plant in Rillieux-la-Pape (Rhône). This agreement will terminate on June 30, 2019.

Terms and conditions

This agreement had no impact on fiscal year 2007.

8. With Cofixel

Nature and purpose

In its meeting on July 4, 2001, your Board of Directors authorized the sale by your Company of INEO, Entrepose and Delattre-Levivier to Cofixel (the French holding company of the Fabricom Group). During this same meeting, your Board of Directors also authorized a certain number of other guarantees, for an amount globally limited to €40 million and relating to all the companies sold.

Terms and conditions

This agreement had no impact on fiscal year 2007.

9. With SUEZ Environnement

Nature and purpose

Your Company has a counter-guarantee from SITA for the guarantees provided by your Company to the Hong Kong authorities as part of the acquisition by SITA of Browning-Ferries Industries' international activities. This undertaking does not mention any amount or period of validity.

Moreover, your Company guaranteed the call for tenders regarding the Nent landfill. The guarantee is still in force.

Term and conditions

These agreements had no impact on fiscal year 2007.

10. With Crédit Agricole S.A

Nature and purpose

Your Company granted vendor warranties to Crédit Agricole S.A. with respect to the sale of a majority controlling interest in Banque Indosuez. The maximum amount that may be drawn in respect of this seller's warranty amounts to €375.8 million as of December 31, 2007.

Terms and conditions

This agreement had no impact on fiscal year 2007.

11. With Findim

Nature and purpose

Your Company provided joint and several guarantees to the buyer of ISM SA for all payments owed by Findim. This guarantee is still in force and concerns warranties granted within the framework of the sale of ISM SA, i.e., vendor warranties that are capped at 25% of the sale price, i.e., €40.4 million. As of the date hereof, only the uncapped warranties related to tax matters are still in effect and will expire in September 2008.

Moreover, the Company provided joint and several guarantees covering all of Findim's undertakings with respect to the sale of Banque La Hénin. As of the date hereof, only the uncapped warranties related to tax matters are still in effect and will expire in September 2008.

Terms and conditions

These agreements had no impact on fiscal year 2007.

12. With Lyonnaise Deutschland

Nature and purpose

The receivable due by Lyonnaise Deutschland (amounting to €19.9 million as of December 31, 2006), as well as the interest accrued or accruable, is considered a debt of the lowest priority whose payment by Lyonnaise Deutschland will be subordinated to the Company's return to profit or the recording of a liquidating dividend.

Terms and conditions

This agreement had no impact on fiscal year 2007 and was terminated on December 21, 2007, date at which SUEZ sold the receivable owed by Lyonnaise Deutschland to SUEZ Environnement.

Neuilly-sur-Seine, March 17, 2008

The Statutory Auditors

Deloitte & Associés		Ernst & Young & Autres	
Jean-Paul Picard	**Pascal Pincemin**	**Pascal Macioce**	**Nicole Maurin**

Statutory Auditors' Reports on the Shareholders' Combined General Meeting of May 6, 2008

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

As statutory auditors of your Company, we hereby report on the various transactions, on which you are called upon to vote.

1. REPORT ON THE ISSUANCE OF SHARES AND OTHER MARKETABLE SECURITIES WITH AND WITHOUT CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS (12TH, 13TH AND 14TH RESOLUTIONS)

In accordance with Articles L. 225-135, L.225-136 and L.228-92 of French Commercial Code (Code de Commerce), we hereby report on the proposed empowerment of the Board of Directors in connection with the proposed issue of shares and other marketable securities, transactions on which you are called upon to vote.

Your Board of Directors, on the basis of its report, proposes that it be empowered, for a period of 26 months, to decide on the terms and conditions for the following transactions and, if necessary, to cancel your preferential subscription right:

- the issue of shares and/or marketable securities, with retention of preferential subscription rights, that give access, immediately or in the future to shares of the Company or, in accordance with Article L. 228-93 of French Commercial Code (Code de Commerce), in companies in which it holds, directly or indirectly, more than one-half of the share capital (12th resolution);
- the issue of ordinary shares and marketable securities, with cancellation of preferential subscription rights, that give access, immediately or in the future, to shares of the Company or in companies in which the Company holds, directly or indirectly, more than one-half of the share capital, being specified that these shares would be issued (1) to pay for shares which the Company acquires through a public share exchange offer in compliance with Article L. 225-148 of French Commercial Code (Code de Commerce), (2) to pay for contributions in kind, within the limit of 10% of the Company's share capital at the date of the present general meeting where the terms and conditions do not meet the requirements of Article L. 225-148 of the French company law (13th resolution),
- the issue of ordinary shares, with cancellation of preferential subscription rights, to which entitlement would be granted through marketable securities issued by one of the subsidiaries (13th resolution);
- the issue of marketable securities representing debt (14th resolution);

