REFERENCE DOCUMENT 2012

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INCORPORATION BY REFERENCE

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

- for the year ended December 31, 2011: Annual Report, Consolidated Accounts and the corresponding statutory auditors' report, included in sections 9, 20.1 and 20.2, respectively, of the Reference Document registered with the AMF on April 4, 2012 under number D.12-0277;
- for the year ended December 31, 2010: Annual Report, Consolidated Accounts and the corresponding statutory auditors' report, included in sections 9, 20.1 and 20.2, respectively, of the Reference Document filed with the AMF on April 8, 2011 under number R.11-009.

This Reference Document was registered with the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) on April 5, 2013, in accordance with the provisions of Article 212-13 of the AMF General Regulations. It may not be used in support of a financial transaction unless supplemented by an offering memorandum approved by the AMF. It has been prepared by the issuer and is binding on the signatories.

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NOTICE

The Company = SUEZ ENVIRONNEMENT COMPANY
The Group = The Company and its subsidiaries
The Reference Document serves as the Management Report (see Concordance Table)

This document is a free translation of French language Reference Document that was registered with the ***Autorité des marchés financiers*** (the "AMF") on April 5, 2013. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of shareholders of SUEZ ENVIRONNEMENT COMPANY. No assurances are given as the accuracy or completeness of this translation, and SUEZ ENVIRONNEMENT COMPANY assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French Reference Document, the French version shall prevail.

1 PERSONS RESPONSIBLE FOR INFORMATION

1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

1.2 DECLARATION OF THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

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

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

The consolidated financial statements for fiscal year ended December 31, 2012 presented in this document are the subject of a report by the statutory auditors in section 20.2, which contains an observation that does not put into question their opinion. This observation outlines the impact of new amendments adopted in 2012."

Jean-Louis Chaussade

Chief Executive Officer

2 STATUTORY AUDITORS

2.1 PRINCIPAL STATUTORY AUDITORS

- Ernst & Young et Autres

  1/2, place des Saisons

  92400 Courbevoie Paris-La Défense 1 – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007, and reappointed by the Shareholders' Meeting of May 24, 2012 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2018 to approve the financial statements for the fiscal year ending December 31, 2017. Represented by Charles-Emmanuel Chosson and Pascal Macioce[(1)].

- Mazars

  61, rue Henri Regnault – Tour Exaltis

  92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013. Represented by Thierry Blanchetier and Isabelle Massa[(2)].

2.2 DEPUTY STATUTORY AUDITORS

- Auditex

  1/2, place des Saisons

  92400 Courbevoie Paris-La Défense 1 – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007, and reappointed by the Shareholders' Meeting of May 24, 2012 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2018 to approve the financial statements for the fiscal year ending December 31, 2017.

- CBA

  61, rue Henri Regnault

  92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013.

The fee schedule for the statutory auditors is found in Note 27 to the consolidated financial statements, in section 20 of this Reference Document.

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

3 SELECTED FINANCIAL INFORMATION

The tables below present excerpts from the consolidated income statements, statements of financial position and cash flow statements of the Group for the years ended December 31, 2012, December 31, 2011 and December 31, 2010.

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

Key data from the consolidated income statements

In millions of euros	2012	2011	2010
Revenues	15,101.6	14,829.6	13,869.3
EBITDA[a]	2,450.0	2,512.9	2,339.4
Current Operating Income	1,145.8	1,039.4	1,024.8
Net Income Group share	251.4	322.8	564.7

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

Key data from the consolidated statements of financial position

In millions of euros	2012	2011[a]	2010
Non-current assets	18,881.4	18,700.1	18,395.0
Current assets	7,755.1	8,361.3	7,535.4
TOTAL ASSETS	**26,636.5**	**27,061.4**	**25,930.4**
Shareholders' equity, Group share	4,863.9	4,946.1	4,772.6
Non controlling interests	1,995.3	1,871.1	1,854.2
Other liabilities	19,777.3	20,244.2	19,303.6
TOTAL LIABILITES	**26,636.5**	**27,061.4**	**25,930.4**

(a) Restated data at December 31, 2011. See section 20 of this Reference Document.

Key data from the consolidated cash flow statements

In millions of euros	2012	2011	2010
Cash flows from / (used in) operating activities	2,357.1	1,901.9	1,889.6
Cash flows from / (used in) investing activities	(1,283.3)	(1,561.4)	(1,315.0)
Cash flows from / (used in) financing activities	(1,375.2)	297.0	(1,476.6)
Impact of changes in foreign exchange rates and others	55.2	29.5	16.8
TOTAL CASH FLOWS FOR THE PERIOD	**(246.2)**	**667.0**	**(885.2)**

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4.1 MAIN RISKS

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

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

4.1.1 Risks related to the Group's business sector

A changing competitive environment

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

This strong competitive pressure, which could increase in the event of consolidation among private actors (particularly in the waste sector in Europe), may put pressure on the commercial development and prices of the services offered by the Group, which could have a negative impact on the operations, earnings and outlook of the Group.

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

The risk of price pressure is aggravated in the water treatment engineering segment due to the continued influx of new players facing difficulties in their own markets (e.g., Spanish companies), and due to the contraction of the European municipal market related to the worsening financial health of local public entities.

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

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

Group's exposure to economic cycles

2012 was characterized by very limited growth in revenues (0.3% organic growth at end December 2012). Due to its activities, the Group is sensitive to economic factors whose potential impacts are described below. The economic context that followed the 2008 crisis could continue beyond 2012 and lead to a prolonged slowdown in the activities of the Group's major customers.

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

A persistent economic downturn could also result in payment difficulties for domestic customers (users of water-related services).

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

Group's exposure to changes in consumption trends

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

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

However, if these developments are insufficient to offset the reduced volumes in future, this could have a negative impact on the Group's operations, earnings, and outlook.

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

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

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

Change in the environmental, health and safety regulatory context

The Group's businesses are subject to environmental protection, public health, and safety rules that are increasingly restrictive and differ from country to country. These rules apply to water discharge, the quality of drinking water, waste treatment, soil and water-table contamination, air quality and greenhouse gas emissions (see section 6.7: Legal and Regulatory Framework).

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

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

Moreover, amending or strengthening regulatory provisions could engender additional costs or investments for the Group. As a result of such measures, the Group might have to reduce, temporarily interrupt, or even discontinue engaging in one or more activities with no guarantee that it will be able to compensate for the corresponding losses. Regulatory changes may also affect prices, margins, investments, and operations, and, consequently the Group's operations, earnings, and outlook.

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

Finally, even if the Group complies with applicable regulations, it cannot monitor water quality in all areas of its network. In France, the policy for the last few years has been to phase out all lead pipes by 2013. The Group is therefore offering its customers replacement pipes to achieve these targets, involving renegotiation of the contracts concerned. However, the Group cannot rule out the possibility that the 2013 target will not be met owing to the presence of lead in privately owned pipes, over which the Group has no control. Any overstepping of the regulatory standard for drinking water, whatever its origin, could have a negative impact on the Group's image.

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

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

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

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

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

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

Impact on the Group of measures to combat climate change

Following the Kyoto Protocol and subsequent agreements, the fight against climate change has become widespread, resulting in burgeoning environmental regulations and tax laws in France (Grenelle II), in Europe (European Union Climate and Energy Package, Carbon Reduction Commitment in the United Kingdom) and internationally (Emissions Trading Scheme in Australia). This trend could have a significant impact on economic models due to the emerging risk of waste activities being included in some countries in regulations to reduce greenhouse gas emissions.

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

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

Risks related to fluctuations in certain commodity and energy prices

The Group's activities consume significant quantities of raw materials and energy, more specifically oil and electricity, and therefore the Group is vulnerable to fluctuations in their prices.

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

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

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

For projects that require large quantities of raw materials, which are the most sensitive to market fluctuations, the Group continually tries to consolidate its procurement sources and maintain a sufficient number of suppliers for strategically important equipment and raw materials. The objective is to obtain the best market conditions at all times.

4.1.2 Risks related to the Group's business activities

Risks related to major projects

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

The profitability of these assets, whose life is several decades long, is particularly contingent on controlling costs and construction timeframes, operating performance and long-term trends within the competitive environment, any of which could reduce the profitability of certain assets or result in loss of revenues and asset impairment.

Risks related to design and construction activities

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

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

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

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

Degrémont's engineering, procurement and construction (EPC) projects may encounter problems that could entail a reduction in revenues, disputes or lawsuits. These projects are generally complex, and require major purchases of equipment and large-scale project management. Schedule shifts may occur, and Degrémont might encounter design, engineering, supply chain, construction or installation problems. These factors could impact Degrémont's ability to complete certain projects by the original deadline.

Certain terms of the contracts concluded by Degrémont require the client to provide particular design- or engineering-related information, in addition to the materials or equipment to be used in the project. These contracts may also require the client to compensate Degrémont for additional work done or expenses incurred, if (i) the client changes its instructions, or (ii) the client is unable to provide Degrémont with adequate design or engineering information or materials or equipment for the project.

In such cases, Degrémont usually negotiates financial compensation with its clients for the additional time and money spent due to the client's failure to meet its contractual obligations. However, the Group cannot guarantee that Degrémont will receive sufficient compensation to offset the extra costs incurred, even if it takes the dispute to court or arbitration. In such case Degrémont's, or even the Group's earnings and financial position could be significantly affected.

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

Risks of dependency on certain suppliers

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

Degrémont generally uses subcontractors and suppliers in performing its contracts. If Degrémont were unable to hire subcontractors or buy equipment or materials, its ability to complete a project generating a significant margin or to meet its deadlines could be seriously

compromised. If the amount that Degrémont has to pay for these services, equipment or materials exceeds the amount estimated in the bid submitted for a fixed-price contract, Degrémont could incur losses in completing the project. Any delay by a subcontractor or supplier in performing its part of the contract, any failure by a subcontractor or supplier to meet its obligations, and any other circumstance attributable to the subcontractor or supplier that is beyond Degrémont's ability to control or predict, may delay progress of the overall project and/or entail potentially significant additional costs.

Degrémont uses credit risk analysis in its subcontractor and supplier selection process, which can lead to it not selecting a subcontractor or supplier, or requiring it to provide bank guarantees or submit to special payment terms that reflect the risks incurred. Despite the effectiveness of this process, subcontractors and suppliers may fail to meet their obligations, resulting in delays and significant additional costs. Degrémont may be required to compensate the client for such delays. Even if such additional costs can be effectively charged to the defaulting subcontractor or supplier, Degrémont risks being unable to recover the full amount of such costs, which could impact its earnings. Any interruption or delay in the supply of or failure to respect a technical performance guarantee on a major piece of equipment could affect the profitability of a project and have a negative impact on the Group's operations, earnings, and outlook.

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

Non-performance risks of long-term contracts

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

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

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

Risks of unilateral cancellation, non-renewal or amendment of contracts with public authorities

The contracts entered into by the Group with public authorities make up a significant share of its revenues. However, in most of the countries in which the Group has a presence, including France, local public entities have the right, in certain circumstances, to amend or even terminate the contract unilaterally, subject to compensation. If a contract is unilaterally cancelled or amended by the contracting public authority, the Group may not be able to obtain compensation that fully offsets the resulting loss of earnings.

Moreover, the Group does not always own the assets that it uses in its operations under a public service delegation contract (primarily through public service concessions or leases). The Group cannot guarantee that the contracting authority will renew each of its existing public service delegation contracts, or that the financial conditions of the renewal will be the same as the initial delegation. This situation could negatively impact the Group's operations, financial position, earnings, and outlook.

Risks related to external growth operations

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

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

Risks related to presence in certain emerging countries

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

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

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

Risks linked to entering into partnerships

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

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

Changes in a project, the local political and economic context, the economic position of a partner, or the occurrence of a disagreement between the partners may lead to the termination of partnerships, particularly if partners exercise puts or calls on shares, if one of the partners requests the dissolution of the joint venture, or through the exercise of a pre-emptive right. These situations can also lead the Group to choose to strengthen its financial commitments in certain projects or, in the event of conflict with its partner(s), to seeking solutions in court or before the competent arbitration bodies. These situations could have a significant negative impact on the Group's business, financial position, earnings and outlook. Moreover, the Group cannot guarantee that the projects it carries out in partnership will be implemented on time and according to satisfactory economic, financial and legal conditions, or that they will deliver the long-term profitability that was originally projected.

Risks of civil and environmental liability

The business areas in which the Group operates involve a major risk of civil and environmental liability. The increase in legal, regulatory and administrative requirements expose the Group to greater risk of liability, particularly in terms of environmental responsibility, including liability for assets the Group no longer owns or for activities that it has discontinued.

Specifically, the existing regulations impose the obligation to restore environmentally classified sites when operations finally end, which requires the booking of provisions.

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

Risks related to facilities management

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

These health and environmental risks, which are governed by strict national and international regulations, are regularly monitored by the Group's teams and by the public authorities. These changing regulations with regard to both environmental responsibility and environmental liabilities carry a risk of an increase in the vulnerability

of the Company in relation to its activities. This vulnerability must be assessed for older facilities (such as closed landfills) and for sites in operation. It may also involve damage caused to habitats or species.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to Directive 2012/18/EU of July 4, 2012, the Group operates twenty-seven Seveso sites within the European Union: fourteen sites are classified "high threshold" Seveso, ten are "low threshold" Seveso, and three are awaiting classification by the administration.

Sites classified "high threshold" Seveso as of December 31, 2012 are as follows:

BU	Location	Country	Threshold	Activity
Sita France	Villeparisis	France	High	Storage and pre-treatment of hazardous waste
Sita France	Angers	France	High	Storage and pre-treatment of hazardous waste
Sita France	Bellegarde	France	High	Storage and pre-treatment of hazardous waste
Sita France	Givors	France	High	Storage and pre-treatment of hazardous waste
Sita France	Pont-de-Claix	France	High	Storage and pre-treatment of hazardous waste
Sita France	Péage de Roussillon	France	High	Storage and pre-treatment of hazardous waste
Sita France	Beautor	France	High	Storage and pre-treatment of hazardous waste
Sita France	Amnéville	France	High	Storage and pre-treatment of hazardous waste
Sita France	Frontignan	France	High	Storage and pre-treatment of hazardous waste
Sita France	Hersin-Coupigny	France	High	Storage and pre-treatment of hazardous waste
Sita France	Airvault	France	High	Storage and pre-treatment of hazardous waste
Sita France	Herne	Germany	High	Thermal desorption of soils polluted with PCBs and mercury
Sita France	Barbera	Spain	High	Hazardous waste treatment
Sita France	Constanti	Spain	High	Hazardous waste treatment

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

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

The Group implements an accident prevention policy through a series of initiatives and actions, including employee training, communications and management accountability, thus enabling it to maintain its permanent zero-accident target (see section 4.2.2.3 of this Reference Document).

Risks related to human resources management

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

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

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

Risks of labor conflicts

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

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

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

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

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

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

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

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

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

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

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

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

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

Because of its diverse geographical presence, some of the Group's infrastructures could be exposed to natural disasters such as earthquakes, heavy rainfalls, storms, hailstorms, freezing, drought, landslides, etc. Moreover, the occurrence of natural disasters, other major events, whose extent is difficult to predict (major epidemics, etc.), could impact the Group's activities.

The Group's policy is to cover those risks through its insurance programs with premium insurance companies with suitable covers. However, the Group cannot guarantee that the measures taken to control these risks will prove fully effective if any such event should occur. Moreover, the Group may not always be able to maintain a level of coverage that is at least equal to its existing coverage and at no higher cost. The frequency and extent of natural disasters observed in recent years could impact both the capacity of insurance markets to cover such risks and the cost of insurance coverage.

Risks related to information systems

Information systems are critically important in supporting all the Group's business processes.

These are increasingly interconnected and transversal between business segments. Any failure could lead to loss of business, loss of data or breach of confidentiality, and could negatively impact the Group's operations, financial position, and earnings.

The implementation of new applications may require considerable development, which is then carried out in project mode, with risks relating to development costs, quality and deadlines.

Risks related to ethics breaches

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

4.1.3 Market risks

4.1.3.1 Interest rate risk

The Group's exposure to interest rate risk derives mainly from its floating rate net financial debt. As of December 31, 2012, the Group's net financial debt (excluding derivative financial instruments and amortized cost) totaled €7,408.3 million, 9% at floating rates and 91% at fixed rates before hedging and 22% at floating rates and 78% at fixed rates after hedging.

The following table shows the Group's net debt by type of rate (after hedging) at December 31, 2012:

In millions of euros	Total	Net debt at fixed rate	Net debt at floating rate	Less than 1 year	1 to 5 years	Beyond
Amount	7,408.3	5,791.3	1,617.0	(993.3)	3,391.4	5,010.2

The following table shows the Group's net debt position exposed to floating interest rates as of December 31, 2012:

In millions of euros	Total
Gross debt	2,927.3
Cash equivalent assets*	(2,270.8)
Net position before management	656.5
Impact of interest rate derivatives	960.5
Net position after management	1,617.0
Impact of a 1% increase in short-term interest rates on income after management	(12.5)

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

An interest rate risk sensitivity analysis is presented in Note 13.1.3.2 to the consolidated financial statements, section 20.1.

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

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

4.1.3.2 Foreign exchange risk

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

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

The following table shows the distribution of the Group's net debt by currency as of December 31, 2012 (including financial derivatives and amortized cost):

In millions of euros	Euro[(a)]	US dollar	Pound sterling	Chilean peso	Australian dollar	Other[(b)]	Total
Net debt before the effects of Forex derivatives	5,006.3	746.1	273.6	1,149.3	127.1	133.4	7,435.8
Net debt after the effects of Forex derivatives	4,232.7	1,130.6	372.7	1,164.2	127.1	408.5	7,435.8
Impact on income of a 10% net appreciation of the euro on net position after management	0.3	0.8	0.5	0.0	(4.0)	(0.1)	(2.5)

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

(b) Mainly the Hong Kong dollar.

The following table shows distribution of the Group's capital employed by currency as of December 31, 2012:

In millions of euros	Euro[(a)]	US dollar	Pound sterling	Other[(b)]	Total
Capital employed	9,759.6	2,006.0	867.3	1,803.3	14,436.2

(a) Euro: including Agbar and its subsidiaries.

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

With respect to the US dollar, the following table presents the impact of changes in the US dollar exchange rates in 2012 versus 2011 on revenues, EBITDA, net debt and the amount of shareholders' equity as of December 31, 2012:

In millions of euros	Change
Revenue	62.4
EBITDA	12.1
Net debt	(24.9)
Total shareholders' equity	(18.2)

The calculations of revenues and EBITDA were performed based on the 2012/2011 variation in the average USD/EUR exchange rate (+8.3%); for net debt and shareholders' equity, the calculations were based on the variation of the closing USD/EUR exchange rate between December 31, 2012 and 2011 (-1.9%).

With respect to the pound sterling, the following table presents the impact of changes in pound sterling exchange rates between 2012 and 2011 on revenues, EBITDA, net debt and the amount of shareholders' equity as of December 31, 2012:

In millions of euros	Change
Revenue	64.0
EBITDA	6.5
Net debt	8.5
Total shareholders' equity	16.4

The calculations of revenues and EBITDA were performed based on the 2012/2011 variation in the average GBP/EUR exchange rate (+7.0%); for net debt and shareholders' equity, the calculations were based on the variation of the closing GBP/EUR exchange rate between December 31, 2012 and 2011 (+2.4%).

With respect to the Chilean peso, the following table presents the impact of changes in the Chilean peso exchange rates between 2012 and 2011 on revenues, EBITDA, net debt and on the amount of shareholders' equity as of December 31, 2012:

In millions of euros	Change
Revenue	46.1
EBITDA	26.5
Net debt	114.3
Total shareholders' equity	111.2

The calculations of revenues and EBITDA were performed based on the 2012/2011 variation in the average CLP/EUR exchange rate (+7.7%); for net debt and shareholders' equity, the calculations were based on the variation of the closing CLP/EUR exchange rate between December 31, 2012 and 2011 (+7.0%).

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

4.1.3.3 Liquidity risk

The following table presents the maturity schedule for the Group's debt and the amount of its cash at December 31, 2012:

In millions of euros	Total	2013	2014	2015	2016	Beyond 2016
Total borrowings	8,925.3	519.1	1,253.2	501.2	933.4	5,718.4
Overdrafts and current cash accounts	758.4	758.4				
Total outstanding financial debt	9,683.7	1,277.5	1,253.2	501.2	933.4	5,718.4
Of which GDF SUEZ share	*144.0*	*6.0*	*6.0*	*106.0*	*4.5*	*21.5*
Cash equivalent assets[(a)]	(2,275.4)	(2,270.8)				(4.6)
Net debt (excluding derivative financial instruments and amortized cost)	7,408.3	(993.3)	1,253.2	501.2	933.4	5,713.8

(a) Includes "Assets related to financing", "Financial assets at fair value through profit or loss" and "Cash and cash equivalents."

Some borrowings contracted by the Group's subsidiaries or by SUEZ ENVIRONNEMENT on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. The definition and level of the ratios, i.e., the financial "covenants," are determined in agreement with the lenders and may potentially be reviewed during the term of the loan. These covenants are presented in section 10.4 of this Reference Document. As of December 31, 2012, 10% of borrowings exceeding €50 million were the subject of financial covenants. At the date of this Reference Document, the financial covenants relating to these borrowings were maintained. The Group was in compliance with all these covenants as of December 31, 2012. Finally, none of these financial covenants are based on the share price of SUEZ ENVIRONNEMENT or SUEZ ENVIRONNEMENT COMPANY, or on the Group's rating. Details of short-term and long-term notes and changes in these over the course of fiscal year 2012 appear in section 10.3.3 of this document.

As of the date of this Reference Document, no payment default existed on the Group's consolidated debt, neither was there any payment default on the Group's consolidated debt at December 31, 2012.

The following table shows borrowings arranged by the Group at December 31, 2012 in excess of €50 million:

Type	Fixed/floating rate	Total amount of lines at Dec. 31, 2012 In millions of euros	Amount drawn down at Dec. 31, 2012 In millions of euros	Term
Bond issue	Fixed rate	800	800	2019
Bond issue	Fixed rate	770	770	2014
Bond issue	Fixed rate	750	750	2021
Bond issue	Fixed rate	750	750	2022
Credit facility	Floating rate	1,500	664	2016
Bond issue	Fixed rate	500	500	2024
Bond issue	Fixed rate	306	306	2030
Bond issue	Fixed rate	250	250	2017
Bond issue	Fixed rate	192	192	2027
Bond issue	Fixed rate	150	150	2017
Borrowing	Floating rate	133	133	2018
Bond issue	Fixed rate	133	133	2026
Lease arrangement	Floating rate	116	116	2024
Borrowing	Fixed rate	100	100	2015
Bond issue	Fixed rate	100	100	2018
Bond issue	Fixed rate	93	93	2025
Bond issue	Fixed rate	90	90	2014
Bond issue	Fixed rate	83	83	2035
Borrowing	Floating rate	71	71	2017
Borrowing	Floating rate	65	65	2019
Bond issue	Fixed rate	65	65	2028
Credit facility	Floating rate	275	64	2013
Bond issue	Fixed rate	63	63	2031
Bond issue	Fixed rate	61	61	2026
Bond issue	Fixed rate	60	60	2032
Credit facility	Floating rate	59	59	2014
Bond issue	Fixed rate	54	54	2033
Credit facility	Floating rate	83	50	2015
Borrowing	Floating rate	50	50	2017

As of December 31, 2012, the Group had the following unused confirmed credit facilities available:

Year of expiration	Confirmed but unused credit facility programs *In millions of euros*
2013	937.2
2014	200.0
2015	142.3
2016	1,036.3
2017	0.0
Beyond	28.8
TOTAL	**2,344.6**

These facility programs include a €1.5 billion syndicated loan for SUEZ ENVIRONNEMENT COMPANY with an initial term of five years, set up in 2010 and renegotiated in February 2011 to extend the term and improve the financial conditions. The liquidity risk management policy is described in section 4.2.4.3.

4.1.3.4 Counterparty risk

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

The Group's surplus cash is invested in short-term deposits and interest-bearing current accounts with international banks with a minimum A rating, while ensuring that counterparty concentration limits, recently made more restrictive, are not exceeded.

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

The counterparty risk management policy is described in section 4.2.4.4.

4.1.3.5 Equity risk

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

As of December 31, 2012, the Group held interests in publicly traded companies (mainly Acea) with a market and carrying amount of €193.5 million. An overall decrease of 10% in the value of these shares compared to their prices at December 31, 2012 would have had an impact of approximately €19.4 million on Group shareholders' equity.

The equity risk management policy is described in section 4.2.4.5.

4.1.4 Insurance risks

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

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

4.1.5 Legal risks

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

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

4.1.6 Tax-related risks

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

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

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

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

4.1.7 Risks relating to the Company's shares

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

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

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

4.2 RISK MANAGEMENT AND CONTROL WITHIN THE GROUP

4.2.1 General framework of the Group's risk management and control

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

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

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

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

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

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain transversal risks are directly managed by the functional departments involved:

- the Legal Department analyzes, monitors and manages the Group's legal risks. This monitoring, based on periodic reporting from the subsidiaries and from SUEZ ENVIRONNEMENT, is performed by a network of lawyers;
- within the Finance Department, the Treasury and Capital Markets Department analyzes, with the subsidiaries, the Group's main financial risks (interest rates, main currencies and banking counterparties), develops instruments for measuring positions and defines the policy for hedging risks. The Planning and Control Department performs a critical analysis of the subsidiaries' financial performance and forecasts through the monthly monitoring of operating and financial indicators, prepares the Group's short-term and medium-term financial forecasts, and participates in the analysis of development projects involving the Group and its subsidiaries. The Internal Control Department has rolled out a documentation, improvement and annual internal control assessment program within the main subsidiaries of the Group in collaboration with the Group's functional and operational departments. The main role of the Tax Department is to identify and analyze the Group's tax risks;
- the Investment and Risk Department participates jointly with the Planning and Control Department and the Legal Department in the analysis of the projects involving the Group and its subsidiaries;
- the Internal Audit Department, after consultation with the Chief Risk Officer, proposes its annual audit plan on the basis of an analysis of the operational and financial risks of Group companies. This audit plan is approved by Senior Management. The objectives of the internal audit are to assess the contribution of the audited entities in relation to their commitments, validate their risk analysis and control, and verify that the Group's procedures, guidelines and charters are implemented. At the end of every assignment, the Internal Audit Department communicates its conclusions and recommendations for corrective actions;
- the Human Resources Department analyses the main labor risks and gaps in terms of skills and in terms of corporate culture. It develops action plans to recruit local talent and to develop skills. The Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The Department ensures that warning and crisis management procedures are established within the subsidiaries and at SUEZ ENVIRONNEMENT with the aim of establishing a safety culture at all levels, which also improves the quality and continuity of operations;
- the Research, Innovation and Performance Department:
  - studies and monitors the environmental risks and coordinates the actions needed to tighten control of those risks and compliance with environmental requirements. To do so, it implements a schedule of environmental audits and operates a network of environmental officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary,

- studies the operating risks associated with the Group's production systems and assists the subsidiaries in resolving operational issues at their sites, establishes and distributes best practices and operational benchmarks to the subsidiaries and prepares solutions for a certain number of emerging risks by developing suitable research programs;
- the Information Systems Department analyzes and manages risks relating to information systems in order to guarantee availability, integrity and confidentiality of information;
- the Safety Department: the Group has long been developing specialist know-how in the safety of large sites through various large projects in Central America, South America, Africa, the Middle East and Asia. Faced with increasingly complex and unstable safety conditions, the Group has developed, *via* a dedicated internal service supported by the GDF SUEZ safety division, its own upstream analysis system for potential risks and an overall safety management system based on scalable solutions that are adapted to the specific local and regional context. Thus, the Group continually analyzes unstable situations so as to identify early signs of deterioration. This internal system is operational, as we saw in early 2011, through the proactive management of the crises in Africa and the Middle East;
- the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs to cover industrial and environmental damage, business interruption and liability (civil, professional, etc.); and
- the Communication Department analyzes and manages image and reputational risk and prepares and implements the appropriate crisis communication plans in association with the subsidiaries; it also monitors and regularly liaises with the media.

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

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

The 2012 results of the global risk management policy were presented to the Audit Committee on October 23, 2012. It was informed of risk exposure linked to the financial and economic crisis and was presented with an overview of the risks for all the Group's activities at the same date. For more details, please refer to the Chairman's report on corporate governance and the internal control procedures described in this document.

Internal control is implemented according to the risks identified within the Group's activities as part of the risk-mapping process.

4.2.2 Management of industrial and environmental risks

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

These risks are methodically considered within the Group, both in the waste treatment and in the water sector. This management of industrial and environmental risks is one of the main aspects of the Group's environmental policy (see section 6.8.1 for a description of the Group's environmental policy).

4.2.2.1 Waste treatment

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

Under service delegation contracts, such decisions must be approved by customers, local public entities and industrial clients, which remain entirely responsible for certain investments. Nevertheless, the Group endeavors to alert its customers so that they can anticipate future standards.

4.2.2.2 Production and distribution of drinking water and wastewater treatment

In the water sector, each subsidiary is responsible for its own systems for managing environmental risks. Self-assessment and/or auditing processes have been put in place. Audits conducted by the Group or external experts focus as a priority on wastewater treatment plants, water treatment plants and sludge management at purification plants. Finally, risk prevention plans either support or precede the implementation of an environmental management system.

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

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

4.2.2.3 Seveso sites

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

Within the European Union, the Group operates fourteen "high threshold" Seveso sites (as defined by European Directive 2012/18/EU of July 4, 2012 and which include facilities that may, through the danger of explosion or release of harmful products, present very significant risks to the health or safety of the surrounding communities and the environment), and ten "low threshold" Seveso sites. Three other sites are awaiting classification. High-threshold Seveso sites (see list in section 4.1.2) operated by the Group are audited by the Internal Audit Department every three years for environmental risks and annually for health and safety risks. All of these sites are subject to regular inventories of the hazardous substances or preparations stored on site. They have to comply with the regulatory procedure for hazard studies and risk analysis. The design, construction, operation, and maintenance of facilities located on these sites are adapted and constantly improved in order to prevent any risk of a major accident.

By way of example, the Herne site (Germany), operated by Sita Remediation, uses pyrolysis to treat 30,000 tons per year of soil polluted with mercury, pyralene and PAH. An environmental officer and a Seveso officer have been appointed by the company to ensure the proper implementation of the regulations. An annual three-day audit is conducted by the German government's Environment and Labor Departments. In addition, this site was audited in 2012 by the Group's environmental risk audit team and no significant risk was detected. Finally, the site is certified as "Entsorgungsfachbetrieb," a German environmental certification, whose annual renewal is granted by the German government only following an audit.

4.2.2.4 Emergency plans

Each of the Group's subsidiaries has put in place emergency plans which involve two intervention approaches: a mandatory on-site approach which enables a warning to be given and the immediate mobilization of the crisis management resources, and a dedicated crisis management approach that provides effective management throughout the duration of the crisis. The latter approach provides in particular for the organization of crisis management units that are capable of taking into account internal or external impacts, whether technical, social, health-related, economic or reputational.

4.2.3 Management of legal risks

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

The Group has specifically implemented internal legal vigilance rules aimed at the various operating entities and their employees. More specifically, these rules cover the process to be followed in entering into certain contracts, as well as feedback on dispute risks (to foster proactive management) and developments regarding major pending litigations.

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

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

4.2.4 Management of market risks

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

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

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

4.2.4.1 Management of interest rate risk

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

The Group's policy is to diversify the net debt reference rates among fixed and floating rates. The aim is to achieve a balanced distribution among the various interest rates and maturities.

The Group also uses hedging instruments (particularly swaps) to protect itself from interest-rate fluctuations in the currencies in which its debt is denominated. Financial instruments held by the Group in order to hedge interest rate risk are detailed in Note 13.1.4 to the Group's consolidated financial statements, section 20.1.

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

4.2.4.2 Management of foreign exchange risk

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

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone.

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

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign exchange derivatives (swaps), which allow for the creation of synthetic currency debts. The financial instruments held by the Group to hedge currency risk are detailed in Note 13.1.4 to the consolidated financial statements, section 20.1.

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

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

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

4.2.4.3 Management of liquidity risk

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

The Group's 2012 financing policy had the following objectives:

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

As a result of the various transactions undertaken during 2012, as described in section 10 of this Reference Document, the sources of financing as of December 31, 2012 were as follows: bank loans accounted for 21% of gross financial debt; funding from capital markets (securitization without derecognition, see Note 12.3.3 of section 20 of this Reference Document) accounted for 0.3%; bond borrowings represented 60% of the total. As of December 31, 2012, cash equivalent assets represented €2,507.9 million and confirmed lines of credit €3,372.3 million, of which €1,027.7 million had been drawn down. As of December 31, 2012 the Group therefore had total liquidity consistent with its size and the maturities it had to meet.

Liquidity risk is regularly monitored by the Treasury Committee and the Audit Committee; monthly reporting of consolidated Group debt includes a debt schedule for the current year, years y+1 to y+8 and beyond.

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

4.2.4.4 Management of counterparty risks

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

The Group's policy for managing counterparty risk is based on the diversification of its counterparties and an assessment of the financial position of these counterparties.

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

4.2.4.5 Management of equity risk

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

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

4.2.4.6 Management of commodity and energy risks

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

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

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

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

4.2.5 Ethics Program

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

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

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

SUEZ ENVIRONNEMENT has made ethics an indispensable element of its global performance improvement. Ethics is essential in the Group's contractual commitments. It is the basis of all successful cooperation with the Group's suppliers and customers alike. The various forms of corruption have a harmful impact on the Group's

economic health, as well as its image. Corruption undermines the Group's competitiveness and results in a loss of trust in the Company. Over time, corrupt practices slow and even halt the implementation of sound governance and discredit its efforts. The Group denounces them and combats them through its comprehensive Ethics Program:

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

In 2008, the Company's Board of Directors set up an Ethics and Sustainable Development Committee responsible for, among other things, monitoring the Group's ethics and sustainable development policies and ensuring that Group employees comply with the individual and collective values on which the Group's activities are based (for a description of the Ethics and Sustainable Development Committee, see section 1.3.2 of the Chairman's report on governance and internal control and risk management procedures for the year ended December 31, 2012, found in section 16.4 of this Reference Document).

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

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

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

4.2.6 Management and financing of insurable risks

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

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

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

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

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

In agreement with GDF SUEZ, the portfolio of ceded reinsurance held by its captive reinsurance company for SUEZ ENVIRONNEMENT's main insurance contracts was transferred by the end of October 2012 to a captive reinsurance company formed by SUEZ ENVIRONNEMENT.

In 2012, the premiums (including taxes and retentions) relating to the main insurance programs established by the Group in the areas of asset protection (covering property damage and interruption of business) and third party recourse amounted to approximately 0.3% of consolidated revenues.

PROPERTY DAMAGE AND INTERRUPTION OF BUSINESS

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

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

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

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

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

CIVIL LIABILITY

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

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

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

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

EMPLOYEE BENEFITS

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

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5.1 HISTORY AND REORGANIZATION OF THE GROUP

5.1.1 Legal name

The legal name of the Company is SUEZ ENVIRONNEMENT COMPANY.

5.1.2 Trade and Company Register

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

5.1.3 Date of incorporation and term of the Company

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

5.1.4 Registered address, legal form and applicable legislation

The Company's registered address is Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex, France.

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

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

5.1.5 History of the Group

For 132 years, the SUEZ Group has focused on providing public utility services to local authorities, industrial customers and individuals in the electricity, gas, water and waste management sectors. Since 2003, SUEZ ENVIRONNEMENT has handled all the expertise in water management, wastewater treatment and waste management services within the SUEZ Group. This expertise is supported by internationally renowned brands such as Degrémont, SAFEGE, Lyonnaise des Eaux and Sita, which have developed their know-how, over more than a century in certain cases, in serving their customers.

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

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

1919, CREATION OF SITA

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

1946, PARTIAL NATIONALIZATION OF LYONNAISE DES EAUX

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

1971, ACQUISITION OF SITA

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

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

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

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

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

2001, SPIN-OFF OF THE SUEZ GROUP WATER ACTIVITIES

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

2003, FORMATION OF SUEZ ENVIRONNEMENT

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

2008, LISTING OF SUEZ ENVIRONNEMENT COMPANY

As part of the merger between SUEZ and Gaz de France, which created a global leader in the gas and electricity sectors with a strong French-Belgian base, SUEZ completed the consolidation of all its environmental operations within a new company: SUEZ ENVIRONNEMENT COMPANY. SUEZ contributed all the shares of the former company SUEZ ENVIRONNEMENT to this new company, and distributed 65% of the Company's capital to SUEZ shareholders prior to the merger. Since that distribution, the merged entity GDF SUEZ has had a stable equity stake in the Company (35.68% as of December 31, 2012).

2010, TAKEOVER OF AGBAR

On June 8, 2010, SUEZ ENVIRONNEMENT completed the process of taking over Aguas de Barcelona (Agbar), announced in October 2009. As a result of this transaction, SUEZ ENVIRONNEMENT owned 75.23% of Agbar (75.35% as of December 31, 2012), a company formed in 1882 and specializing in water cycle management in Spain and other countries (primarily Chile).

2012, START OF A NEW PHASE FOR SUEZ ENVIRONNEMENT

On December 5, 2012, the Board of Directors of SUEZ ENVIRONNEMENT recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement (as described in section 18.3.1 of this Reference Document), except the Company, not to renew the Shareholders' Agreement due to expire on July 22, 2013. Consequently, upon expiration of the Agreement, SUEZ ENVIRONNEMENT will thereafter be consolidated by GDF SUEZ by the equity method.

GDF SUEZ has expressed its intention to remain the SUEZ ENVIRONNEMENT's main shareholder and a long-term strategic partner. GDF SUEZ thus affirmed its commitment not to reduce its stake in SUEZ ENVIRONNEMENT and to support SUEZ ENVIRONNEMENT's development strategy.

The two Groups signed an agreement in January 2013 outlining the terms of an industrial and commercial cooperation in order to meet the needs of their customers effectively and to continue developing their synergies in areas such as seawater desalination, smart metering and offers relating to the City of Tomorrow.

5.2 INVESTMENTS

5.2.1 Principal investments made by SUEZ ENVIRONNEMENT COMPANY over the past two years

A description of the principal investments made by the Group over the course of 2011-2012 is provided in section 9.3.1 (Cash flows from investment activities) of this Reference Document.

5.2.2 Principal investments of the Company in progress

None.

5.2.3 Principal investments planned or subject to firm commitments from the management bodies

None.

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6.1 GENERAL INFORMATION

With total revenues of €15.1 billion, and around 79,550 employees as of December 31, 2012, the Group is a major player in the global environmental market (water and waste).