The overall nominal amount of share capital increases likely to be realized either immediately or on the exercise of shares representing either debt or equity, shall be limited to:

- €500 million for share capital increases, to which may possibly be added the total par value of shares to be issued in order to preserve the rights of the holders of these shares in accordance with the law;
- €5 billion for issuance of marketable securities representing debt.

In accordance with Article L. 225 135-1 of the French Commercial Code (Code de Commerce), if the Board of Directors notes that the shares are over subscribed, the number of shares may be increased up to a maximum limit of 15% of the initial issue, at the same price and subject to the total cap specified above (12th and 13th resolution).

It is the responsibility of your Board of Directors to prepare a report, in accordance with Articles R. 225-113 and R. 225-114 of French Commercial Code (Code de Commerce). Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and on other specific information in respect of the issue contained in this report.

We have performed the procedures which we considered necessary in accordance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying the contents of the Board of Directors' report relating to these transactions and the methods used for determining the issue price of the shares to be issued.

Subject to a subsequent examination of the terms and conditions of the issuance which would be decided, we have nothing to report on the methods used for determining the issue price of the shares to be issued, provided in the Board of Directors' report in accordance with the 13th resolution.

Moreover, as the Board of Directors' report did not specify the methods for determining the price of the shares to be issued in accordance with the 12th resolution, we are unable to report on the choice of constituent elements used to calculate the issue price.

As the share issue price has not yet been determined, we cannot report on the final terms and conditions of the transaction and consequently on the proposed cancellation of preferential subscription rights in accordance with the 13th resolution.

In accordance with Article R. 225-116 of French Commercial Code (Code de Commerce), we will issue an additional report when your Board of Directors exercises its empowerment relating to the issuance with cancellation of preferential subscription rights and the issuance of shares or marketable securities representing debt.

2. REPORT ON THE SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEE-MEMBERS OF THE SUEZ GROUP CORPORATE SAVINGS PLAN AND/OR A VOLUNTARY EMPLOYEE PENSION PLAN (15TH RESOLUTION)

In accordance with Articles L. 225-135, et seq. of the French Commercial Code (Code de Commerce), we hereby report on the proposed empowerment of the Board of Directors in connection with the proposed issue of shares reserved, with cancellation of preferential subscription rights, for employees who are members of the SUEZ Group corporate savings plan and/or a voluntary employee pension plan, a transaction on which you are called upon to vote. The number of shares which may be issued in accordance with the 15th resolution is limited to 2% of the share capital at the date of the Board of Directors' decision.

This proposed share issue is submitted to you for your approval in accordance with Article L. 225-129-6 of the French Commercial Code (Code de Commerce) and Article L. 443-5 of the French Employment Code (Code du Travail).

Your Board of Directors, on the basis of its report, proposes that it be empowered to decide for a period of 26 months, on one or more share capital increases on the terms and conditions for the transaction and to cancel your preferential subscription right. If necessary, it will determine the final issue terms and conditions of this transaction.

It is the responsibility of your Board of Directors to prepare a report, in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code (Code de Commerce). Our responsibility is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the preferential subscription right and on other specific information in respect of the issue contained in this report.

We have performed the procedures which we considered necessary in accordance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying the contents of the Board of Directors' report relating to these transactions and the methods used for determining the issue price.

Subject to a subsequent examination of the terms and conditions of the issuance which would be decided, we have nothing to report on the methods used for determining the issue price provided in the Board of Directors' report.

As the share issue price, under which the issuance will be performed, has not yet been determined, we cannot report on the final terms and conditions of the transaction and consequently on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code (Code de Commerce), we will issue an additional report when your Board of Directors exercises its empowerment.