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

The Group's water-related activities specifically include:

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

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

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

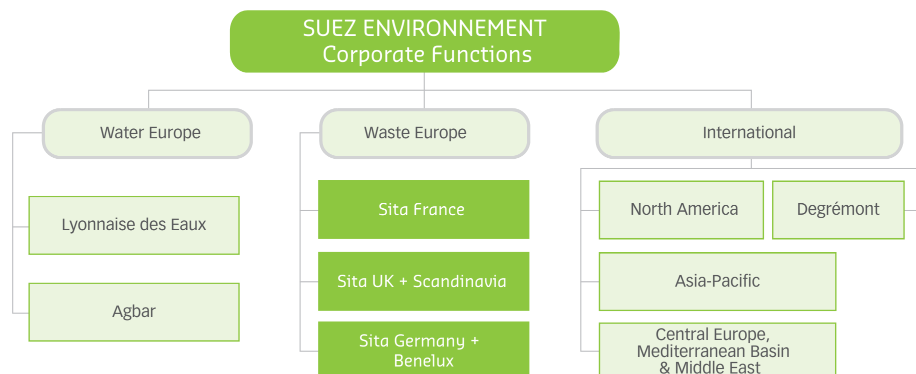
The Group engages in its activity through public and private customers, under various types of contracts:

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

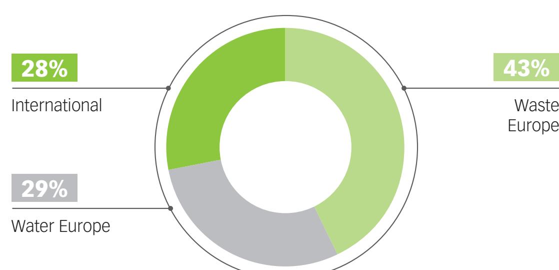
In 2012, 48.5% of the Group's consolidated revenues were generated in the water segment, and 51.5% in the waste segment.

The Group is organized around three main segments: Water Europe, Waste Europe and International (Degrémont and activities outside

Western Europe), which are divided into nine business units. Another segment, known as "Other", covers only corporate functions. The following diagram shows the organization of the nine business units:

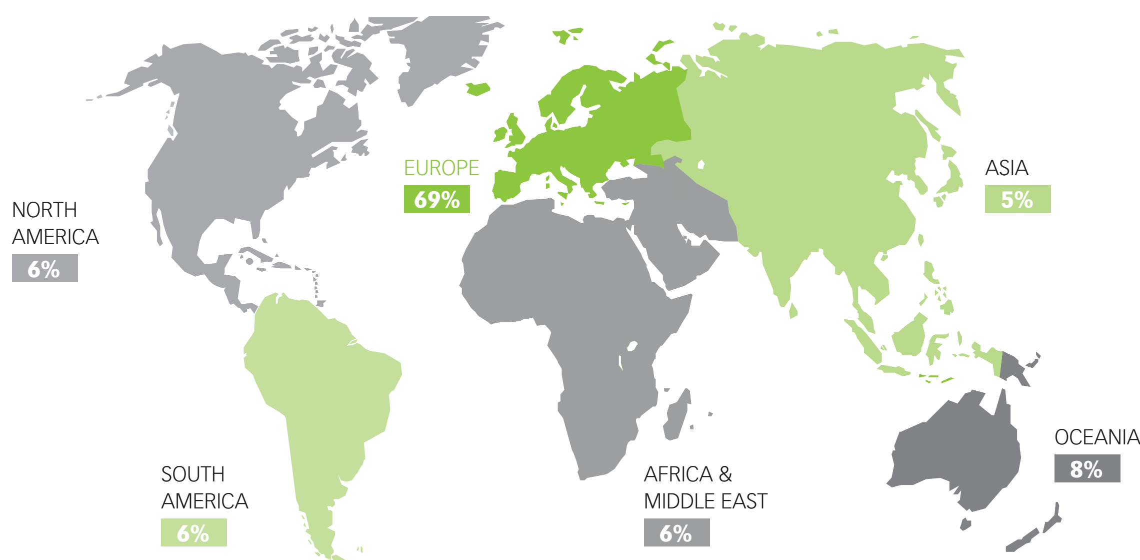


The graph below shows the distribution of the Group's consolidated revenues as of December 31, 2012, according to this organization (the "Other" segment is not shown, as it covers only corporate functions within SUEZ ENVIRONNEMENT):



Europe is the Group's historic development area and remains its region of reference. Thanks to this foothold in Europe, particularly in France, the Group is able to mobilize its know-how and skills and adapt them to other continents.

The following map shows the distribution of the Group's revenues by geographical region as of December 31, 2012[1]:

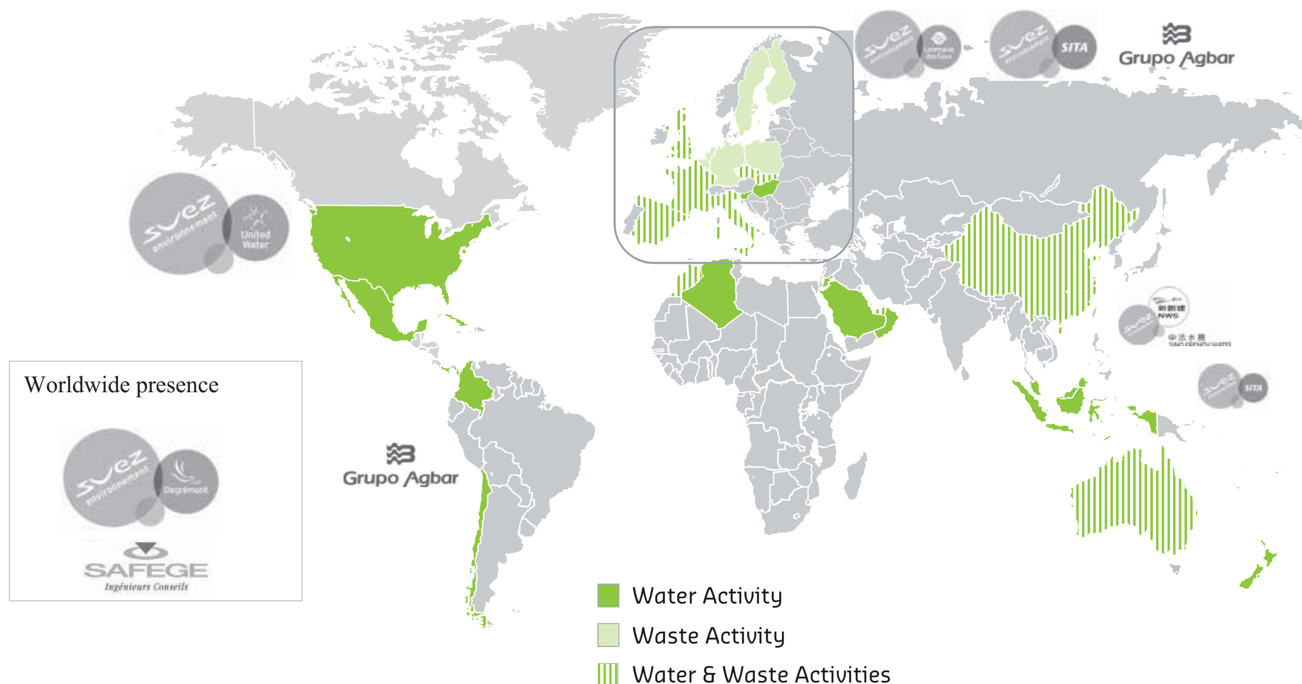


(1) This map shows the geographical distribution of the Group's revenues, irrespective of the accounting segmentation used in the Group's Consolidated Financial Statements in section 20.1 of this Reference Document.

The Group benefits from an extensive network of subsidiaries and branches: as of year-end 2012, the Group was active as an operator in 38 countries. Outside Europe, major cities such as Hong Kong, Casablanca, Algiers, Melbourne and, more recently, New Delhi have awarded the Group all or part of the management of their water, wastewater and waste-related services, as well as the building of major infrastructure in these areas. The Group is most often active through its partnerships with local public or private players (industrial, financial or non-profit) that have an in-depth knowledge of the local context, following the model of the historic partnership with La Caixa (Agbar in Spain) or New World (Sino-French Holdings in China).

The Group is active around the world under various well-known brands, such as Sita for waste and Lyonnaise des Eaux, Grupo Agbar, United Water, Degrémont and Ondeo Industrial Solutions for water.

The map below shows the locations of the Group's principal subsidiaries and principal brands around the world as of December 31, 2012:



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

6.2 GROUP'S STRENGTHS

A major player in environmental activities

With total 2012 revenues of €15.1 billion, the Group is one of the two main global environmental players and the only international player exclusively dedicated to water and waste activities. Through its presence in all water and waste cycles, the Group believes it holds leading positions in all its activities (in terms of revenues):

- No. 2 in France, Europe and worldwide in the water sector;
- No. 1 in water activities in Spain, through Sociedad General de Aguas de Barcelona (Agbar); and
- No. 2 in France and Europe and No. 3 worldwide in the waste sector.

In the water sector, the Group operated nearly 1,200[1] drinking water production plants in 2012, serving a population of 96.6 million people[2]. The Group also operated just under 2,300 wastewater treatment sites, meeting the needs of 66.3 million people[2].

In 2012, the Group treated more than 44 million metric tons of waste, and served approximately 50 million people and more than 466,000 clients in services and industry through its waste collection activities.

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

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

A strong environmental market

The Group's strategy is based on solid long-term growth factors: increasingly stringent health and environmental regulations, population growth, urbanization and resource scarcity.

The environmental market benefits from favorable demographic and social changes.

Growing urbanization in certain areas and growing infrastructure needs are also economic and social assets that benefit the Group. Thus, while 1.4 billion inhabitants are expected to be added to the current urban population over the next 20 years – thereby considerably increasing water infrastructure needs – 2.6 billion people, which is approximately 39% of the world's population, do not currently have access to a sophisticated wastewater treatment system (*source: United Nations, 2011*).

Regulatory changes brought about by increasing concerns for environmental protection are an additional factor driving the growth of this market. This regulatory pressure – increasingly popular with the public – has resulted in an increasing demand for complex services and facilitates the growth of players in these markets, particularly global players such as SUEZ ENVIRONNEMENT. For example, 89% of Europeans would, according to the European Commission, agree to the European Union spending more to support environmentally friendly activities and development (*source: Eurobarometer 2011*).

Finally, the development of new technologies to address the growing complexity of environmental issues and the increasing role of private operators (the portion of the global population served by the private sector in the water segment rose from 5% to 14% between 1999 and 2012 (*source: Pinsent Masons Water Yearbook 2012-2013*), are also positive factors for the expansion of the Group's markets.

(1) The definition of drinking water production plants introduced in 2010 excludes "ordinary disinfection" plants.

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

An integrated player throughout the entire water and waste value chain

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

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

A player able to benefit from the complementary aspects of the water and waste activities

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

Thus, the Group is able to generate synergies between the two activities, particularly by sharing certain technologies (for example, in sludge or compost treatment), combining research and development in certain target programs (such as biomass management for material or energy recovery purposes) and realizing operating synergies by pooling certain corporate functions. To illustrate, the Group's development in China with the Shanghai Chemical Industrial Park (SCIP) marks an important step in trade collaboration between the two activities, by combining a wastewater treatment plant and China's largest hazardous waste incineration plant at a single site. Similarly, the sludge drying facility and wastewater treatment plant at the Suzhou industrial park, which supplies the neighboring cogeneration plant, using dried sludge as a secondary fuel, is an example of a concrete application of circular-economy principles.

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

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

The Group's research is based on a global scientific and technical network consisting of experts grouped according to expertise and research centers; technological developments resulting from this research are the fruit of close collaboration and a sharing of knowledge between internal experts, as well as with the Group's university and industrial partners. Thus, in 2012, the Group had implemented over 65 research and development programs in 200 laboratories worldwide. The research and development teams have some 400 researchers, technicians and experts, and an effective budget of €74 million (the Group's share of the expenses). Finally, convinced that innovation also means encouraging external partnerships, particularly with start-ups, the Group has implemented a deliberate approach of stimulation, promotion and co-funding for innovative technical, commercial and management initiatives and projects by methodically reviewing the various project proposals put forward by local teams (technological tests) and by investing in innovative start-ups *via* Blue Orange, the investment fund created in 2010 for this purpose.

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

A balanced economic model

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

The Group's total revenues show a balance between its water and waste activities. SUEZ ENVIRONNEMENT has a strong European base: 69% of its revenues are generated in Europe. SUEZ ENVIRONNEMENT is mainly positioned in developed markets, with stable political and legal systems: 83% of its total revenues are generated in Europe, North America and Australia.

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

Targeted international growth based on a strong partnership culture

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

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

A few examples include:

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

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

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

A balanced financial structure and a selective development project management policy

The Group has a balanced financial structure.

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

Sustainable development at the core of the Group's organization

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

In 2008, the Group published its first Sustainable Development Roadmap, setting four priorities translated into 12 environmental,

social and societal performance commitments, with related objectives for the end of 2012:

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

The results and best practices associated with these commitments are described in the Group's Sustainable Development reports, which are published annually. The Group's performance is evaluated regularly by non-financial rating agencies.

In four years, significant progress has been made.

Today the Group begins the second phase of its Roadmap (2012-2016), with new commitments that reaffirm its ambition to contribute to more sustainable growth through the management of the major water and waste cycles. The new Roadmap also reflects increased requirements in corporate and social responsibility and a renewed dialogue with all stakeholders.

Stable shareholding structure

GDF SUEZ's interest in SUEZ ENVIRONNEMENT share capital offers stability for the customers and industrial or financial partners of the Group and enables the Group to enjoy synergies with GDF SUEZ, such as industrial and commercial cooperation in energy and the environment. The listing on the stock exchange gives SUEZ ENVIRONNEMENT greater visibility and direct access to the financial markets.

6.3 STRATEGY

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

Leveraging its strengths in the context of changing demand in its traditional markets, the Group is engaged in a profound transformation of its core businesses and expanding the reach of its activities.

SUEZ ENVIRONNEMENT's vision reflects its ambition to respond to its changing markets and is being implemented on three levels:

- the transformation of its core businesses around a new focus: "Making the Group's customers leaders in environmental performance", with new water services and an end-to-end offering in waste recovery;
- a new way of working together: collaborating on solutions tailored to the customer's needs, with the Group no longer simply a service provider, but a partner with a central role in its customers' processes;

- expanding the reach of SUEZ ENVIRONNEMENT's activities towards new frontiers in water and waste, allowing it to capture new growth markets beyond its traditional businesses, in four key areas: industry, waste recovery, Smart Water and new international models.

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

6.3.1 Environmental performance and operational and technical know-how: The Group's core strategic ambitions

6.3.1.1 Offering customers solutions that make them leaders in environmental performance

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

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

- assist its customers in managing resources in a sustainable and reasonable way as well as in limiting their environmental impacts by identifying alternative resources;
- offer optimized solutions in energy consumption and, if appropriate, solutions that combine environmental protection and renewable energy generation;

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

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

6.3.1.2 Identifying and using energy and material generation potential in the value chains

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

6.3.1.3 Making research and technological expertise a priority in the Group's future development

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

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

- adapt to climate change and prevent it from worsening, preserve natural resources and biodiversity and protect the environment and quality of life;
- improve the quality of drinking water and customer service and anticipate the needs of more rapid urbanization;
- extend its technological leadership to new areas, especially related to waste recovery and disposal, including becoming a key player in clean energy by capturing and leveraging the potential of organic waste;
- expand our offerings for industry to become their partner of choice in managing their environmental challenges.

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

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

6.3.2 Continued global development to maintain a local presence

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

6.3.2.1 Consolidating and strengthening the Group's positions in Europe

(a) In water

In France, the market in which it is firmly rooted, the Group intends both to (i) expand its core business activities in drinking water, wastewater treatment, customer management for local authorities and industry, and (ii) diversify its offering by selling higher value-added services:

- to a wide range of local authorities (major water cycle and water resources protection, dynamic and predictive management of water and wastewater treatment networks with the support and development of smart technologies);
- to managers of real estate complexes (smart and multi-fluid metering).

These actions should also strengthen the Group's competitiveness, particularly in terms of the renewal of some of its major contracts.

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

In Italy, based on its strong positions in Tuscany, the Group seeks, either on its own or through partnerships, to seize the development opportunities offered. In 2011, the abrogation by referendum of the Ronchi Decree-Law did not challenge SUEZ ENVIRONNEMENT's existing contracts or its strategy in Italy. This management model still offers plenty of potential in Italy, particularly given its performance in Tuscany, and the investment needs in this sector, estimated at €65 billion over the next 30 years. The Group has anticipated a very slow shift to privatization, and the needs of Italy's local authorities are very important. Under present conditions, municipalities will still be able to call on private operators under delegation of public service contracts. SUEZ ENVIRONNEMENT will be able to offer its know-how in designing, financing and operating complex water and waste treatment systems, such as those in Tuscany and elsewhere in Italy (Piedmont, Lombardy and Venetia, for instance). The establishment of a national regulator responsible for defining contractual rules should help to professionalize the market. Note that these rules apply equally to public, public-private and private companies.

In Great Britain, the Group, through its Agbar subsidiary, sold 70% of the regulated activity of Bristol Water, a UK drinking-water distribution company, to Capstone Infrastructure Corporation in 2011. SUEZ ENVIRONNEMENT continues to be a major operational shareholder, retaining a 30% interest in this regulated activity, which will now be consolidated as an equity associate, and retains a presence in the UK

water market by pursuing development in the non-regulated sector, which is a growth driver.

Finally, in Central, Western and Eastern Europe, the Group will seek growth based on its strong positions in the region, taking advantage of opportunities associated with the requirements to comply with European Union standards for water management infrastructure. The Group is monitoring the reforms envisioned by some national authorities to achieve the dual aim of complying with European quality and service standards and ensuring the long-term economic equilibrium of these services.

(b) In waste

The Group plans to consolidate its traditional collection and treatment businesses and expand its waste recovery activities. In addition, the Group aims to manage the entire waste value chain and strengthen certain positions, both in terms of geographical coverage and business expertise. In France, the Group intends (i) to continue growing and improve profitability in its traditional activities (collection, sorting and treatment) through productivity efforts, by raising operating and innovation standards, and (ii) to proceed with the industrialization of alternative techniques such as new sorting technologies and methanization, and to strengthen the structure of its positions in emerging sectors (remediating polluted soils and sites, dismantling end-of-life vehicles and processing electrical and electronic equipment).

In Benelux and Germany, the Group intends to continue to integrate itself in the value chain, and to position itself to take advantage of opportunities in the recycling industry. Its functional services have also been consolidated to take utmost advantage of opportunities for synergies presented by these regions in their border areas. In Germany, its Sita Deutschland subsidiary has a presence in the western part of the country, particularly in municipal and selective collection. It is also strongly positioned in incineration in the Leipzig region through its Zorbau site. In the Netherlands, the Group's goal is also to pursue development of its collection activities through a dynamic commercial policy and the sale of complementary services, as well as to develop its waste recovery capacities in both energy (i.e., through the new ReEnergy plant) and materials (through tools such as the Rotterdam plastic packaging sorting facility).

In Great Britain and Scandinavia, the Group plans to support changes in treatment methods in recycling and recovery of various material flows. In Great Britain, the Group will also pursue its policy of developing complex integrated waste-management projects. It is also now building two energy recovery units.

In Central Europe and the Mediterranean basin, progressive compliance with European Regulations, supported by European Union funding and the growing sophistication of waste management methods will make the coming years favorable for the Group's activities. The Group will seek to strengthen its positions in Poland, the Czech Republic and Morocco, and to seize opportunities in new markets, mainly by accompanying its industrial customers in their growth efforts in these countries.