3. REPORT ON THE PROPOSED INCREASE IN CAPITAL WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS FOR ALL ENTITIES WHOSE SOLE OBJECT IS TO SUBSCRIBE TO, HOLD AND SELL SUEZ SHARES OR OTHER MARKETABLE SECURITIES IN ORDER TO IMPLEMENT ONE OF THE GROUP'S MANY INTERNATIONAL EMPLOYEE SAVINGS SCHEMES (16TH RESOLUTION)

In accordance with Articles L. 225-135 et seq. of the French Commercial Code (Code de Commerce) we hereby report on the proposed empowerment of the Board of Directors to decide on an increase in capital through the issue of ordinary shares with cancellation of preferential subscription rights for a maximum par value of €30 million, reserved for all entities whose sole object is to subscribe to, hold and sell SUEZ shares or other marketable securities in order to implement one of the Group's many international employee savings schemes, a transaction on which you are called upon to vote.

Your Board of Directors, on the basis of its report, proposes that it be empowered, for a period of 18 months, to decide on one or more increases in capital and to cancel your preferential subscription right. If necessary, it will determine the final issue terms and conditions of this transaction.

It is the responsibility of your Board of Directors to prepare a report, in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code (Code de Commerce). Our responsibility is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the preferential subscription rights and on other specific information in respect of the issue contained in this report.

We have performed the procedures which we considered necessary in accordance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying the contents of the Board of Directors' report relating to this transaction and the methods used for determining the issue price.

Subject to a subsequent examination of the terms and conditions of the proposed issuances, we have nothing to report on the methods used for determining the issue price provided in the Board of Directors' report.

As the share issue price, under which the issuance will be performed, has not yet been determined, we cannot report on the final terms and conditions of the transaction and consequently on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of French Commercial Code (Code de Commerce), we will issue an additional report when your Board of Directors exercises its empowerment.

4. REPORT ON THE SHARE CAPITAL DECREASE BY CANCELLATION OF COMPANY SHARES PURCHASED (17TH RESOLUTION)

In accordance with Article L. 225-209, paragraph 7 of French Commercial Code (Code de Commerce) in respect of the share capital decrease by cancellation of shares previously purchased, we hereby report on our assessment of the reasons and terms and conditions of the proposed reduction in capital.

We have performed the procedures which we considered necessary in accordance with professional guidance issued by the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in examining the fairness of the terms and conditions of the proposed share capital decrease.

This transaction involves the purchase by your Company of its own shares, up to a maximum of 10% of its common stock, in accordance with Article L. 225-209, of the French Commercial Code (Code de Commerce). This purchase authorization, granted for a period of 18 months, is subject to adoption by shareholders.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 18 months, to cancel the shares purchased by the Company, pursuant to the share purchase authorization, up to 10% of the share capital per 24-month period.

We have no comment on the reasons for or the terms and conditions of the proposed share capital decrease, which, you are reminded, may only be performed subject to the prior approval by the shareholders of the purchase by the Company of its own shares.

Neuilly-sur-Seine, March 17, 2008

The Statutory Auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Autres	
Jean-Paul Picard	**Pascal Pincemin**	**Pascal Macioce**	**Nicole Maurin**

Independent Expert's report

On the terms and conditions of the share capital increase in favor of all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan

To the Shareholders,

In my capacity as independent expert, I hereby present you with my report on the share capital increase reserved for all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan.

For ease of reference in this document, we will use the term "Special Purpose Entity" to refer to the company for which the reserved share issue is carried out; it is specified that this may be all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan.

The aim of this transaction, if the Board of Directors decides on its implementation, is to enable non-French employees of the Group who wish to participate in the leveraged employee savings plan to benefit, through the Special Purpose Entity, from subscription terms and conditions for new SUEZ shares equivalent to those offered to employees of French companies under the Group Savings Plan.

In accordance with the legal provisions governing Group Savings Plans, French employees will be able to subscribe through an employee investment fund for SUEZ shares at a price which is 20% below the average opening share price during the twenty stock market sessions prior to the decision of the Board of Directors or the Chairman, as the case may be, to issue shares reserved for French employees, pursuant to the fifteenth resolution of this Shareholders' Meeting.

The share capital increase reserved indirectly for employees of non-French Group subsidiaries would enable them to subscribe for SUEZ shares under the following terms and conditions:

- the share capital increase resulting from this subscription will not exceed a maximum par value amount of €30 million, on one or more occasions, within an eighteen-month period;
- the subscription price will be exactly the same as that offered to French employees, that is at a price 20% below the average opening share price during the twenty stock market sessions prior to the date of the decision to issue shares reserved for French and non-French employees.

This report is based on a review of the terms and conditions of the share capital increase reserved for the Special Purpose Entity. It did not focus on the detailed terms and conditions under which this Special Purpose Entity is, or will in future be, organized in order to reproduce, for employees of non-French subsidiaries, an economic profile as close as possible to that offered to employees of French Group companies, using an identical subscription price.