6.3.2.2 Developing Group strongholds in the United States, China and Australia

(a) The United States

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

(b) China

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

In waste, the Group will continue to develop its business around its bases in Hong Kong and Shanghai by offering environmentally efficient and sustainable solutions for the treatment and integrated management of waste, particularly in the areas of energy recovery and the treatment of hazardous industrial waste.

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

(c) Australia

The Group is active in the Australian water sector through Degrémont (see section 6.5.4.1), which in 2012 completed the construction of the Melbourne desalination plant as part of the AquaSure consortium. On December 17, 2012, the seawater desalination plant achieved RTF (Reliability Testing Finalization), which marks the end of construction

and the beginning of 27 years of operation of a major facility capable of producing 450,000 m^3/day (150 billion liters/year) of drinking water from seawater. (See sections 9.1.2. and 20.6. of this Reference Document.)

In addition, Degrémont and its partner Transfield Services have been selected by the Western Australia public water utility, Water Corporation, for the operation and maintenance of drinking water production and wastewater treatment facilities in Perth, Australia's fourth largest city. The contract involves the operation and maintenance, in partnership with Water Corporation and Transfield Services, of 19 drinking water plants, 14 wastewater treatment plants, and two advanced water recycling plants, in addition to 13 dams. The 10-year contract, with an optional five-year extension, represents total revenues of €294 million (AU$378 million) for the initial period. The Group operates in the Australian waste sector through Sita Australia, and despite the economic downturn, the Group continues to grow. The Group's strategy, focusing on asset-based organic growth and targeted acquisitions, has been highly successful. Key national accounts have continued to grow as its industrial customers continue to refocus on recycling and waste recovery opportunities, activities in which Sita has a competitive advantage through its portfolio of services. Sita continues to focus on growth opportunities for its assets in waste recovery and management. In 2011, Sita finalized the acquisition of WSN, a waste services entity owned by the government of New South Wales (NSW). This acquisition has been successfully integrated by the Group and offers it an expanded network of waste recovery and management assets in the largest city in Australia (Sydney).

6.3.2.3 Seizing attractive development opportunities in certain regions of the world

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

- on a global scale, Safege gives the Group a very upstream position in its activities and provides the Group with a clear competitive advantage. As such, Safege will be involved far upstream in studies and master plans, program management and infrastructure design, thereby differentiating itself from its competitors through its long-term vision as an operator/manager with a strong grasp of the challenges of sustainable development;
- for its part, Degrémont – a specialist in water treatment plants – intends to pursue its global growth on five continents in four areas (design-build, operation and services, equipment and BOT contract management) for its two categories of customers – local authorities and industry – both in its mature markets as well as emerging markets;
- outside Europe, the Group will also seek to maintain and develop its positions.

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

6.3.3 Maintaining a balanced industrial model and improving operating performance

6.3.3.1 Maintaining a balanced industrial model

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

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

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

6.3.3.2 Exploiting potential synergies

The Group is organized to promote maximum integration between both water and waste activities:

- joint research programs (odor treatment, energy recovery and biogas recycling);
- implementation of shared technologies (composting activities, methanization, treatment and recycling of sludge and treatment of leachates in wastewater treatment plants);

- generation of commercial synergies, such as in France, with a joint Development Department, or outside Europe, where some subsidiaries manage both activities;
- joint commercial activities in the water and waste segments, to ensure an integrated multi-utilities management service;
- savings in general expenses generated by combining corporate functions (finance, strategy, human resources, IT, communications, legal and development).

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

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

6.3.3.3 Improving performance

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

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

For 2010-2012, the overall target of the COMPASS plan was initially set at €250 million of sustainable net gains in EBITDA, adjusted to €300 million in 2011 and €360 million in early 2012. In the end, these gains will total €400 million.

In 2012, the additional COMPASS gains totaled €150 million, including €34 million in purchases, €76 million in operating gains, €38 million in SG&A and €2 million in health, safety and risk management.

For 2010-2012, the €400 million in COMPASS gains break down as €82 million in purchases, €209 million in operating gains, €104 million in SG&A and €5 million in health, safety and risk management.

Commitment to new performance initiatives in 2010-2012 generated improved results within all subsidiaries, particularly at Agbar, Lyonnaise des Eaux, Sita NEWS, Sita UK, Sita Australia and United Water. The pace of efficiencies accelerated compared to the previous period, helping to offset the effects of the economic crisis that began in late 2008.

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

- with respect to purchases, COMPASS directly addresses purchase volumes of €2.36 billion on a total base of €5.56 billion in 2012. A portion of the efficiency gains is shared with customers. In addition, savings realized in the regulated sector (in the United States, for instance) are returned to customers when rates are set. Savings on purchases are achieved through initiatives that frequently span the entire Group, such as tendering procedures or negotiating framework agreements at the European level, even internationally in some cases, or by implementing synergies between countries or business units based on local characteristics. For example:
  - negotiations for chemical products are jointly conducted by the Water and Waste procurement teams in Europe. Standardized specifications between countries facilitate negotiation at international level for equipment such as medical containers and construction plant for the Waste business, and for pumps, pipes, drying equipment, instrumentation and air production machinery for the Water business;
  - in addition to savings on unit prices, these projects aim to develop long-term partnerships with strategic suppliers enabling technological development, a control of operational processes and long-term continuous improvements in overall costs.
- operating efficiencies represent half of performance gains:
  - the reduction of leaks in water and electricity networks (Lydec, Lyonnaise des Eaux, Palyja, CEM in Macao, etc.), more focused management of large numbers of customers in Water, as well as the promotion of electronic billing, the conversion of incoming correspondence to a paperless system, the increasing use of professional techniques in operations scheduling and the use of GPS tools (Lyonnaise des Eaux);

- the optimization of waste flow management (greater in-sourcing of flows in the United Kingdom, orientation toward more cost-effective treatment systems, optimization of cross-border flows, such as through an incinerator on the Germany/Netherlands border and new flows between the UK and the Netherlands, etc.); the rationalization of collection costs (alternative fuels, vehicle maintenance, reduction in distances covered and streamlining of vehicle fleets); highly professional management of operating processes in household and industrial waste ("Excellence" programs at Sita France) and, more generally, through the continuous benchmarking of all Water and Waste sites to promote the spread of standards (themselves based on the best practices identified). Finally, the Group has strongly emphasized bringing down the costs of its energy consumption and enhancing its production capacities as effectively as possible (incinerators, treatment stations, new processes, promotion of new energies and biogas);
- increased focus on the least-profitable commercial contracts (United Water, Degrémont, Lyonnaise des Eaux, Agbar, Australia, Sita France, Sita NEWS, etc.);
- the launch in the second half of 2012 of a special plan for the Waste Europe business on rationalizing the fleet of collection vehicles, site closures and reducing the use of temporary workers.

- the reduction of SG&A costs is ongoing with:
  - the development of regional organizations by Sita France and Lyonnaise des Eaux;
  - the launch of action plans in the support channels of French entities grouped at the La Défense site (search for synergies and greater integration);
  - the launch of action plans in the back offices of Group entities abroad to establish regional platforms.

FY 2012 was also the time to prepare for the coming years (2013-2015) in terms of COMPASS efficiencies in light of the gloomy economic outlook. Two areas are particularly focused on: SG&A costs (launch of action plans in the support functions of the La Défense site and sharing of French IT infrastructures) and procurement (professionalization of the function and increased common purchasing in each business activity).

Targets for these efficiencies are set at €180 million for 2013 and €400 million for 2013-2015.

6.3.3.4 Mobilizing employees around the industrial project

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

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

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

6.3.4 Outlook

In 2012, SUEZ ENVIRONNEMENT posted solid results in a challenging macroeconomic climate.

Amid a still-struggling economy, SUEZ ENVIRONNEMENT has set the following objectives[1]:

Raising operating targets:

- Revenue growth in 2013 over 2012;
- EBITDA of at least €2,550 million;
- Free cash flow in 2013 of at least €1 billion.

Maintaining a strong balance sheet:

- Total net investments of €1.3 billion;
- Net debt/EBITDA of about 3x.

Pursuing an attractive dividend policy:

- Dividend payment in 2014 of at least €0.65 per share on 2013 earnings[2].

This outlook is based on data, assumptions and estimates the Group considers appropriate. It may change or be modified due

(1) Assuming GDP growth of 0% for 2013 in Europe, similar accounting and tax regulations and at constant exchange rates.
(2) Dividend subject to approval by the Shareholders' Meeting to approve the 2013 financial statements.

to uncertainties, especially in economic, financial, competitive, regulatory and climatic conditions. In addition, the occurrence of certain risks described in section 4 "Risk factors" of this document would impact the activities of the Group and its ability to achieve its objectives. Moreover, to achieve these objectives requires the successful implementation of the strategy described in section 6.3 of this Reference Document. As a result, the Group does not make any commitments or give any guarantees on the achievement of the objectives and forecasts described in this section 6.3.4.

These objectives and prospects were based on accounting principles defined by the Group in drawing up the consolidated financial statements presented in section 20.1 of this Reference Document.

6.4 PRESENTATION OF THE MARKET AND COMPETITIVE POSITION [1]

6.4.1 Presentation of the water and waste sectors

6.4.1.1 General presentation of the environmental management service sector

(a) General characteristics

The environmental management services sector covers all services provided to individuals, local public entities and industrial customers relating to (i) the production and distribution of drinking water or industrial process water, wastewater treatment and waste management (activities that represented approximately 80% of total environmental expenditure in France in 2009; source: IFEN 2011), as well as (ii) air protection, measures for combating noise, protection of biodiversity and management of radioactive nuclear waste (which together represented some 20% of total environmental expenditure in France in 2009; *source: IFEN, 2011*).

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

The public's expectations for measures and actions regarding environmental protection are not diminishing, even within the most advanced countries in this regard. For instance, 97% of French people are worried about the state of the planet, and say that they are concerned about environmental protection (*source: Eurobarometer, 2011*). The growth in expenditure related to environmental protection is generally greater than growth in gross domestic product. In France from 2000 to 2009, the average annual rate of growth in expenditure linked to environmental protection was therefore 4.8%, compared to 3.2% for gross domestic product during the same period (*source: IFEN, 2011*).

(b) Growth in environmental management services

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

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

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

(1) The market data presented in this document come primarily from databases and studies carried out by Eurostat and l'Institut Français de l'Environnement (IFEN, the French Institute for the Environment, at present a unit of the Service de l'Observation et des Statistiques - Monitoring and Statistics Service). At the time of writing, data and studies more recent than 2009 are not available for all countries in which the Group operates, to the latter's knowledge.

(c) Growth factors in the environmental management services sector

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

- world demographic growth (average annual growth of 1% by 2020) (*source: United Nations, 2011*);
- increased urbanization, particularly in emerging countries (in 2030, nearly 60% of the world's population will be living in urban regions, compared to 52% at present) (*source: United Nations, 2012*);
- world economic growth estimated at an average of almost 4.2% per year during 2013-2017 (*source: IMF Oct 2012*);
- increase in the prices of raw materials, which are set to remain high over the long term, increasing the economic attractiveness of waste recovery, through either recycling or energy recovery;
- the need to adapt to climate change, which will affect water resources most particularly.

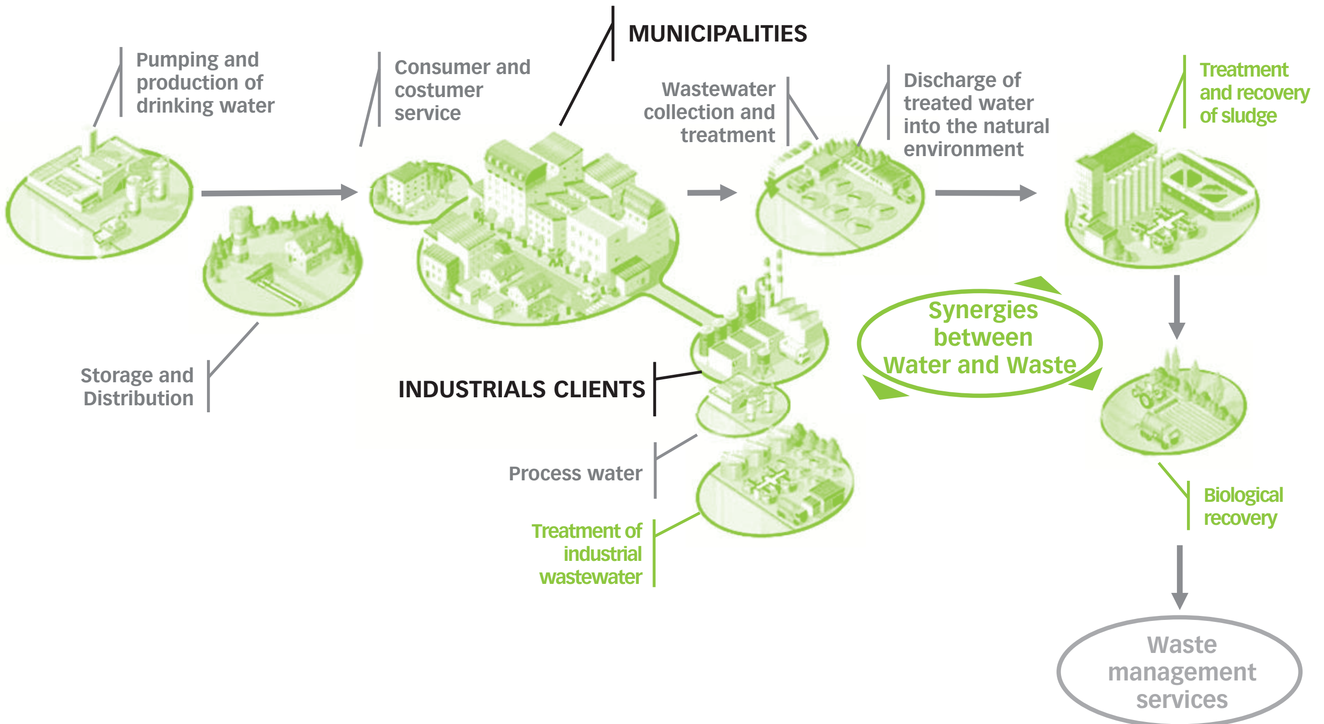
In addition to these macroeconomic factors, the Group believes these markets should expand through a combination of various factors specific to the sector:

- greater attention paid to environmental protection around the world;
- greater demands from the public for better hygiene, quality of life and health, and changes in consumption linked to an improvement in living standards;
- stricter and more rigorously applied environmental regulations;
- very large and yet unfulfilled needs for access to drinking water and wastewater treatment (currently, nearly 800 million people have no access to a permanent supply of drinking water, and it is estimated that 2.6 billion people do not have an improved wastewater treatment system) (*source: United Nations, 2012*);
- the growing number of areas affected by insufficient water resources, or that are in a state of water stress, particularly related to global warming. By 2030, the number of individuals in a situation of severe water stress is expected to rise from 2.8 to 3.9 billion (*source: OECD – Environmental outlook to 2030, 2008*).

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

6.4.1.2 Presentation of the water sector

(a) A value chain that uses complex industrial processes



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

The Group believes that, for the European Union, the water-related environmental services sector represents approximately €90 billion per year (2012 estimate). All European countries are expected to invest some US$800 billion in water production and distribution and wastewater treatment between 2006 and 2025 (*source: Financing water and wastewater to 2025, D. Lloyd Owen, 2006*).

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

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

In the United States, the size of the environmental management services sector relating to water is US$107 billion (*source: GWI study, 2011*). It offers major opportunities for consolidation due to the very high number of small local players as well as the acute need for infrastructure replacement (a US$500 billion investment is expected for the 2006-2025 period – *source: Financing water and wastewater to 2025, D. Lloyd Owen, 2006*).

Finally, in emerging countries, where very significant needs are still unfulfilled, the Millennium Development Goals, adopted in 2000 by members of the United Nations during the World Sustainable Development Summit, stress the fact that access to drinking water as well as adequate wastewater treatment services are necessary to protect human health and the environment.

In this regard, the Millennium Declaration invites governments to commit to reducing by half the proportion of people who do not have access to drinking water or wastewater treatment by 2015. Meeting these objectives will require highly significant annual investments in the near future. These countries, therefore, offer significant growth opportunities for the building and operation of water treatment plants, and for water management services. In the latter case, the opportunities are accompanied by potentially high risks that must be controlled by defining appropriate contracts prior to planning operations in these countries. Four years from the deadline set for the Goals, many investments have yet to be made.

(c) A market increasingly controlled by private operators

The Group believes that the use of private operators (the portion of the world population served by the private sector was nearly 14% in 2012) (*source: Pinsent Masons Water Yearbook 2012-2013*) should grow significantly in the long term, particularly in the form of public-private partnerships, notably for the following reasons:

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

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

- in France, the management of municipal water systems are often entrusted to the private sector, with municipalities retaining ownership of their assets;
- in the United Kingdom, the water sector has been almost entirely privatized since 1989, while operators, in this case, own the infrastructure. These operators are increasingly focused on managing investment programs and tend to subcontract operation and maintenance;
- in Spain, the Group estimates that private operators currently represent approximately 50% of the drinking water production and distribution sector, and approximately two-thirds of the wastewater treatment sector (*source: internal estimates*); the Group believes that the use of the private sector is set to rise in the coming years;

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

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

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

6.4.1.3 Presentation of the waste sector

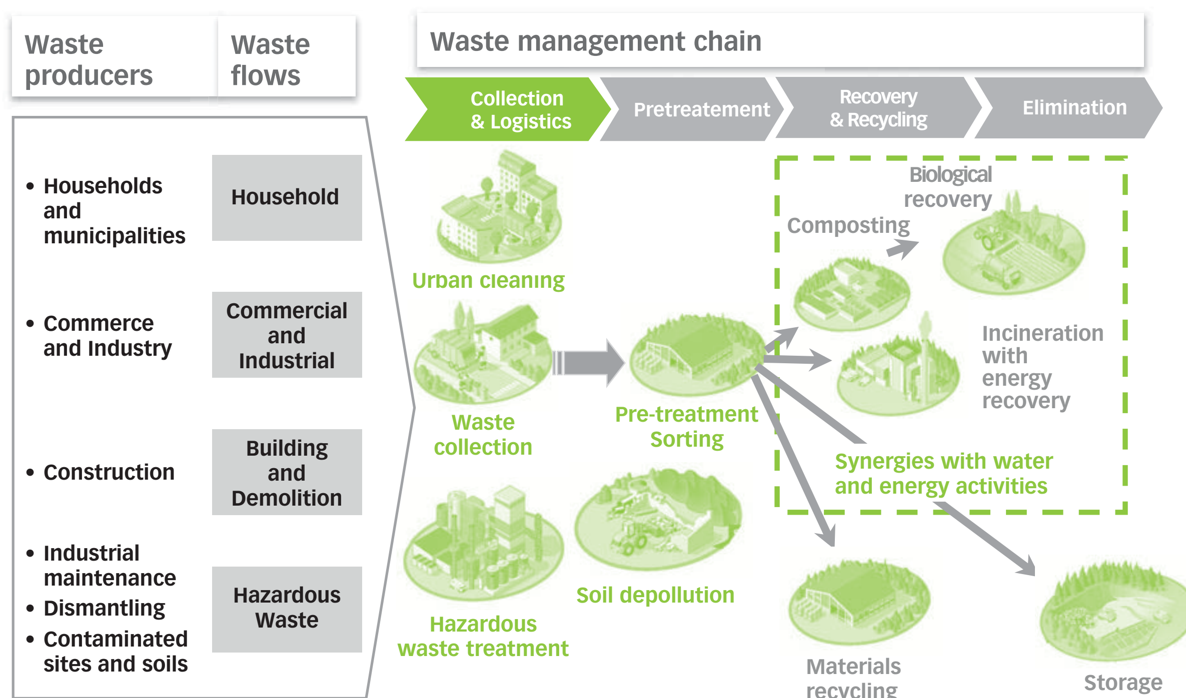
The existence of a market for waste management services requires:

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

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

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

(a) A complex value chain integrating several segments



(b) The various types of waste

Four principal sources of waste define the scope of the Group's activities: household and municipal solid waste, industrial and commercial waste, building and demolition waste and hazardous industrial waste (excluding waste that may be contaminated by radioactive nuclides generated by nuclear activities). In 2010, these sources represented an annual waste volume of more than 2.5 billion metric tons in Europe (*source: Eurostat, 2010 data*); this total covers a range of scenarios from more mature countries to less developed countries in terms of waste management services.