Based on the various documents provided, my analysis of the transaction which you are asked to approve leads me to confirm that the subscription price offered to non-French employees of your Group, through the Special Purpose Entity, is indeed identical to that offered to French employees.

I would remind you that in order to preserve this equality of subscription terms and conditions, share capital increases reserved for the employees of the French companies on the one hand and those reserved for the employees of non-French subsidiaries on the other must be performed at the same time.

It is consequently your responsibility to assess the subscription terms and conditions offered to the Special Purpose Entity and approve or reject the resolution regarding this transaction proposed by your Board of Directors.

Paris, February 27, 2008

Jean Borjeix

Resolutions

A. RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

1st resolution – Approval of transactions and the statutory financial statements for fiscal year 2007

The shareholders, deliberating as an Ordinary Shareholders' Meeting, and having reviewed the Board of Directors' report and the Statutory Auditors' report, approve the transactions which took place in fiscal year 2007 and the statutory financial statements for the year ended December 31, 2007, as presented to them.

2nd resolution – Approval of the consolidated financial statements for fiscal year 2007

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report and the Statutory Auditors' report on the consolidated financial statements, approve the consolidated financial statements for the year ended December 31, 2007, as presented to them.

3rd resolution – Appropriation of earnings and declaration of dividend

The shareholders, deliberating as an Ordinary Shareholders' Meeting and noting statutory net earnings for fiscal year 2007 of €5,760,911,877.77 and zero retained earnings, approve the appropriation of these amounts totaling **€5,760,911,877.77,** as proposed by the Board of Directors, as follows:

	Euros
Statutory dividend of 5% of the par value (**€0.10 per share**) on	
• 1,307,043,522 shares as of December 31, 2007, with dividend rights as of January 1, 2007	130,704,352
Additional dividend (**€1.26 per share**) on these 1,307,043,522 shares	1,646,874,837.72
Maximum total distribution (**€1.36 per share**)	1,777,579,189.92
To «other reserves»	**3,983,332,687.85**
	5,760,911,877.77

Accordingly, the shareholders declare a net dividend for fiscal year 2007 of **€1.36 per share**. This entire distribution is eligible for the 40% deduction provided for in paragraph 3 of Article 158 of the French Tax Code.

This dividend shall be payable as from **May 14, 2008**.

It is specified that, on the date this dividend is paid, the amounts corresponding to the dividend not paid on treasury stock held by the Company will be allocated to «other reserves».

Pursuant to applicable law, the shareholders hereby acknowledge that distributions in respect of the previous three fiscal years were as follows:

Fiscal year	Number of shares with dividends	Total dividend	Net dividend per share
		euros	*euros*
2004	1,008,434,678 shares fully paid up	806.70 million	0.79
2005	1,260,366,555 shares fully paid up	1,260.30 million	1.00
2006	1,262,393,345 shares fully paid up	1,514.90 million	1.20

4th resolution – Statutory Auditors' special report on regulated agreements

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Statutory Auditors' special report on the regulated agreements referred to in Article L. 225-38 of the French Commercial Code, approve the transactions entered into or performed during the fiscal year.

5th resolution – Renewal of the term of office of a Director (Edmond Alphandéry)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew Edmond Alphandéry's term of office as Director for a period of four years.

Mr. Alphandéry's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

6th resolution – Renewal of the term of office of a Director (René Carron)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew René Carron's term of office as Director for a period of four years.

Mr. Carron's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

7th resolution – Renewal of the term of office of a Director (Etienne Davignon)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew Etienne Davignon's term of office as Director for a period of four years.

Mr. Davignon's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

8th resolution – Renewal of the term of office of a Director (Albert Frère)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew Albert Frère's term of office as Director for a period of four years.

Mr. Frère's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

9th resolution – Renewal of the term of office of a Director (Jean Peyrelevade)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew Jean Peyrelevade's term of office as Director for a period of four years.

Mr. Peyrelevade's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

10th resolution – Renewal of the term of office of a Director (Thierry de Rudder)

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' report, renew Thierry de Rudder's term of office as Director for a period of four years.