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

Household and municipal solid waste

The production of household and municipal solid waste totaled virtually 220 million metric tons in 2010 in the 27 Member States of the European Union (*source: Eurostat, 2010 data*). Over 80% of this waste was generated by the "original" members of the European Union.

The volumes of household and municipal solid waste produced grew steadily in Europe between 2004 and 2010 (average annual growth of 1% (*source: Eurostat, 2008 data*[2]) although the trend seems to have shifted since 2000, notably with the slowdown in the increase in the "original" Member States of the European Union.

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

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

The Group believes that the volume of household and municipal solid waste in Europe should increase by an average of 1% per year by 2020, but with significant disparities between the "original" and the "new" member states of the European Union (*source: ETC/RWM*).

Industrial and commercial waste

The production of industrial and commercial waste totaled approximately 715 million metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*) and over two thirds of the waste was generated by the "original" members of the European Union.

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

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

Building and demolition waste

The production of building and demolition waste totaled nearly 860 million metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*).

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

Hazardous waste

The production of hazardous waste totaled around 100 million metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*). The criteria for the hazard level of waste are defined by regulatory classification. Based on these criteria, European Regulations have developed a list of types of hazardous waste. Changes in the characteristics of the waste or of the classification may lead to a change in the scope of this source.

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

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

(c) Waste treatment methods

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

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

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

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

- after collection, the waste is directed either towards recovery sites (monoflow), towards transfer and sorting platforms or directly to treatment facilities; the volumes sent directly to final treatment facilities are declining due to measures implemented to achieve regulatory targets for waste recovery as set by national governments or the European Union (for example, the obligation to send only "final" waste to landfill, i.e. waste that has undergone prior sorting/pretreatment);
- sorting consists of identifying and separating: portions that can be recovered as a resource for the production of "secondary raw materials" (metals, plastics, glass, wood, etc.); portions recoverable in the form of energy (production of refuse-derived fuel, or RDF, incineration with energy production); recoverable organic portions in the form of materials and/or energy (composting and methanization); inert portions recoverable in the form of fill material; and finally, the residual portions treated by landfilling;
- landfilling is the oldest disposal technique; on the other hand, it has been considerably improved and currently requires advanced technical know-how: for example, the installation of sealing membranes, management by compartments (cells) to reduce impacts and decrease the surface area in contact with rainwater, management of leachates, monitoring after site closure (generally 30 years) and proactive management of the decay of organic matter to produce energy (bioreactors);
- energy recovery through incineration allows energy production (electrical or thermal) from waste: this technique is currently widely used in the most developed countries from an environmental standpoint; it often requires significant investments.

(d) Regulatory framework

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

The breakdown among the various methods of waste treatment used varies considerably from country to country. Thus, while the United Kingdom and Spain were recently still treating over half of their household and municipal solid waste by landfilling (64% and 52%, respectively), the Netherlands and Germany only marginally use landfill (approximately 1%), preferring waste recovery.

(e) Cost of treatment

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

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

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

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

(f) Intervention by private operators

In Europe, the rate of penetration in the waste market by private operators varies significantly from one country to another, both for collection and treatment activities. The gradual transposition of European directives by all EU Member States by 2020 should result in significant investments in waste recovery methods and should require the necessary technical expertise for the building and operation of these facilities. Although it is not impossible that we will see some local councils attempt to take over industrial and commercial waste management, these changes should lead local authorities to use private operators more often, which will particularly benefit integrated private operators that are active in all segments and that combine a solid financial position with advanced technical know-how.

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

6.4.2 Competition

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

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

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

Consequently, any aggregate data relating to these competitors, especially in the waste sector, are not particularly relevant as they do not reflect the local structure of these various markets.

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

6.4.2.1 Competition in the water sector

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

On national and regional levels, competition often comes from local operators in the building and public works sectors.

In France, Veolia Environnement and Saur are the Group's main private competitors. Gelsenwasser, the sole shareholder of Nantaise des Eaux since 2009, wants to expand its market position. Against the "régies" (state-controlled entities), which are also a potential public competitor, the balance is positive overall, in favor of private operators.

In Spain, the Group remains the leader in terms of revenues and the size of the population it serves. Acciona has been active in Spain, winning the 50-year concession to operate the water filling system in the Barcelona metropolitan area (5 million inhabitants); internationally, the company has won DBO contracts mainly in Colombia, Mexico, Costa Rica, Saudi Arabia and Morocco.

In Germany, the model is more oriented towards municipal companies (Stadtwerke), which are either 100% public or public-private, leaving few opportunities overall for private companies. Private-sector competitors include major energy groups like E.On, RWE and EnBW, and players whose core business is environmental services, such as Veolia Environnement and Remondis. The presence of public and private companies from outside Germany is limited for now, and their experiences have not been very successful to date.

In Italy, the referendum held in June 2011 resulted in the abrogation of the Ronchi Decree-Law, which had made it mandatory for the private sector to be included in water and waste services management, and led to the creation of a national regulator. This situation means that Italian companies are more focused on their domestic market than on foreign markets.

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

In the United States, American Water Works is the market leader, although it only operates on a national level. At the end of 2009, RWE finalized its portfolio rationalization strategy and completed its withdrawal from American Water Works (after selling Thames Water in 2006), which resulted in a profound restructuring of the management structure of the American market leader. As part of its restructuring, a new CEO was appointed who focused on improving the performance of their regulated activities, with reduced emphasis

on their operation and maintenance contracts in the unregulated segment. Through United Water, SUEZ ENVIRONNEMENT's main competitors are Aqua America (in addition to its tuck-in policy in the regulated market) and Veolia Environnement (focused on the non-regulated market for service contracts). As in 2010 and 2011, some financial backers continue to show interest in large-scale water sector operators, even though no significant transactions have been seen since the acquisition of Southwest Water by JP Morgan and Water Asset Management in September 2010.

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

6.4.2.2 Competition in the waste sector

The Group ranks third in terms of revenues in the global market for waste-related environmental services, behind Waste Management and Veolia Environnement. Except for Veolia Environnement, most of the Group's competitors in the waste sector are national players and/or do not provide all the services offered by the Group.

In Europe, the Group's primary competitors are Veolia Environnement, Remondis, FCC, Van Gansewinkel Group and Urbaser. Over the past three years, the German group Remondis has become the waste industry leader in Germany. It is ranked third in Europe in terms of revenues, but it is still focused on Germany as well as Central and Eastern Europe. From ThyssenKrupp, Remondis acquired Xervon, which is an infrastructure management company specializing in services for the chemical and oil industry and in shipbuilding, with 9,000 employees and revenues of €670 million. Remondis has also expanded its position in the water market with the acquisition of Eurawasser.

The crisis, which severely affected the waste sector in the second half of 2008 and in 2009, significantly slowed the consolidation trend witnessed for several years in the European waste sector. A major consolidation trend from 2006 to 2008 involving FCC (with Waste Recycling Group and ASA), Veolia Environnement (with Cleanaway UK, Biffa Belgium, Sulo, TMT and Bartin), Séché Environnement (with Saur), Remondis (with TSR) and Alba-Interseroh, can be compared with a trend for smaller acquisitions, mainly in the recycling sector in Northern Europe. Due to added processing capacity and the lower volume of waste caused by the economic crisis and increased recycling, the incineration market is facing significant overcapacity. Overcapacity in the Dutch market is offset by the import of combustible municipal and industrial waste from Italy and the United Kingdom.

Today, the Van Gansewinkel Group (VGW) has begun reorganizing and has laid off 600 employees, which represents 10% of its total workforce. In 2011 VGW acquired the activities of Veolia Belgium to become the second largest player in the Belgian market. By contrast, in 2009 Veolia Environnement rationalized its activities portfolio by selling Veolia Propreté Nettoyage and Multiservices (urban wastewater treatment) in France and Montenay International (specializing in waste-to-energy) in the United States. Veolia Environnement also sold its waste management subsidiary in the United States in the summer of 2012.

Séché Environnement said it was no longer considering a business combination with Saur (and its waste management subsidiary COVED), but considers its stake to be a financial interest.

Sita UK is currently in an investment phase with a large number of projects with planning authorization, although the realisation has been hampered by the current economic climate. Veolia is the industry leader in waste management in the United Kingdom and is currently limiting its construction projects to major PFI (Private Finance Initiative) contracts it has won. It has an energy recovery capacity of 1.6 million tons per year. Viridor has ramped up its energy recovery activities and will be able to handle more than 3.0 million tons of waste per year; the Group relies heavily on its revenues from energy and recycling and reported a decline of 8.4% in its profits for the fiscal year, with profits from recycling down by 26.5%. Biffa has recently refinanced through its main bank lenders. For its part, FCC (WRG) has the largest landfill portfolio but also has an energy recovery capacity of more than 1.8 million tons per year. The UK market is driven by "zero waste" strategies, with a real desire to extract value from materials all along the value chain. The industrial and commercial waste market has seen a significant decline in tonnages, and a certain number of market-oriented initiatives and materials have been launched.

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

In Sweden and Finland, waste regulation is currently under revision. In Sweden, the government amended regulations on producer liability with the selected proposal placing responsibility for the collection and pretreatment of waste on local councils. The final decision will be made in spring 2013. In Finland, the regulatory amendment gives

full responsibility for the management of solid household waste to local councils.

In Australia, the market saw further consolidation in 2012 with Remondis' acquisition of Thiess Waste Management from Leighton Holdings for AU$218 million.

In Asia, the waste sector is undergoing rapid growth, especially in China, where the authorities are encouraging energy recovery solutions. Publicly owned companies – or companies supported by central government or the major provinces – such as Everbright, CECEP and Tianjin Capital are active in these markets, some of them in partnership with international waste management groups.

6.5 DESCRIPTION OF THE GROUP'S MAIN ACTIVITIES

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

In 2012, the Group earned total revenues of €15.1 billion. The various activities break down as follows:

- Water Europe, which represented 29% of the Group's consolidated revenues in 2012, i.e., €4.3 billion;
- Waste Europe, which represented 43% of the Group's consolidated revenues in 2012, i.e., €6.5 billion;
- International (Degrémont and activities outside Western Europe), which represented 28% of the Group's consolidated revenues in 2012, i.e., €4.2 billion.

In the water sector worldwide:

- in 2012 the Group provided approximately 97 million people with drinking water; it operated some 1,200 drinking water production sites and produced approximately 4.8 billion m^3 of drinking water; and
- in 2012, the Group provided wastewater treatment services to approximately 66 million people, operated some 2,300 wastewater treatment plants, and biologically treated approximately 3.3 billion m^3 in wastewater.

In the waste sector worldwide:

- as of December 31, 2012, the Group provided collection services for approximately 50 million people;
- it used a fleet of approximately 12,200 trucks and operated 128 composting platforms, 48 incineration sites (45 of which have energy recovery capacity), 643 sorting and transfer stations and 141 landfills.

6.5.1 Presentation of the Group's activities

6.5.1.1 Water activities

(a) Complete management of the water cycle

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

- studies and master plans, modeling of networked and natural water flows (water tables, rivers and coastlines), and engineering of water management infrastructure projects;
- engineering, design, and building of water treatment plants through its subsidiary Degrémont (see section 6.5.4.1);
- drinking water distribution and wastewater treatment services, including:
  - production and distribution of drinking water: catchment, treatment and distribution of drinking water,
  - wastewater treatment service (collective and non-collective): collection, clean-up and disposal of wastewater and rainwater,
  - customer management: relations with end users and consumers, meter reading and the collection of payments made by end consumers, and
  - for private sector customers, defining, building and operating tailored and scalable water management solutions and selling high-end water treatment equipment; the Group's offer to private sector customers includes the management of water resources, process water, wastewater and effluents, as well as sludge.

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

- Water pumping and treatment

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

- Storage and distribution

  Reservoirs provide a safety net in the event of production problems, consumption peaks or pollution of resources. The underground distribution network is monitored in order to ensure stability of water quality and to prevent leaks.

- Customer service

  Specialized units are responsible for handling relations with consumers, taking into account the local situation: contract signings, meter reading, billing and account settlement or administration.

- Wastewater collection and treatment

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

- Sludge

  Treating 1 m^3 of wastewater produces 350 to 450 grams of raw sludge. Sludge drying and treatment processes reduce its volume. In France, most sludge is recycled in agriculture through spreading, conversion to compost or recovery as energy.

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

(b) Contractual relations with customers in the water sector

The Group's customers are local public entities and manufacturers (mainly through its subsidiary, Ondeo Industrial Solutions and Safege in the context of studies). However, under public service contracts, the Group also serves local industrial and commercial customers.

Contractual relations with local public authorities

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

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

The Group distinguishes:

- public service contracts in France, or their equivalent outside France, including leases and concession contracts, and all intermediate contractual forms; under such contracts, the Group is responsible for the entire service management (water production and distribution and/or wastewater treatment). It is involved in managing relations with end users, meter reading, preparing invoices and collecting payments made by end users. The Group engages in this activity at its own risk and is compensated by billing users; a portion of the sums billed is paid back to the local authorities to finance new investments. Leases differ from concession contracts according to the size of investment for which the private operator is responsible. Most of the Group's contracts in France are leases which are generally long-term, ranging from 10 to 20 years; and
- contracts for services and works; in this case, operations and works are billed to the relevant local authority. This involves medium- or long-term contracts, generally 5 to 20 years.

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

Contractual relations with industrial customers

The Group is also active in the entire water cycle with industrial customers operating under design and build contracts, service contracts, such as operating and maintenance agreements, and the supply of mobile treatment installations and/or equipment sale agreements. Contracts are then generally agreed upon for shorter terms than is typical for local authority contracts, most often 1-5 years for a service contract.

As a multi-disciplinary engineering firm, Safege also assists private clients in defining their environmental strategy, integrating their project into the site, water management in the industrial cycle and the preparation of regulatory filings.

6.5.1.2 Waste activities

(a) Complete management of the waste cycle

The Group manages the entire waste cycle by being involved at each stage in waste management, and in almost every type of waste:

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

The Group offers services in the following areas:

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

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

Collection

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

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

Materials recovery

Household or industrial waste from selective collection is sent to one of the 366 sorting sites operated by the Group. It is then sorted by type (plastic, glass, paper, cardboard or metal), packaged and consolidated by recovery process on appropriate platforms. Recoverable materials are then sent to appropriate processing areas and sorted (non-recyclable) waste is recovered for energy whenever possible by incineration. Failing this, it is landfilled.

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

In 2012, the Group managed nearly 24 million metric tons of waste for recycling purposes. Of this total, some 17 million metric tons were treated for materials recovery, enabling 12.2 million metric tons of secondary raw materials (paper, cardboard, glass, metal, plastic and wood) to be put back on the market. In addition to its "classic" recycling activities, the Group has put in place dismantling and recovery facilities for Waste Electrical and Electronic Equipment (WEEE), retired aircraft and end-of-life vehicles (ELV), primarily *via* Resource Industries, a subsidiary of INDRA (an automobile dismantling company owned 50:50 by Sita and Renault).

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

Composting and biological recovery

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

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

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

Energy recovery

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

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

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

In 2012, the Group's incineration units treated approximately 6.7 million metric tons of waste, and generated over 2,900 GWh of electricity, resulting in the sale of just under 2,000 thermal GWh. The gases produced by waste combustion are purified using dedicated treatment systems before being released into the atmosphere. Solid waste essentially consists of bottom ash, which is reused for road beds after undergoing suitable treatment, or disposed of at landfills, as well as purification residue from smoke, which is landfilled after stabilization.

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

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

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

Landfilling

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

The Group operates 141 landfills around the world, particularly in Europe. In the course of these activities, the Group develops and operates innovative industrial solutions for recovery in the form of renewable biogas energy from landfills.

Hazardous waste

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

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

- recovery as fuel substitute, notably in clinker kilns, after being subjected to any necessary physical pretreatment;
- incineration at high temperatures with energy recovery (as in the case of halogenated, toxic and reactive wastes);
- treatment using physical and chemical as well as biological methods (as in the case of aqueous waste: acids, bases, chromate baths, etc.);

- treatment, clean-up or solidification before being landfilled at suitable sites. Paint residue, for example, is mixed with reagents to form a concrete that stabilizes pollutants within a mineral matrix before landfilling;
- regeneration for purposes of materials recycling, i.e., purified for reuse (this is the case notably for oils and certain solvents).

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

The Group may thus offer its customers solutions suitable for all types of hazardous waste (except waste potentially contaminated by radionuclides from nuclear sites), such as packaging ranging from 100 grams (in particular special household or laboratory waste) up to hundreds of metric tons. In 2012, 4.0 million metric tons of hazardous waste was treated by the Group: pretreatment on ad hoc platforms, stabilization and storage at Class I sites, incineration of waste with high chlorine or sulfur content and co-incineration at cement plants.

Wastewater treatment, maintenance and urban cleaning

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

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

Cleaning up pollution and conversion of polluted industrial sites

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

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

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

By way of illustration, following on from its clean-up and remediation of the former Metaleurop Nord foundry site in France, the Group is now in charge of the clean-up and remediation of The Avenue, an industrial complex in Chesterfield, in the United Kingdom, through Sita Spécialités. This project, carried out in collaboration with Volker Stevin UK and DEME Environmental Contractors (DEC NV), is the largest public project of this type in the United Kingdom, and one of the largest sites for the clean-up of derelict industrial land in Europe. All clean-up stages began in September 2009 and will be staggered over 5 years, until final conversion of the site, which is scheduled for 2014.

(b) Contractual relations with customers in the waste segments

The Group works for two types of customer:

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

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

6.5.2 Information on Water Europe activities

Europe represents the Group's core activity in the water sector. Companies operating in the Group's Water Europe segment contributed €4.3 billion to the 2012 Group's consolidated revenues. In 2012, Lyonnaise des Eaux[(1)] generated 53% of consolidated revenues for the Water Europe division, with the rest mainly generated by Sociedad General de Aguas de Barcelona (Agbar).

In Europe, the Group supplies about 34 million people with drinking water and provides wastewater services for approximately 30 million people.

6.5.2.1 Lyonnaise des Eaux

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

In 2012, the Lyonnaise des Eaux business unit generated consolidated revenues of €2.3 billion and employed some 12,200 people.

(a) Lyonnaise des Eaux France

(i) Specific characteristics of the water sector in France

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

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

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

In 2012, LDEF's contribution to the Group's consolidated revenues was approximately €2.2 billion (44% from drinking water production and distribution under public service contracts, 26% from wastewater treatment under public service contracts, 18% from non-public-service contracts and diversified services, and 12% from improvements on distribution facilities and networks). Including all subsidiaries, the Group employed more than 11,260 people as of December 31, 2012.