Mr. de Rudder's term of office shall expire at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

11th resolution – Authorization for the Board of Directors to trade in the Company's shares

The shareholders, deliberating as an Ordinary Shareholders' Meeting and having reviewed the Board of Directors' special report and the overview of the stock repurchase program, authorize the Board of Directors to purchase the Company's shares in accordance with the terms and conditions set forth in Article L. 225-209 of the French Commercial Code with a view to:

- enabling an investment services provider to stabilize the share price under liquidity agreements;
- their subsequent cancellation as part of a reduction of share capital decided or authorized by an Extraordinary Shareholders' Meeting;
- granting or selling them to employees, former employees, corporate officers or former corporate officers of the Group, or implementing stock option plans or bonus share award schemes;
- keeping them and subsequently tendering them in exchange or as payment for external growth transactions, subject to a maximum limit of 5% of the share capital;
- using them to cover issued securities which carry rights to shares in the Company, by means of allocating shares at the time of exercise of the rights attached to issued securities convertible, redeemable, exchangeable or otherwise exercisable for shares of the Company.

And in accordance with the following terms and conditions:

- the maximum number of shares purchased may not exceed **10% of the share capital** on the date of this decision and the aggregate amount of purchases, net of expenses, may not exceed the amount of **€7.5 billion**;
- the maximum purchase price may not exceed **€60**.

The purchase of shares, together with their sale or transfer, may be performed by any means, on the stock market or over-the-counter. Such means include trading in financial derivatives, on a regulated market or over-the-counter and the implementation of option transactions such as the purchase or sale of call or put options. These transactions may be performed at any time, except during the period of a public offer for the Company, pursuant to applicable law.

In the event of a share capital increase by capitalization of reserves and the issue of bonus shares, or a stock split or reverse stock split, the aforementioned prices shall be adjusted arithmetically in the proportion required by the change in the total number of shares as it results from the transaction.

This authorization shall come into effect at the end of this Shareholders' Meeting and be valid for a period of **18 months** as from the date hereof; it cancels and supersedes the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 in its 10th resolution.

The shareholders confer full powers on the Board of Directors, with the possibility of delegation, to implement this authorization, enter into any agreements, perform all formalities, file declarations with all appropriate bodies or entities and generally do all that is necessary in this respect.

B. RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

12th resolution – Authorization granted to the Board of Directors to increase the share capital by means of the issue, with retention of preferential subscription rights, of shares and/or securities convertible, redeemable or otherwise exercisable, immediately or in the future, for shares of the Company or its subsidiaries or by the capitalization of additional paid-in capital, reserves, earnings or other amounts

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, and having reviewed the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of the French Commercial Code, notably Articles L. 225-129-2, L. 225-132, L. 228-92, and L. 228-93 thereof:

1. authorize the Board of Directors to increase the share capital, on one or more occasions, in the amounts and at the times it deems appropriate:

   a. through the issue, in euros, foreign currency or any other monetary unit established by reference to several currencies, of shares and/or debt securities or non-debt securities convertible, redeemable or otherwise exercisable by any means, immediately or in the future, at any time or on a fixed date, for shares of the Company or companies of which it directly or indirectly holds over one-half of the share capital,

   b. and/or by the capitalization of additional paid-in capital, reserves, earnings or other amounts the capitalization of which is permitted by law and the bylaws, and the issue of bonus shares or an increase in the par value of existing shares;

2. set the period of validity of this authorization at **26 months** as from the date of this Shareholders' Meeting;

3. decide to set limits on the amounts of the authorized issues in the event that the Board of Directors makes use of this authorization as follows:

- in the case of a capital increase carried out by way of the issues referred to in paragraph 1.a. above:

   a. the total maximum nominal amount of shares that may be issued, either directly or on presentation of debt or non-debt securities, may not exceed an upper limit of **€500 million**, or its foreign currency equivalent, plus the aggregate nominal value of any shares that may be issued to preserve the rights of the holders of these shares pursuant to applicable law, it being specified that the nominal amount of shares issued, either directly or indirectly, pursuant to the 13th resolution of this Shareholders' Meeting will be deducted from this amount,

   b. the maximum nominal amount of the debt securities held may not exceed an upper limit of €5 billion, or its foreign currency equivalent, it being specified that the nominal amount of debt securities which will be issued pursuant to the 13th and 14th resolutions of this Shareholders' Meeting will be deducted from this amount.

- in the case of capitalization of additional paid-in capital, reserves, earnings or other amounts: the maximum nominal amount of the increase in share capital that may be carried out in this manner, may not exceed the total amount of the sums that may be capitalized, it being specified that the amount of these increases in share capital will be added to the amount of the upper limit set in paragraph 3. a. above.