The Group estimates that LDEF supplies close to 12 million people with drinking water, i.e., approximately 19% of the French population. In 2012, LDEF operated over 690 drinking water production sites and delivered over 1 billion m³ of drinking water to the network.

The Group estimates that LDEF provides wastewater services to some 20% of the French population connected to a sewage network. In 2012, LDEF operated more than 1,600 treatment plants, which treated nearly 760 million m³ of wastewater.

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

(iii) Lyonnaise des Eaux France contracts

In its core business, which still represents 95% of revenues, three-quarters of its contracts are water and wastewater treatment public service contracts, and one-quarter are service or works contracts.

LDEF had a portfolio of approximately 2,350 public service contracts as of December 31, 2012.

The portfolio of public service contracts is evenly divided between water (production and distribution) and wastewater treatment (wastewater collection and treatment).

The term of these contracts, set by local authorities based on the type of services contracted from the delegated company, is generally 10 to 20 years. Almost 90% of contracts have a term of 10 or more years, and 15% have a term of 20 or more years. Under the Sapin law (for a description of this law, see section 6.7.1.1), LDEF is subject to competition with regard to the awarding and renewal of these contracts. LDEF maintains excellent relations with its customers, and has a solid reputation; it has recognized technical expertise and offers a wide range of services.

Contracts are more varied in the diversification portfolio.

Under its diversification strategy, LDEF has for the last three years targeted a wide array of customers ranging from residents who use water services, to property managers (public and private lessors, municipal buildings and office buildings), and large businesses and industry. Diversified services also supplement the offering for historical customers: local authorities.

(1) Including activities in France, Italy and Safege.

Services offered to customers fall into several categories:

- works in natural environments lasting from several weeks to several months;
- IT project management (e.g., integration, operation, maintenance, etc.) in environmental activities;
- 5- to 10-year contracts for property performance management services;
- property and environmental management consulting;
- public service contracts for public installations (ports, swimming pools, sports and recreational facilities, etc.).

(iv) Commercial success of Lyonnaise des Eaux France

A. Core business

In 2012, LDEF was consistently successful, for example through:

- New contracts won in the towns of Neuilly-sur-Seine and Orange, as well as the metropolitan authority of Nice-Côte d'Azur for wastewater treatment. The Urban Community of Greater Toulouse awarded Lyonnaise des Eaux a contract for billing services, and a contract to operate the drinking water network.
- Renewals:
  - the Urban Community of Bordeaux renewed the public wastewater treatment services contract (collection, wastewater treatment and rainwater management) for 6 years and €243 million over the contract's lifetime. This contract is based on:

    - renewed governance: formation of a special company with five independent directors to ensure financial transparency,

    - carbon neutral service by 2018 with the aim of significantly reducing its environmental footprint,

    - a protected natural environment: creation of a natural wetland to allow biodiversity to regenerate naturally,

    - advanced information technology to better manage, respond to, share and discuss the challenges of wastewater treatment services;
  - renewal by the Feucherolles (Paris area) regional water utility of the water production and distribution contract for 12 years and total revenue of €37 million;
  - renewal of the water contract for the town of Grasse (Alpes-Maritimes region) for 20 years, representing total revenue of €145 million.

Since 2012, LDEF has based its actions on the "Contract for Water Health".

The Contract for Water Health combines all of LDEF's commitments to its customers and contains three parts:

- governance and transparency;
- innovation for water health;
- virtuous economy/equitable water.

LDEF unveiled this program to all its traditional customers in 2012. Local versions of this contract have been signed in Laon, Dijon, Dunkirk, Hyères les Palmiers, Rambouillet, Issoudun, Syndicat Durance-Ventoux and Agde, among others.

Also noteworthy is the introduction of the first "eco-social" tariff scheme with the Dunkirk regional water utility (SMAE). The objective is twofold: to preserve a fragile resource and ensure access to water for all, with a tariff that takes into account not just volumes consumed, but the ability to pay and household size as well.

B. Diversification

Two major contracts were won in 2012 by the Diversification and Business Department. Ocea Smart Building has partnered with BNP Paribas Real Estate Property Management to deploy its "ISI For You" solution for managing the property performance of its 1,800 buildings. Ondeo Systems, a wholly-owned subsidiary of Lyonnaise des Eaux, won the specification and integration contract for GrDF's automatic meter reading system for its 11 million users.

(b) The Other activities of Lyonnaise des Eaux

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

In Italy

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

The Group also holds 7.96%[1] of Acea, a company listed on the Milan Stock Exchange that is active in integrated water management, energy generation and distribution, public lighting and natural gas distribution. Acea, based in Rome, is the main water and wastewater treatment operator in Italy.

(1) As of December 31, 2012.

In Germany

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

In Greece

Through a 5.46% holding in Eyath, a company listed on the Athens Stock Exchange, which manages the Thessalonica water service. This is a strictly financial interest for now.

Safege

Safege, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, provides engineering services to communities, public authorities, public service agents and private and industrial customers:

Relying on its extensive experience in water and the environment, Safege has quickly developed new competencies in the areas of waste, urban mobility, new energy and telecommunications: Safege is now a multidisciplinary engineering firm for sustainable towns, anticipating the needs of its customers.

Today, Safege has all the skills to carry out end-to-end development projects that are inherently cross-cutting and require a comprehensive approach.

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

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

In 2012, Safege won a number of contracts in France and internationally, reinforcing its positioning as a multidisciplinary engineering firm focused on urban sustainability:

- SIAPP (*Syndicat Interdépartemental pour l'Assainissement de l'Agglomération Parisienne*, a wastewater treatment authority in the Paris area), the wastewater treatment authority for the Paris region, chose Safege as its general contractor for pond design and construction at the pre-treatment facility in Clichy for an estimated €250 million.
- In consortium with Sita Ile-de-France and ROS ROCA, Safege won the tender for the design and general contracting of the pneumatic waste collection system at "The Docks" eco-district in Saint-Ouen, including 143 collection points, a 6 km network and an automated vacuum system.
- After four years of successful partnership, Safege has acquired Explicit, a specialist in energy-climate studies. The General Council of Guadeloupe has selected Safege/Explicit to guide them in implementing the authorization to legislate on energy matters. Safege and Explicit also won a prospective study on the impacts of climate change and the depletion of natural resources for the city of Paris.
- As part of the EuroMed project, Safege leads the consortium tasked by the European Community to support the 10 partner countries (Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, Palestinian Territories, Lebanon, Libya and Syria) in implementing the regional action plan for road, rail and urban transportation.

6.5.2.2 Agbar

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

In 2012, Agbar's contribution to the Group's consolidated revenues was €2.0 billion. With approximately 10,000 employees worldwide, Agbar earned 64% of its revenues in Spain and 36% in the rest of the world.

(a) The activities of Agbar in Spain

Specific aspects of the water sector in Spain

The Group estimates that private operators represent approximately 54% of the drinking water production and distribution sector and two-thirds of the wastewater treatment sector (*source: GWI 2011*).

Description of the activities of Agbar

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

Agbar is the leading private player in Spain's water sector.

In the country, Agbar provides drinking water for 13.7 million people and wastewater treatment to more than 9 million people.

On November 6, 2012, the Council of the Barcelona Metropolitan Area (AMB) gave its final approval for the creation of a public-private partnership, jointly owned by Agbar (85%) and AMB (15%), to run the integrated water cycle management system in the Barcelona metropolitan area (distribution, wastewater treatment and re-use). Agbar is awaiting approval by the Catalan Water Agency (ACA) to transfer its concession titles to the new company. Several

competitors, as well as the Generalitat of Catalonia, have brought various legal actions against the project before the Superior Court of Justice of Catalonia, challenging the concession titles. These actions are also requesting the enforcement of interim measures for the suspension of the procedure and the creation of the new company.

On November 6, 2012, the Generalitat of Catalonia's Territory and Development Department awarded a 50-year concession contract for the production and distribution of the upstream water supply at Ter-Llobregat to the consortium led by Acciona. Agbar filed an administrative appeal with the independent body (OARCC) of the Generalitat of Catalonia, challenging the award of this contract to the Acciona consortium. On January 2, 2013, Agbar obtained a favorable decision from the OARCC which is directly enforceable. The Generalitat of Catalonia and Acciona have appealed the decision. The final decision on the award procedure and the injunctive relief requested by Agbar, the Generalitat of Catalonia and Acciona, is now a matter before the Superior Court of Justice of Catalonia.

Other Agbar Group activities

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

(b) Development of Agbar outside Spain

Outside Spain, Agbar provides drinking water services to just under 12 million people and wastewater treatment services to 10.5 million people.

Outside Spain, Agbar is also present:

In South America

In Chile in particular, Agbar operates through its subsidiary Aguas Andinas (production and distribution of drinking water to 6.2 million inhabitants as well as wastewater treatment for 6.3 million inhabitants), *via* Essal (the fourth largest water distribution company in Chile), in which Agbar acquired a 53.5% interest in 2008, and through a contract to build the third purification plant in Santiago de Chile, with a capacity of 2.2 m^3/s, which was awarded to Agbar and Degrémont.

Agbar also operates in Mexico, Colombia, Cuba, Peru and Brazil. Moreover, Aqualogy has won new contracts in these countries and in the Caribbean.

Since 2012, Agbar, through its Mexican subsidiary Aguas de Saltillo, has managed the entire water cycle of the newly-formed company, Aguas de Ramos Arizipe (municipality of 75,000 inhabitants).

In the United Kingdom

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

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

In 2011, Aqualogy UK released Ice Pigging onto the market, an innovative, patented technology that allows water pipes to be cleaned from the inside using ice slurry. In 2012, Aqualogy UK leveraged the development of its technology to win contracts in the United States, Chile and Spain.

In Algeria

Agbar operates through a contract with SEOR (Société de l'Eau et de l'Assainissement d'Oran, or Oran Water and Wastewater Treatment Company), established in April 2008, through which the company provides drinking water to more than 1.6 million people.

In the United States

In 2011, Agbar entered the U.S. market by signing a management contract with Utility Service Group (USG), a SUEZ ENVIRONNEMENT subsidiary based in Georgia. USG specializes in the maintenance of drinking water reservoirs, and is Aqualogy's growth platform in North America. In 2012, Agbar expanded its services and began marketing its value-added solutions and technologies.

(c) The other activities of the Group in Spain

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

6.5.3 Presentation of Waste Europe activities

Europe is the heart of the Group's activity in the waste sector. Companies operating in the Group's Waste Europe segment contributed €6.5 billion to the Group's consolidated revenues in 2012. The Waste Europe segment mainly operates through Sita France and its specialized subsidiaries Sita Belgium, Sita Deutschland, Sita Nederland and Sita UK, plus Sita Finland and Sita Sverige in Scandinavia. In 2006, SUEZ ENVIRONNEMENT created Terralys, a joint subsidiary of Sita France and LDEF specializing in the composting and treatment of sludge in France.

Companies in the Waste Europe segment generated 56% of their revenues in France, 20% in the United Kingdom and Scandinavian countries and 24% in Germany and Benelux.

In Europe, the Group's collection activities served over 37 million people and just under 365,000 industrial and commercial customers in 2012. The Group collected more than 18 million metric tons and processed more than 35 million metric tons of waste from households, industry and health care activities.

6.5.3.1 Sita France

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

(a) Specific characteristics of the waste sector in France

The French waste sector represents €12.6 billion (*source: IFEN, 2011*[1]). Of more than 340 million metric tons of waste generated, 73% is from building and demolition activities, 15% from commercial and industrial activities, 9% from municipalities and households, while 3% consists of hazardous waste. Regarding household and municipal solid waste, 35% is landfilled, 32% is thermally treated, and 33% is recovered or biologically treated (*source: Eurostat, 2008 data*); the Group expects the percentage recycled to grow in the long-term.

(b) Description of Sita France's activities

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

Sita has been active in France's waste sector since its incorporation in 1919. The Group has substantial processing capacity, a diversified portfolio of contracts, special expertise in recovery and treatment (sorting, recycling, landfill, incineration and methanization), solid market coverage throughout France, and the ability to innovate by offering new treatment and recovery solutions. Sita France is currently active in the recovery of ferrous and non-ferrous metals, cardboard, wood, plastic and industrial rubber. Sita Spécialités, through its SCORI subsidiary, has 30 years' experience of preparing fuel from hazardous waste (solid and liquid) for cement kilns.

In 2012, Sita France's contribution to the Group's consolidated revenues totaled €3.7 billion. As at December 31, Sita France employed just under 20,000 people.

In 2012, Sita France provided waste collection services to more than 15 million inhabitants and more than 71,000 commercial and industrial customers. The company treated over 20 million metric tons of waste (including the activities of Teris and Boone Comenor abroad, which amount to just over 1 million metric tons). As of December 31, 2012, Sita France operated 88 composting platforms, 37 incineration sites (35 of which have energy recovery capacity), and 285 sorting and transfer stations.

In 2012, the Group treated more than 1.3 million metric tons of ferrous and non-ferrous metals, and expanded its range of services to industrial customers in France and abroad.

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

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

- renewal of collection contracts in Reims, Greater Poitiers, Greater Lyon and Valenciennes;
- new contract won for pneumatic waste collection in St. Ouen.

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

6.5.3.2 Sita UK and Scandinavia

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

In 2012, the contribution of Sita UK and Scandinavia to the Group's consolidated revenues was €1.3 billion, and the business unit employed more than 7,100 people as of December 31, 2012.

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

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

United Kingdom

Of just under 250 million metric tons of waste generated, 40% comes from building and demolition activities, 44% from commercial and industrial activities, 13% from municipalities and households, while 3% consists of hazardous waste. Some 55% of household waste is landfilled, 35% is recycled or recovered and 10% is incinerated (*source: Eurostat, 2008 data*). Given the rapid changes in recent years, the Group believes the proportion of waste landfilled should now be lower, particularly as a result of measures such as taxes on volumes landfilled and penalties for exceeding authorized quotas.

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

Sweden and Finland

The waste sector in Sweden generates approximately 50 million metric tons of waste, including 16% from building and demolition activities, 71% from commercial and industrial activities (all from the mining industry), 8% from municipalities and households, while 5% consists of hazardous waste (*source: Eurostat, 2006 data*). In 2010, less than 2% of household waste was landfilled, 49% was recycled and 49% was incinerated (*source: Swedish Waste Management Annual Report 2010*).

The waste sector in Finland represents just under 50 million metric tons of waste, including 51% from building and demolition activities, 42% from commercial and industrial activities (all from the mining industry), 3% from municipalities and households, while 4% consists of hazardous waste. As for household waste, 32% is recycled or recovered, 17% is incinerated and 51% is landfilled (*source: Eurostat – 2008 data*). In Finland, the high proportion of commercial and industrial waste is due to the quantities originating from the pulp and paper and mining industries.

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

Sita UK

Sita UK is a recycling and waste management company created in 1988. It currently has more than 6,000 employees. It provides innovative, environmentally friendly waste treatment solutions for 3.1 million inhabitants and more than 42,000 industrial customers throughout the United Kingdom.

In 2012, Sita UK handled nearly 8.5 million metric tons of waste at its recycling and composting facilities, landfill sites and energy-from-waste recovery plants, recycling and recovering nearly 3 million metric tons of waste. The total amount of electricity generated by landfill and incineration sites exceeds 800,000 MWh.

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

Sita UK is active throughout the entire waste cycle. The Group relies on its size, which allows it to participate in all calls for tenders in this sector, particularly since it has significant expertise in integrated waste services management through Private Finance Initiative (PFI) contracts.

Sita Trust has distributed over £92 million to community and environmental projects since 1997. Funding is allocated by the government fund for community landfills through which a portion of the tax on landfill tonnages can be redistributed to the Sita Trust Fund.

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

- Fuel from end-of-life plastics: In 2010 Sita UK entered into a partnership with Cyclamax, a specialist in energy recovery, mainly to develop six gasification plants to treat more than 600,000 metric tons of industrial and commercial waste. The first plant, unique to the UK, will open in Avonmouth in 2013.
- Solid recovered fuel (SRF): Sita UK is now a leading producer of SRF, created through the treatment of commercial waste at a new, dedicated site at Ridham Docks, in Kent. Once treated, SRF will be used as a replacement for fossil fuels in cement production.
- Waste fuels: Sita UK produces fuel from waste initially destined for landfills which will supply two co-generation facilities in the Netherlands.
- Wood chips: Sita UK is one of the largest recyclers in the UK. Wood that cannot be recycled will be transformed into fuel at one of Sita UK's facilities around the country. Sita UK recently signed a new contract to supply wood fuels to an urban heating system in Stockholm.

- ECOTRAK driver management system: This innovative technology has been installed in almost the entire vehicle fleet to record and measure driver performance against key parameters. Sita UK has saved on more than 3,000 metric tons of carbon emissions and reduced fuel consumption by about 11% over the past year due to driver training and this new technology.
- Onboard computer system: All vehicles are fitted with an onboard computer that records the date and time of collection and the weight of the waste in order to provide clear and accurate environmental information to our customers.

In 2012, Sita UK also signed a series of major contracts in the private sector:

- Carillion: Sita UK has worked for over a year with Carillion, the leading provider of facility management services, the end goal being for Sita UK to service some 3,000 sites.
- Nationwide: Sita UK is responsible for waste management and recycling at Nationwide's 700 commercial sites and 17 administrative sites. The world's largest construction company has joined forces with Sita UK to achieve a target of zero waste sent to landfill by 2015. To accomplish this, Sita UK has developed training programs and tailored environmental awareness-raising campaigns to help its customer meet this target.
- Hilton Group: From January 2013, Sita UK will provide comprehensive collection and management services for all waste from hotels owned and managed by the Hilton Group in the UK and Ireland.

The Group estimates that Sita UK is the third-largest private-sector operator in the United Kingdom in terms of revenues.

Sita Sverige and Sita Finland

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

In 2012, through their collection activities, Sita Sverige and Sita Finland served over 2 million people and 65,000 commercial and industrial customers, treating over 1.3 metric tons of waste in Sweden and Finland. In Sweden more than 1.1 million metric tons were processed at 56 owned sites, with a recycling rate of nearly 92%.

In recent years, Sita's Swedish activities have grown organically – mainly in the commercial and industrial segments due to its basic recycling solutions as well as solutions that are more targeted – and *via* several strategic acquisitions. Sita Sverige has thus reinforced its presence in the various regions of the country as well as in recycling and hazardous industrial waste management, which are significant segments in Swedish industrial production. In 2012, Sita Sverige signed new contracts with major construction groups Peab and NCC. New business customers mainly include McDonald's, Swedavia, Gambro, Mondi, SSAB and Gate Gourmet. In 2012, Sita Sverige also launched its collection and recycling activities in new geographical areas, including Halmstad, Umeå and southern Uppsala. Sita Sverige also embarked on various new household waste collection contracts. In 2012, Sita Sverige also acquired the local operator, Röngards, allowing it to expand its activities into new geographical areas.

Sita Finland has also continued to strengthen its recycling operations by developing new recycling plants and commercial and industrial offerings. Sita Finland's positioning has also been reinforced in recent years by various strategic acquisitions, both in new regions and in areas where it was already active. Its structured targeting of commercial and industrial customers has seen its revenues increase, along with the tonnages received at its own sites, such as those in Turku and Helsinki. This change in strategy to industrial waste management appears to be having a positive impact on the company's financial performance, attracting major commercial customers such as YIT Onninen, Peab, Isännöitsijä Kolmi and Avara. In 2012, Finland's Waste Act was permanently amended, and will have a long-term impact on waste industry players by reducing the number of regions that are free to choose their own household waste collection operator. Municipalities are now increasingly involved in the procurement process for such services. In 2012, Sita Finland exported waste fuels from energy recovery sites in Sweden.