- decide, in accordance with the provisions of Article L. 225-130 of the French Commercial Code, that fractional rights shall not be negotiable and that the corresponding shares shall be sold; the resulting proceeds shall be distributed to the holders of these rights no later than thirty days after the date of entry in their account of the full number of shares allotted;

4. in the event of the utilization of this authorization by the Board of Directors with the framework of the share or securities issues referred to in paragraph 1.a. above:

- decide that the issue or issues shall be reserved in preference for existing shareholders, who may subscribe to them as of right;

- confer, nonetheless, the power on the Board of Directors to grant shareholders the right to subscribe for a number of securities in excess of the number to which they would be entitled to subscribe as of right, in proportion to their subscription rights and, in any event, subject to demand;

- decide that where subscriptions as of right and, where applicable, excess subscriptions, do not cover the entire share issue, the Board of Directors may use any and/or all of the following possibilities, in any order, pursuant to the conditions provided for by law:

– limit the increase in share capital to the amount of subscriptions, provided this represents at least three-quarters of the increase in share capital decided,

– freely allot all or part of the issued securities not subscribed,

– offer to the general public all or part of the issued securities not subscribed, on the French and/or international markets;

- decide, in accordance with Article L. 225.135-1 of the French Commercial Code, that if the Board of Directors notes that demand exceeds the amount on offer, the number of shares or securities issued may be increased within thirty days of the end of the subscription period, subject to a maximum limit of 15% of the initial issue and at the same price as that applied for the initial share issue, subject to the upper limit referred to in paragraph 3.a. above;

5. acknowledge that this authorization deprives of effect the authorizations granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 5, 2006 in its 7th resolution.

13th resolution – Authorization granted to the Board of Directors to increase the share capital by means of the issue, with cancellation of preferential subscription rights, of shares and/or securities convertible, redeemable or otherwise exercisable, immediately or in the future, for shares of the Company or its subsidiaries or shares in the Company to which entitlement is granted through securities to be issued by subsidiaries, including in consideration of shares transferred

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, and having reviewed the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of the French Commercial Code, notably Articles L. 225-129.2, L. 225-135, L. 228-92 and L. 228-93 thereof:

1. authorize the Board of Directors to increase the share capital, on one or more occasions, in the amounts and at the times decided by it, on the French and/or international markets, in euros, foreign currency or any other monetary unit established by reference to several currencies, through the issue:

- by the Company, of shares and/or all debt or non-debt securities convertible, redeemable or otherwise exercisable, immediately and/or in the future, at any time or on a fixed date, for shares in the Company or in companies of which it directly or indirectly holds over one-half of the share capital, it being specified that these securities may be issued either in consideration of securities transferred to the Company within the scope of a public exchange offer for securities satisfying the terms and conditions laid down in Article L. 225-148 of the French Commercial Code, or, on the basis of the Contribution Auditor's report and subject to a maximum limit of 10% of the Company's share capital as of the date of this Shareholders' Meeting, in consideration of contributions in kind to the Company consisting of shares or securities convertible, redeemable or otherwise exercisable for shares of the Company, in the event that the conditions of Article L. 225-148 of the French Commercial Code do not apply;

- and/or by one of the companies in which SUEZ holds, directly or indirectly, more than one-half of the share capital, and with the agreement of said company, of any securities convertible, redeemable or otherwise exercisable, immediately or in the future, for shares in the Company;

2. set the period of validity of this authorization at **26 months** as from the date of this Shareholders' Meeting;

3. decide to set limits on the amounts of the authorized issues in the event that the Board of Directors makes use of this authorization as follows:

   a. the maximum nominal amount of shares that may be issued in this manner, either directly or on presentation of debt or non-debt securities, may not exceed an upper limit of **€500 million**, or its foreign currency equivalent, plus the aggregate nominal value of any shares that may be issued to preserve the rights of the holders of these shares pursuant to applicable law; it being specified that the nominal amount of shares issued, either directly or indirectly, pursuant to the 12th resolution of this Shareholders' Meeting will be deducted from this amount;

   b. the maximum nominal amount of the above-mentioned debt securities that may be issued in this manner may not exceed an upper limit of **€5 billion**, or its foreign currency equivalent; it being specified that the nominal amount of debt securities which will be issued pursuant to the 12th and 14th resolutions of this Shareholders' Meeting will be deducted from this amount;