6.5.3.3 Sita Deutschland & Benelux

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

In 2012, Sita Deutschland & Benelux contributed €1.6 billion to the Group's consolidated revenues. As of December 31, 2012, Sita Deutschland, Sita Belgium and Sita Nederland employed a combined total of 7,450 staff.

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

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

With a very high population density and situated in a delta, the Netherlands had to deal with environmental problems very early on. Today, over 80% of waste in the Netherlands is recycled, and 16% is put through an energy recovery process. Only 4% of the country's total waste ends up in landfill. The government recently raised the target recycling rate to 83% by 2015; this relatively small increase represents an additional 2 million metric tons of waste recycled. By comparison, the European average in 2008 was 38% recycled and 40% landfilled.

In Germany and Benelux, waste is no longer considered as waste, but part of the circular economy. The significance of waste as a secondary resource becomes clear when looking at the increasing global dependence on raw materials. The German government has formed a Raw Materials Agency due to resource scarcity in its economy. The Dutch government intends to make its industries more competitive by focusing on savings and sustainability, and is exploring solutions to make the country a hub of secondary resources. It is also promoting Dutch expertise in waste management and recycling technologies.

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

Germany

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

Benelux

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

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

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

Sita Deutschland

Sita Deutschland provided waste collection services to almost 11 million people and just under 51,000 commercial and industrial customers in 2012, and treated over 1.1 million metric tons of waste.

The Group estimates that Sita Deutschland is the fourth-largest private operator in Germany.

The Group's presence is concentrated in western and southern Germany, particularly in municipal collection and selective collection. It also has a solid position in the incineration segment through its Zorbau site in the Leipzig region. Cooperation with Sita Nederland and Sita Belgium is also an asset allowing it to benefit from the exchange

(1) The share of household waste landfilled in Germany is probably "undervalued," because the treatment, which consists of storing waste in salt mines, is classified by the German authorities as recovery (the volumes stored in these salt mines are therefore probably included in the 66% recovered or converted). The German government has succeeded in limiting such practices. Currently less than 1 million metric tons are put into salt mines, mainly consisting of construction and demolition waste.

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

Sita Nederland and Sita Belgium

Sita Nederland is active throughout the entire waste cycle: in 2012, it provided collection services for nearly 1.3 million people and over 79,000 commercial and industrial customers, and treated more than 1.3 million metric tons of waste. The Group believes that Sita Nederland is one of the two largest private operators in the Netherlands.

The Group has also improved its positions in energy recovery, through the commissioning of the EVI incinerator on the Netherlands-Germany border. Sita Nederland is also working to improve its customer interface, and in 2010 set up a website for online container sales. In October 2011, Sita Nederland also opened a new energy-from-waste plant in Roosendaal, in the south of the country. This facility can handle 290,000 metric tons of waste and generates power for 70,000 homes.

In September 2011, Sita opened a plastic-packaging sorting plant in Rotterdam, probably the most modern facility of its kind in Europe. It sorts a quarter of the Netherlands' plastic packaging, and can handle 25,000 metric tons per year. The sorting plant includes a visitor center, where stakeholders can learn about the workings of a circular economy and recycling.

The Group estimates that Sita Belgium is the leading operator in the Belgian waste sector due to its very solid position in collection and treatment operations, mainly from industrial and commercial waste activities. In 2012, the Group provided collection services in Belgium to over 4 million people and almost 51,800 commercial and industrial customers.

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

In 2012, Sita introduced an office paper that is 100% recycled and carbon neutral. It is produced jointly with Buhrmann Ubbens, the largest paper merchant in Benelux.

6.5.4 Presentation of the Group's International activities

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

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

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

6.5.4.1 Degrémont

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

For over 70 years, Degrémont, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, has designed, built, equipped and operated drinking water and industrial process water plants, desalination plants for sea and brackish waters, urban and industrial wastewater treatment and recycling plants and sludge treatment plants. Degrémont has a presence in over 70 countries and employed more than 4,900 people as of December 31, 2012.

Degrémont contributed €1.4 billion to the Group's consolidated revenues in 2012. Design-build activities represented 52% of Degrémont's total revenues, BOT contract management and services 29% and the equipment business 19%. Approximately 1 billion people have been served by nearly 10,000 facilities designed, built or equipped by Degrémont worldwide since the company was created.

(a) Degrémont's activities

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

- production of drinking water (over 3,000 sites designed, built or equipped worldwide) and process water;
- desalination of sea water or brackish water by reverse osmosis (at least 250 sites designed, built or equipped worldwide);
- purification and recycling of urban or industrial wastewater (more than 2,500 wastewater treatment centers built worldwide);
- treatment and recovery of sewage sludge (30 INNODRY 2E™ drying units and 51 Thermylis™ oxidation systems worldwide).

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

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

Degrémont serves its customers under four types of contract:

- "DB" ("design build") contracts, under which Degrémont is generally responsible for the design and building of a project as a result of a public tender procedure;
- "DBO" ("design, build and operate") contracts, under which Degrémont is responsible for the design, building and operation of a site;
- BOT (build, operate and transfer) contracts, under which Degrémont is responsible for financing the project, designing and building the site, and transferring it to the owner at the end of a given operating period. For this type of project, Degrémont is usually not the sole investor;
- equipment contracts, under which Degrémont is responsible for providing sites operated by its customers with the necessary equipment and related services.

Degrémont offers all the following services:

Design and Build

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

Operation and services

Degrémont's Operation and Services activities are based on its exceptional know-how, in offering the Group's customers expertise as builder-operator that sets it apart from the rest of the market.

Degrémont's Operation and Services offering is tailored to the needs of its customers, from the operation and overall maintenance of a site to the supply of replacement parts, after-sales service, renovation of plant and employee training.

Plants built and operated by Degrémont benefit from the dual expertise of a builder-operator (ergonomics are incorporated into the design stage, and commissioning is taken care of). The plants also benefit from the innovations and know-how developed by the entire Group. Staff are committed to conserving the resources entrusted to them and provide a continuous public service, while controlling operating costs through predefined, transparent investment policies.

Nearly 22 million people receive drinking water and nearly 25 million people have their wastewater treated by facilities operated by Degrémont.

Equipment

Degrémont offers equipment "packages" that can improve and/or diversify the performance of existing facilities: sludge drying and incineration, water disinfection by ozone and UV, ultrafiltration, reverse osmosis, ion exchange, industrial process water treatment, biological treatment and separation are just some of the ways in which internationally renowned brands such as Innoplana, Ozonia, Triogen, Aquasource, Infilco, Anderson, and Water & Power Technologies apply Degrémont's wealth of expertise.

BOT contracts

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

Degrémont Industry

Degrémont Industry combines the activities of Ondeo IS in Europe and all of Degrémont's industrial activities worldwide, working with industrial customers mainly in Europe, Brazil, China and North

America. It specializes in the optimization and global management of the water cycle in industry: outsourcing and partnerships, engineering and supply of wastewater treatment plants, equipment and related services, mobile treatment installations, turnkey solutions, supply of water treatment equipment and systems, operation, maintenance and technical support and consulting and research in tailored solutions for industrial customers.

Degrémont Industry offers solutions tailored to specific business sectors (notably aviation, automotive, food, chemicals, energy, oil industry, metallurgy, micro-electronics, mining, paper, pharmaceuticals, petrochemicals, steel and glass) to meet the specific needs of industrial customers in water resource management, treatment of unpurified water, supply of process water, wastewater purification and sludge and by-product recovery.

Degrémont Industry manages over 200 operating and service contracts worldwide with industrial customers and to date has built over 1,800 process water treatment plants, over 2,200 wastewater treatment plants, and has equipped more than 5,000 sites housing industrial water treatment systems.

Within Degrémont Industry, Ondeo IS operates through its subsidiaries in France, Italy, the UK, Spain and Benelux, employing 650 people as of December 31, 2012.

In 2012, Degrémont Industry won multiple contracts for facilities design and construction, services and installations, with BP, Eni, OCP, STMicroelectronics, Petrochina (Huabei Petrochemical), and Qatargas, among others.

Degrémont Industry's areas of excellence include the oil and gas markets (exploration & production), petrochemicals, energy, paper and pulp in Latin America, and the steel industry in China. Degrémont Industry offers highly-tailored solutions to improve the business and environmental performance of its industrial customers.

(b) Research and development

Degrémont is known for the quality of its technological innovation and for its contribution to innovation in water treatment processes. In 2012, the company invested almost €14.5 million in research and innovation, involving over 2,500 people. As of December 31, 2012, Degrémont held a portfolio of 139 patents. Two of Degrémont's new innovations are Greenbass™, which reduces the energy consumption of wastewater treatment plants by continuously adjusting the flow of air involved in biological treatment, and www.lifecarbontool.com, a dedicated website for the water industry that allows drinking water, wastewater and desalination plants to create online simulations of their carbon footprints. The website offers users a version of the tool specific to water treatment.

(c) Degrémont's international presence

In 2012, 79% of Degrémont's revenues were generated outside France. Degrémont carries out its international activities through numerous subsidiaries:

- In Europe (Switzerland, Belgium, Spain, Italy, Portugal, Czech Republic and Norway) and Russia:

  The new Ehn Basin wastewater treatment plant in Meistratzheim was inaugurated in 2012. Commissioned by the Syndicat Intercommunal à Vocations Multiples (SIVOM) to replace two obsolete plants that went into service in 1979, the new plant, designed and built by Degrémont France Assainissement, is a benchmark for sustainable development and one of the most modern plants in northeast France. With a capacity of over 200,000 population-equivalent, it is designed to collect and decontaminate wastewater from 11 municipalities in the Terres de Sainte Odile region of Alsace, as well as to treat effluents from local sauerkraut/sausage producers while protecting the environment, the surrounding area and local residents.

  Degrémont won new contracts in 2012, including the extension of the Tarbes wastewater treatment plant (50,000 P-E with Ultrafor membrane bioreactor technology); improvement of the sludge processes at the Houplin Ancoisne wastewater treatment plant and at Villeneuve d'Ascq (Innoplana belt dryer); and the engineering and supply of processing equipment for the plant that treats effluents from the BP Rotterdam refinery, the second largest in Europe, for €10.7 million.

  In France, Degrémont also had its kiln maintenance contract for the Seine Centre de Colombes plant (SIAAP) renewed for four years, for €12 million, and its operation and maintenance contract for the Grimonpont wastewater treatment plant renewed for six years, for €20 million.

- In Latin America (Mexico, Chile, Argentina, Brazil, Peru and Colombia). In Mexico, for example, Degrémont built and financed water treatment plants in Culiacan, Ciudad Juarez and San Luis Potosi. In 2012, Degrémont also extended its €115 million operating contract for the Farfana wastewater treatment plant for five years, in partnership with Agbar.

- In the Near and Middle East (Lebanon, Jordan, United Arab Emirates, Oman, Bahrain and Saudi Arabia):

  Degrémont won two equipment contracts in Riyadh to furnish modular desalination units for 14 sites, for a total of €40 million. Saudi Arabia's National Water Company (NWC) selected Degrémont to supply and install the modular units in the Riyadh area to produce drinking water from brackish groundwater. The contracts cover the installation and commissioning of 33 such modular

processing units. The first contract provides for 26 containerized modules, each processing 5,000 m³/day of water across 13 sites. The largest of these is the Salboukh site, which will process up to 30,000 m³/day. The second contract pertains to the Al Buwaib site, where seven modules processing up to 35,000 m³/day will be housed inside a building.

Faced with the demographic growth of the Amman and Zarqa metropolitan areas, and to protect its water resources, Jordan's Water and Irrigation Ministry awarded Degrémont a 25-year BOT contract for the expansion of the As Samra wastewater treatment plant. The construction part of this contract will generate €150 million in revenues for Degrémont and its partner Morganti. The expansion works should take three years, followed by a 22-year operational period.

- In Africa (Egypt, Algeria, Morocco, South Africa, Nigeria, Senegal, Burkina Faso, Angola and Ethiopia):

  In Luanda (Angola), EPAL awarded a €28 million EPC (Engineering, Procurement and Construction) contract to Degrémont for the renovation of a drinking water production plant.

  In Paspanga, in the Ouagagougou region of Burkina Faso, ONEA awarded Degrémont a €4.6 million EPC contract in 2012 for the renovation of an existing drinking water production plant and the installation of a compact unit with a capacity of 900 m³/h (22,000 m³/day).

  In Legadadi, in the Addis Ababa region of Ethiopia, the company Feljas & Masson subcontracted to Degrémont the renovation of an existing drinking water production plant and the construction of a 42,000 m³/day extension under an EP (Engineering and Procurement) contract worth €3.7 million.

- In Asia: Degrémont has operated in India for 30 years. It has built over 153 plants in the country, 17 of which it operates. In July 2012, the Delhi Jal Board awarded Degrémont a contract to build and operate for 11 years a wastewater treatment plant in New Delhi, the first in India to employ a system to reduce olfactory pollution. In November, the Bangalore Water Supply and Sewage Board awarded it an €11.7 million contract to build and operate for five years a tertiary wastewater treatment plant with a capacity of 40,000 m³/day. The treated water will be reused by local computer manufacturers.

  Moreover, Degrémont is in the final phase of construction of the drinking water filtration plant in Bhandup (Mumbai), the largest in India, producing 1 billion liters of water per day, as well as a similar plant in TK Halli (Bangalore).

- Degrémont has been active in China for 30 years, having built over 200 plants there with industrial clients and local authorities.

  In 2012, work continued on the wastewater treatment plant at the Wuhan Chemical Industrial Park (WCIP). The plant, which is due to be commissioned in 2013, will have an ultimate capacity of 50,000 m³/day. The Wuhan Sino French joint venture (which includes Degrémont) is the project's DBO contractor for a 30-year term.

- In 2012 Degrémont and Sino French Water Development (SFWD) signed two joint venture agreements with the city of Qingdao (population 8.7 million): one for a sludge-drying plant in Qingdao, and the other for a wastewater treatment plant in the Dongjiakou economic development zone (ultimate capacity of 100,000 m³/day).

- In Australia and New Zealand:

  In 2012, the Melbourne seawater desalination plant (AquaSure Consortium) completed its reliability testing finalization (RTF), marking the end of construction and the beginning of 27 years of operation of a major facility capable of producing 450,000 m³/day (150 billion liters/year) of drinking water from seawater.

  In addition, Degrémont and its partner Transfield Services were selected by Western Australia Public Water Utility and Water Corporation, to operate and maintain drinking water and wastewater treatment facilities in Perth, Australia's fourth largest city. This contract, in partnership with the Water Corporation and Transfield Services, covers the operation and maintenance of 19 drinking water production facilities, 14 wastewater treatment plants and two water recycling centers using cutting-edge technology, in addition to 13 dams. The 10-year contract, renewable for five years, represents total revenues of €294 million (AU$378 million) for the initial period.

- In North America (United States and Canada):

  Degrémont Industry (Anderson) has won a new contract on the Christina Lake project for the supply of 10 ion exchange demineralization and regeneration systems.

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

6.5.4.2 The Group's other international activities

In 2012, the other activities of the Group's International division contributed €2.8 billion to Group revenues.

(a) North America

United States (Water)

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

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

- "regulated activities" (primarily in the field of drinking water services): the water production/treatment assets are operator-owned; this sector is characterized by its high capital intensity and lower financial risk, since rates are fixed by the regulators (Public Utility Commissions) in individual states, partly based on the investment required;
- service contracts (primarily in the field of wastewater services): operators enter into operations and maintenance contracts with municipalities relating to processing sites or other assets that continue to be city property; this sector is characterized among other things by low capital intensity and lower margins. These contracts are generally for between three and 10 years.

In 2012, these activities contributed €718 million (including USG) to the Group's consolidated revenues, 65% from regulated activities and 35% from service contracts. These activities employed approximately 2,330 people as of December 31, 2012 (excluding USG). SUEZ ENVIRONNEMENT has developed a balanced portfolio between these two key activities which are considered complementary by the Group.

The acquisition in 2008 of Utility Service Group (USG) enabled the Group to increase considerably its coverage in the United States. This company manages and maintains over 4,000 water towers for 2,000 municipalities in 43 States. As part of an initiative developed by USG with the participation of Agbar and United Water, new transactions have paved the way for growth opportunities that will broaden the range of asset management services provided, and supplement the activities of United Water. USG has been under the management control of Agbar since 2012; its operations were therefore described earlier in this document.

United Water continues to hold an 8% market share of the private sector involved in producing and distributing drinking water and providing wastewater treatment services in the United States (in terms of revenues). Its drinking water and wastewater treatment services cover 5.7 million people in 21 states. In 2012, United Water had a portfolio of 20 "regulated" operations in eight states. As part of its effort to focus on its services activity and streamline its portfolio, in July 2012 it announced its plans to sell its regulated activities in Arkansas. In September, it completed the sale of its regulated activities in Connecticut. These movements are part of the Group's strategy on a larger scale, which also includes the effort to reduce small contracts (the company sold a series of contracts in the Northeastern United States to Whitewater Inc. at the end of last year).

The Group estimates that it is the second-largest private[1] operator in the water sector in the United States in terms of total revenues for the two above-mentioned primary activities ("regulated" activities and service contracts). In 2012, United Water launched a new contractual approach through the Bayonne contract which was very well received by the markets. The US water market is worth around US$107 billion (*source: GWI Study, 2011*) and the Group believes that private operators represent about 8% of the operating activities sector. This sector is characterized by long-term stability and increasingly high expectations for quality and service. It is a very fragmented market (with almost 52,000 water supply systems and approximately 16,000 wastewater treatment systems) and offers major opportunities for consolidation.

Mexico (Water)

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

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

Bal-Ondeo's activities are primarily expanding:

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

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

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

(b) Asia-Pacific

In 2012, the contribution of the Asia-Pacific business unit to the Group's consolidated revenues totaled €1.3 billion. The Group employed more than 4,370 people in the region as of December 31, 2012.

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

China

Water

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

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

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

The Group is continuing to strengthen its presence in China thanks to a policy of entering into partnerships and by securing major contracts with municipal and industrial customers:

- The Group has launched an industrial water production plant, a wastewater treatment plant, and an incinerator for hazardous waste in the Shanghai Chemical Industry Park (SCIP), the largest petrochemical industrial site in Asia. In 2006, it also witnessed the inauguration of the first Research and Development Centre dedicated to industrial wastewater and hazardous waste by the Shanghai city authorities. These events demonstrate the determination to explore new paths for industrial cooperation and improved quality of service.
- In 2008, the Group and its partner (New World) strengthened their relations with their local partner in Chongqing through the acquisition of a 15% interest in Chongqing Water Group. This holding decreased to 13.4% after Chongqing Water Group was listed on the Shanghai Stock Exchange in 2010. Cooperation with the Chongqing Water Group was expanded in 2010 and 2011 through (i) an extension of the joint venture for water distribution, construction and commissioning of the new Yuelai Water treatment plant (200,000 m^3/day in the first phase); (ii) the creation of a joint venture for the resumption and expansion of drinking water treatment and wastewater treatment services at the Changshou Chemical Industrial Park, a major industrial development in the municipality of Chongqing. In 2012, assets jointly held by Sino French and Chongqing Water were restructured and regrouped within a single holding structure that is equally owned (50%/50%).

In 2011, Sino French began a new collaboration (described in §6.5.4.1) with Wuhan Chemical Industrial Park, Degrémont and the Shanghai Chemical Industrial Park for the design, construction and 30-year operation of the wastewater treatment plant to treat all industrial effluents from the park, with a capacity of 10,000 m^3/day and an ultimate capacity of 60,000 m^3/day. At the end of 2011, the scope of the joint venture's activity was extended to industrial water with the construction and operation, for the same duration, of a major industrial processing site with a planned capacity of 300,000 m^3/day.