4. decide to cancel the shareholders' preferential subscription rights to the shares and/or securities issued pursuant to this resolution, which may be issued either by the Company itself or by a company in which it holds, directly or indirectly, more than one-half of the share capital, and to grant powers to the Board of Directors, in accordance with paragraph 2 of Article L. 225-135 of the French Commercial Code, to offer the shareholders, for a period and in accordance with terms and conditions it determines, and with respect to all or part of the issue made, a priority subscription period, which may not be less than three trading days, without creation of negotiable rights, and which may be exercised in proportion to the number of shares held by each shareholder. In this case, additional subscription rights for excess shares may also be exercised if so decided by the Board of Directors;

5. decide that where subscriptions by the shareholders and the public do not cover the entire securities issue, the Board of Directors may use either or both of the following possibilities, in any order:

- limit the securities issue to the amount of subscriptions, provided this represents at least three-quarters of the securities issue decided;

- freely allot all or part of the securities not subscribed;

6. decide that the amount that is received by the Company or that it may subsequently receive for each of the shares issued or to be issued pursuant to this authorization, shall be at least equal to the minimum value set by paragraph 1 of Article 225-136 of the French Commercial Code, that is currently the weighted average price of the share on the Paris stock exchange during the last three trading days prior to the beginning of the issue of the shares and/or securities conferring entitlement thereto, less the 5% discount provided for by French law, and after adjustment of this average, where necessary, for different dividend dates. It should be noted that where freestanding warrants are issued on the Company's shares, the amount received by the Company on subscription of these warrants shall be taken into account in this calculation;
7. decide, in accordance with Article L. 225.135-1 of the French Commercial Code, that if the Board of Directors notes that demand exceeds the amount on offer, the number of shares or securities may be increased within thirty days of the end of the subscription period, subject to a maximum limit of 15% of the initial issue and at the same price as that applied for the initial securities issue, subject to the upper limit referred to in paragraph 3.a. above;
8. acknowledge that this authorization deprives of effect the authorizations granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 5, 2006 in its 8th resolution.

14th resolution – Authorization granted to the Board of Directors to issue complex debt securities

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, and having reviewed the Board of Directors' report:

1. authorize the Board of Directors to issue, on one or several occasions, at the times decided by it, on the French and/or international markets, all complex debt securities, at a fixed or variable rate, whether subordinated or not, whether fixed-term or perpetual, in euros, foreign currency or any other monetary unit established by reference to several currencies;
2. decide that the maximum nominal amount of the issues, in the event that the Board of Directors makes use of this authorization, may not exceed a maximum of **€5 billion**, or its foreign currency equivalent, it being specified that the nominal amount of debt securities that will be issued pursuant to the 12th and 13th resolutions of this Shareholders' Meeting will be deducted from this amount;
3. set the period of validity of this authorization at **26 months** as from the date of this Shareholders' Meeting;
4. acknowledge that this authorization deprives of effect the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting held on May 5, 2006 in its 11th resolution.

15th resolution – Authorization granted to the Board of Directors to issue shares reserved for employees belonging to a SUEZ Group corporate savings plan

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, and having reviewed the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of the French Commercial Code, notably Articles L. 225-129, L. 225-138 and L. 225-138-1, thereof, and Articles L. 443-1 *et seq.* of the French Labor Code:

- cancel the authorization granted under the 12th resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 5, 2006, to increase the share capital in favor of employees who are members of a SUEZ Group corporate savings plan;
- authorize the Board of Directors to increase the share capital, on one or more occasions, via the issue of shares to be paid up in cash, for a period of **26 months** as from the date of this Shareholders' Meeting;
- reserve the subscription of the entire share issue for employees of the Company and certain affiliated companies or economic interest groupings within the meaning of Article L. 233-16 of the French Commercial Code, who are members of a Group corporate savings plan and/or a voluntary employee retirement savings partnership plan (hereinafter the «**Employees**»), said Employees being able to subscribe directly or through a corporate mutual fund;
- decide that the Board of Directors, within the framework set by this resolution, may award bonus shares or other securities convertible, redeemable or otherwise exercisable for shares of the Company, subject to the limits laid down by Article L. 443-5 of the French Labor Code;
- decide that the total number of shares that will be subscribed and/or awarded pursuant to this resolution must not exceed **2% of the share capital**, as of the date of the Board of Directors' decision;
- cancel shareholders' preferential subscription rights in favor of the Employees for whom the share issue is reserved;
- decide that the issue price of the new shares to be issued shall be equal to **80% of the average opening price** of the share on Euronext Paris during the 20 trading sessions prior to the date of the decision of the Board of Directors or the Chairman, where applicable, setting the opening date of the subscription period for the share issue reserved for Employees.

16th resolution – Authorization for the Board of Directors to increase the share capital, with cancellation of preferential subscription rights, in favor of all entities whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, in accordance with Article L. 225-138 of the French Commercial Code and having reviewed the Board of Directors' report, the Statutory Auditors' special report and the Independent Expert's report:

1. cancel the authorization granted by the 12th resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 to increase the share capital in favor of Spring Multiple 2006 SCA and/or any company whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan;
2. authorize the Board of Directors to increase the share capital, on one or more occasions, over a period of **18 months** as from the date of this Shareholders' Meeting, by a maximum nominal amount of **€30 million** via the issuance of a maximum of 15 million new shares with a par value of €2 each;
3. authorize the Board of Directors to choose the entity or entities referred to in point 6 below;
4. decide that the final amount of the capital increase will be set by the Board of Directors which shall have full powers for such purpose;
5. decide that the amount of subscriptions by each employee may not exceed the limits that will be set by the Board of Directors within the scope of this authorization and that, in the event of excess employee subscriptions, these will be reduced in accordance with the rules defined by the Board of Directors;
6. decide to cancel the shareholders' preferential subscription rights and reserve the subscription of all the shares to be issued, in accordance with the provisions of Article L. 225-138 of the French Commercial Code, for any French or foreign entities, whether or not they have legal personality, whose sole purpose is to subscribe, hold and dispose of SUEZ shares or other financial instruments within the scope of the implementation of one of the multiple formulae of the SUEZ Group's international employee shareholding plan;
7. decide that the issue price of the new shares shall be equal to the price of the shares to be issued within the scope of the next share issue reserved for employees who are members of a SUEZ Group corporate savings plan, pursuant to the 15th resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 6, 2008, and which shall be equal to 80% of the average opening price of the SUEZ share on the Eurolist market of Euronext Paris during the 20 trading sessions prior to the date of the decision setting the opening date of the subscription period for the share issue reserved for members of a SUEZ Group corporate savings plan;
8. decide that the Board of Directors may determine the subscription formulae which will be presented to the employees in each company concerned, in light of the constraints of applicable local laws, and select the countries to be included from among those in which the SUEZ Group has subsidiaries that fall within the scope of consolidation of SUEZ pursuant to Article L. 444-3 of the French Labor Code and those of such subsidiaries whose employees will be able to participate in the transaction;
9. decide that the amount of the share issue or of each share issue shall be limited, where applicable, to the amount of subscriptions received by SUEZ, in accordance with applicable legal and regulatory requirements.

17th resolution – Authorization for the Board of Directors to reduce the share capital by cancelling shares.

The shareholders, deliberating as an Extraordinary Shareholders' Meeting and having reviewed the Board of Directors' report and the Statutory Auditors' special report, authorize the Board of Directors, pursuant to Article L. 225-209 of the French Commercial Code, to reduce the share capital, on one or more occasions, by cancelling all or part of the shares purchased by the Company itself, subject to a maximum limit of **10% of the share capital** of the Company **per 24-month period**.

This authorization is granted for a period of **18 months** as from the date of this Shareholders' Meeting. It cancels and supersedes the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2007 in its 15th resolution.

The shareholders confer full powers on the Board of Directors to:

- perform such reduction or reductions in the share capital;
- set the final amount of the reduction or reductions, determine the terms and conditions and report the completion thereof;
- deduct the difference between the book value of the cancelled shares and their par value from reserves and additional paid-in capital;
- make the appropriate amendments to the bylaws and generally do all that is necessary;

all the foregoing in accordance with applicable law as of the date of use of this authorization.

18th resolution – Powers to carry out the shareholders' decisions and perform the related formalities

The shareholders, deliberating as an Extraordinary Shareholders' Meeting, confer full powers on the bearer of the original or a copy or excerpt of the minutes of this Shareholders' Meeting to make all necessary filings or other formalities wherever required.

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The 2007 Reference Document was first distributed along with the 2007 Activities and Sustainable Development Report at the Group's Annual General Meeting held in Paris on May 8, 2008. Its English edition had a print run of 4,000 copies. The 2007 Reference Document is also available in French, Spanish and Dutch from the Group's website (www.suez.com) where all SUEZ publications can be downloaded.

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OUR VALUES

Professionalism

Sense of partnership

Team spirit

Value creation

Respect for the environment

Ethics

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