In 2012, Sino French acquired 65% of Dayi Shangliu, a private company with a portfolio of BOT and O&M contracts for wastewater treatment in the Sichuan province, in the fast-growing region of Chengdu. This acquisition gives Sino French an operating platform capable of supporting more developments in this dynamic region of western China through various business models including joint ventures, BOT and O&M contracts.

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

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

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

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

In November 2012, SUEZ ENVIRONNEMENT, Sino French Water Development and Chongqing Water Group created a new joint

venture called "Chongqing Sino French Environmental Excellence Research & Development Center Company Limited" which will provide applied research services, expertise and technical support to partners and third-party managers of water and environmental engineering in China.

Waste

The Group has been active in the Hong Kong waste sector since 1998 through Sita Waste Services. Historically one of the major players in waste treatment in Hong Kong, Swire-Sita Waste Services was a joint venture controlled in equal parts by SUEZ ENVIRONNEMENT and Swire Pacific. The Group took full control of Swire-Sita following an operation announced in 2008 and approved by the Hong Kong government in late December 2009. The company is currently called Sita Waste Services. Sita Waste Services operates 12 municipal waste transfer stations and two landfills (with close to 3.3 million metric tons of waste landfilled in 2012). In 2012, the Group treated almost 410,000 metric tons of household, commercial and industrial, agricultural and medical waste in Hong Kong and Macao.

In 2012, Sita expanded its activities in the transfer stations sector, winning a tender for a 10-year contract for the renovation and operation of a major transfer station (West Kowloon Transfer Station, which handles 2,400 metric tons/day of waste from the Kowloon region).

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

In Macao, Sita Waste Services offers directly or through a subsidiary, collection and cleaning services for the entire city and operating services for the management of a landfill specialized in managing fly ash and residual ash from the local incinerator.

The Group is also established in continental China through a joint venture with local partners. It designed, oversaw the building of, and now operates an incineration plant for hazardous industrial waste with an annual capacity of 60,000 metric tons at the Shanghai Chemical Industry Park (SCIP). This unit is the largest of its kind in China.

China's waste sector is characterized by a gradual opening up to private operators and by strong growth in volumes and urbanization. The Group therefore expects the volume of household waste to increase considerably. China's 12th five-year plan also calls for a significant increase in solid municipal waste treatment infrastructure, mainly by developing energy-from-waste plants. China also produces very large amounts of hazardous waste, which currently does not undergo any effective treatment. This sector now seems ripe for development, particularly since the adoption of more stringent environmental regulations and the creation of regulatory bodies in 2003. The energy recovery segment is strongly supported by local and central authorities through price subsidies for grid-based power distribution and tax credits.

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

Australia

Water

The Group believes that the Australian water sector suffers from acute problems linked to water resources due to recurring, long-lasting droughts and from the impact of global warming. This sector offers significant growth opportunities due to the increased use of desalination and reuse of post-treatment wastewater.

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

The Group is active in the Australian water sector through Degrémont (see section 6.5.4.1(c)), which completed the construction of the Melbourne desalination plant in 2012.

Waste

Australia's waste sector represents approximately €9.5 billion in revenues (*source: IBIS World Report, October 2012*), with significant potential for further growth due to a population expanding at a rate of 1.2% per year and an increase in the amount of waste generated per person, which will grow total volumes in the future. In recent years, most governments have set targets to reduce landfill waste. These have led to increased landfill taxes (imposed and regulated by each state). This increase is intended to help reduce waste and promote recycling and recovery. In this context, recourse to alternative waste treatment solutions (waste recycling and recovery) involving sorting, composting and alternative fuel production continues to grow.

Significant legal changes came into effect in 2012, with the introduction of Extended Producer Responsibility in electronic waste and an emissions quota trading system that includes the waste sector. The carbon tax introduced by the federal government in July 2012 concerns landfills that emit at least 25,000 tons of carbon dioxide equivalent per year (AU$23 per metric ton). The inclusion of landfills in this legislation encourages the recovery and increase of renewable energies from landfill gases.

The Group is present in the waste sector in Australia through Sita Australia, a joint venture 60% owned by the Group and 40% by SembCorp Industries, a Singapore-based group active in engineering, energy and logistics. Through its collection services, Sita Australia now serves nearly 56,000 commercial and industrial customers and some 3.7 million people each week in the continent's main cities. In 2012, Sita Australia strengthened its position in the industrial collection segment by applying a strategy focused on large accounts, and maintained a steady pace of organic growth.

Sita Australia continues to be Australia's leader in the MBT (Mechanical Biological Treatment) market. Sita Australia's services include collecting and recycling household, commercial and industrial waste, collecting organic waste and recycling it through composting, alternative waste technologies (AWT), medical waste recycling, waste production audits, product disposal, advanced landfill technology and waste transfer.

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

Sita Australia is committed to maintaining and growing its presence in Australia. The Group is currently seeking growth opportunities including new landfills in Western Australia as well as the expansion of the Kemps Creek MBT site in the Sydney region. Sita is also aiming for significant organic growth with a focus on key national accounts.

Various new contracts were won in 2012, including a waste collection and treatment contract with the largest operator in the private health care sector.

Indonesia (Water)

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

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

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

In October 2012, SUEZ ENVIRONNEMENT signed an agreement to sell its 51% stake in Palyja to Manila Water Corporation. This transfer of ownership is governed by the cooperation agreement with the competent authority PAM Jaya, and subject to its approval. As of the end of 2012, a request for approval was under review by the relevant authorities.

India (Water)

Since 2009, SUEZ ENVIRONNEMENT has actively followed the developments of the Indian water sector, particularly the emergence, supported by plans and policies at the federal and national level, of projects in the form of public-private partnerships that are aimed at improving and expanding the water supply and the distribution infrastructure and services in Indian cities. SUEZ ENVIRONNEMENT believes that in the water services sector, India is a promising market in which its know-how and expertise in the field of water management and improvement services can be deployed on a large scale through long-term contracts.

As a first step in rolling out this strategy, in 2012 SUEZ ENVIRONNEMENT won a first long-term contract with the main water authority in India, Delhi Jal Board, in charge of water and wastewater treatment services for the city of New Delhi, the country's capital. Under this 12-year contract, SUEZ ENVIRONNEMENT, through a partnership with the Indian Company SPML (74% SUEZ ENVIRONNEMENT; 26% SPML), will manage and operate the water supply of Malviya Nagar, a district of New Delhi that has 400,000 inhabitants. This contract covers the rehabilitation, renovation and expansion of the network, as well as its operation and all aspects of customer management. Corresponding capital investments will mainly be covered by a subsidy from the federal government through the JNNURM program.

(c) Central Europe, Mediterranean Basin & Middle East

The contribution of companies in Central Europe, the Mediterranean Basin and the Middle East to the Group's consolidated revenues was €880 million in 2012. As of December 31, 2012, the business unit employed over 10,400 staff.

Central Europe

Water

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

- for drinking water and wastewater treatment services in several cities in the Czech Republic, where it has been present since 1993;
- for drinking water services since 1999 in Trencin, Slovakia;
- for the operation of the Maribor purification plant in Slovenia, which it built.

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

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

Waste

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

- in Poland, through its subsidiary Sita Polska, a key player in the industrial and household waste and urban wastewater treatment sectors. In 2012, Sita Polska achieved €145 million in revenues, making it the market leader in waste in Poland, the Czech Republic and Slovakia, through its subsidiaries Sita CZ and Sita SK, active in collection and treatment of municipal and industrial waste. With revenues of €65 million, the Group believes it is the third-largest private operator in the waste sector in these two countries.

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

The waste treatment sector in Central and Eastern Europe is characterized by significant growth potential based on improved standards of living and the need for these countries to comply with European environmental regulations.

On December 21, 2012, the city of Poznań in Poland awarded the contract to build and operate an energy recovery unit to Sita Zielona Energia – a joint venture between Sita Polska, a subsidiary of SUEZ Environnement, and Marguerite Waste Polska, subsidiary of the Marguerite investment fund – in the largest public-private partnership tender ever made in Poland. Estimated at €180 million, the construction of this recovery unit will rely on project financing without recourse to shareholders, and will generate annual revenues of about €850 million for Sita Zielona Energia over its operating life. As part of this project, Sita Zielona Energia will design, build and finance an energy recovery unit with an annual capacity of 210,000 metric tons, operated over a 25-year period by Sita Polska. Sita Zielona Energia will have to deliver the facility by 2016, built on land provided by the city of Poznań.

Mediterranean Basin

Water

In Morocco, the Group is active in the water sector through Lyonnaise des Eaux de Casablanca (Lydec), in which it has a 51% stake, with a further 34.75% of Lydec owned by Fipar Holding and RMA Wataniya, and the remainder traded on the Casablanca Stock Exchange. Lydec is responsible for water distribution, wastewater treatment and electricity distribution to over 3 million consumers in Casablanca, under a contract entered into in 1997 for a 30-year term. In 2012, Lydec contributed €540 million to the Group's consolidated revenues, generated mainly from activities related to electricity (67%), drinking water distribution (23%) and wastewater treatment (10%).

Lydec has been listed on the Casablanca Stock Exchange since 2005. As of December 31, 2012 it had 3,475 employees.

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

On Februay 10, 2012, Lydec received a notification letter from the Delegating Authority, requiring payment in the amount of 546 million of Moroccan dirhams and accounting rectifications in the amount of 892 million of Moroccan dirhams, following the conclusions of the audit report on the delegated management during the years 1997-2006.

After several meetings, under the supervision of the Direction of State Controls and Delegated Services, Lydec had an independent assessment made by an international firm on the financial and accounting issues, supported by a legal analysis on specific points. The report concluded that the vast majority of the issues raised by the audit report on the delegated management during the years 1997-2006 had been taken into account when the 5-year review was signed in May 2009, or was groundless.

The Group has been present in Algeria since 2005, with a management contract under which it provides its expertise and staff to the Société des Eaux et d'Assainissement d'Alger (Seaal) in order to help improve drinking water distribution and wastewater treatment services for the city of Algiers (Seaal provides drinking water services to approximately 3 million people). In September 2011, the Algerian authorities reaffirmed their confidence in SUEZ ENVIRONNEMENT by renewing and extending the contract for five years to help modernize the water and wastewater management services for Algiers. The contract covers the provinces of Algiers and Tipaza and will eventually serve 3.8 million inhabitants. The contract represents some 5,500 employees and nearly €900 million in investments (funded by the State).

In addition, Agbar operates through a contract for SEOR (Société de l'Eau et de l'Assainissement d'Oran), established in April 2008, through which the company provides drinking water to over 1.6 million people.

Waste

In Morocco, the Group operates in the waste segment through the companies Sita El Beida and Sita Maroc, respectively responsible for urban cleaning, household waste collection, transportation to processing sites, an awareness-raising campaign for local residents on the need for environmental protection and industrial waste management. Sita El Beida is responsible for overseeing the cleaning of downtown Casablanca, in addition to a dozen other Moroccan cities such as Rabat, Tetouan, Safi and Moammedia. Since 2009, Sita Maroc has handled the waste management for the new Renault plant in Tangiers, as well as that of Casablanca since 2012.

In addition, the Group is paying close attention to growth opportunities, particularly in Algeria, Turkey and Lebanon.

Middle East

Water

The Group has the advantage of a historic presence in the Middle East, notably through Degrémont. It built the first desalination site using the reverse osmosis technique in Saudi Arabia in 1975, entered into 20 design, build and operate (DBO) contracts in this country between 1975 and 1986, built the world's largest hybrid desalination site in the United Arab Emirates in 2003, in 2005 won the DBO contract for the largest wastewater purification plant in Qatar, intended for the reuse of treated water, and opened the largest purification station in the Middle East with the As Samra plant in Jordan at the end of 2008. Finally, the Kingdom of Bahrain awarded the construction in Al Dur of the largest desalination plant using reverse osmosis in the Middle East to Degrémont in 2008, which opened in 2011 with a capacity of 220,000 m^3/day.

In addition, the Group is present:

- in Saudi Arabia, through its partnership with Aqua Power Development and their jointly-held subsidiary, Jeddah Water Services. In 2009, the Group signed a contract for management of the water and wastewater treatment services in the city of Jeddah, for a 7-year term. The aim of this contract is to upgrade and modernize the city's water and wastewater treatment services. It sets concrete and ambitious objectives in terms of improving the quality of service (permanent access to drinking water, reducing emergency response times for the drinking water network and preventing overflows in wastewater collection networks). Jeddah, which has a population of 3.5 million, is experiencing steady demographic growth with almost non-existent water resources: recourse to alternative water resources is the only solution to ensure a regular and sustainable water supply to the city. 98% of the water consumed in Jeddah comes from seawater desalination plants. Recourse to this type of production, in a location where water is at a premium, requires the optimization and preservation of water resources while avoiding any waste. In 2009, Jeddah Water Services was awarded an extension of the contract covering wastewater management.
- in Jordan, through its subsidiary Disi Amman Operation and Maintenance, the group signed a contract in 2009 for the operation and maintenance of a water distribution system supplying the city of Amman.

Waste

The Group is present in the waste sector in the Middle East:

- in the United Arab Emirates through its subsidiary Trashco, mainly positioned in the collection of waste generated by industrial and commercial activities in the Emirates of Dubai, Abu Dhabi, Sharjah and Ajman. The Group also operates through its partnership with the Al Qudra group, with which a joint venture – Al Qudra Suez Services (AQSS) – was created in 2008. This company, owned 50/50 by the two partners, is involved in hazardous waste treatment projects in the region. In late 2009, the Group signed a 15-year contract, through AQSS, to build and operate a hazardous waste incinerator in Abu Dhabi.
- in Oman, through Sita Al Basheer, 60% owned with Omani partners. Under this joint venture, the Group signed a contract in 2005 to operate a landfill in Muscat.

6.6 DEPENDENCE FACTORS

Information on dependence factors can be found in section 4 of this document.

6.7 LEGAL AND REGULATORY FRAMEWORK

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

The Group's activities in Europe are governed by European legislation (European Regulations, which apply directly and uniformly to all Member States, or European directives that must be transposed into domestic law) and by legislative provisions specific to each country.

The Group's activities outside Europe are also subject to regulations on the environment, health and safety, among other things.

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

6.7.1 Interdisciplinary regulations

6.7.1.1 Regulations on the awarding of public contracts

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

(a) European law

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

European Directives (2004/17/EC and 2004/18/EC) regulate the terms and conditions for awarding contracts based on competitive bidding: public notice and award procedures. They also set various rules that apply to public works concessions. Only the general principles of the European Treaties currently apply to delegations of public services. In December 2011, the European Commission published a draft amendment to the public contracts directives as well as a draft directive on concessions.

(b) French regulations

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

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

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

(c) Spanish regulations

In Spain the award of public contracts is governed by the Royal Decree-Law 3/2011 of November 14, 2011 reforming the law on public sector contracts, which transposes EU Directives 2004/18 and 2004/17.

This law governs the more traditional modes of delegated management (concessions, semi-public entities, regulated and collective management) and requires them to comply with the same public information and competition standards as public works, services and supply contracts.

It defines the contractual arrangements of the public-private collaboration contract (similar to the French public-private partnership contract). It is intended to meet complex public sector needs, which are not satisfied by traditional contractual agreements, and consists of awarding a company overall responsibility for construction, management, maintenance and replacement, as well as a contribution towards financing the project. An upcoming decree should soon consolidate all the provisions relating to public contracts into a single law.

(d) United States regulations

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

6.7.1.2 General environmental regulations

(a) European law

Environmental liability

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

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

In terms of criminal liability, in accordance with Directive 2008/99/EC on the protection of the environment through criminal law, Member States must establish criminal sanctions that are effective, proportionate and dissuasive for serious violations of the provisions of EU law relating to the protection of the environment. This EU law relates in particular to the release of substances or ionizing radiation into air, soil or water, the treatment and transfer of waste, the destruction or capture of specimens of protected species of wild fauna and flora and the commercialization of substances that will weaken the ozone layer.

The European pollutant release and transfer register

Regulation (EC) No. 166/2006 established a European Pollutant Release and Transfer Register (known as the E-PRTR Register) to monitor the release of pollutants into water, air and soil at EU level (replaces the European Pollutant Emission Register (EPER)). This new register, which is an electronic database accessible to the public since November 9, 2009, is aimed at facilitating access to information concerning the emission of pollutants. The vast majority of waste and some wastewater treatment activities are affected by this regulation (although certain thresholds do, however, exist) and, consequently, the operators concerned must provide precise data on their emissions every year (the initial year of reference was 2007).

Seveso III

The Seveso Directive on the control of major-accident hazards involving dangerous substances requires Member States to ensure that all operators concerned by the Directive have implemented a policy for the prevention of major accidents. Operators who handle hazardous substances above certain thresholds are required to regularly inform the public likely to be affected by the consequences of an accident, by establishing safety reports, a safety management system and an internal emergency plan. Directive 2012/18/EU of July 4, 2012, known as "Seveso III" amends and, as from June 1, 2015, will replace the previous regulation (Directive 96/82/EC of December 9, 1996, known as "Seveso II"). Among other things, it harmonizes the list of chemicals with that of the new classification system for hazardous substances of the CLP Regulation (1272/2008/EC).

REACH

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

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

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

Climate and Energy Package

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

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

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

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

(b) French regulations

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

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

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

In the water sector, Grenelle 2 introduces a large-scale program for regaining water quality by forcing the various economic players to take responsibility: local authorities must meet wastewater treatment standards, farmers must reduce their use of pesticides and manufacturers whose activities pollute must fulfill new obligations. The main measures are:

- new or increased use of renewable energy and/or recycling in water treatment;
- limiting losses in water distribution networks;
- provisions for rainwater management and use, plus taxes on ground that is rendered impermeable;
- allocation of new tasks to the public regional water boards (Etablissements Publics Territoriaux de Bassin, or EPTB) in order to implement mandatory water management and development programs;
- creation of land and water corridors to prevent the loss of biodiversity;
- concerted policies to reduce phytosanitary products by 50% as part of the Ecophyto 2018 plan.

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

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

At the end of 2012, the Grenelle Law, which generated nearly 45 decrees on waste-related matters, was largely completed.

(c) Chinese regulations

The State Council of the People's Republic of China in December 2011 approved the twelfth "Five-Year Plan on Environmental Protection," which sets out policies for the reduction of carbon emissions, pollution control and environmental risk management in China for the 2011-2015 period. China continues to reinforce its environmental policy and regulations to set higher standards, notably in marine, air and soil pollution, and the protection of groundwater, species and

natural habitats. Although this Plan is a high-level policy document which does not set legal requirements, it puts in place a wide range of policies to protect the environment in order to guide the provinces and municipalities, including the rules and new or revised objectives for the management and protection of the environment. The plan aims, in particular, to effectively protect drinking water resources in urban and rural areas by 2015. In 2010, China promulgated a special law on liability in the event of environmental damage that reverses the burden of proof and provides for various liability and compensation schemes.

In addition, on August 29, 2008, China passed a law promoting the circular economy, which provides for the implementation of the principle of producer responsibility in certain sectors, environmental labeling rules, tracking methods and national statistics, environmental criteria in public procurement, tax benefits for certain sectors and the creation of research and development funds. In particular, a common rule enacted on July 1, 2012 created a fund to finance the collection and treatment of waste electrical and electronic equipment (WEEE). Producers and importers of such products must contribute to the Fund by paying a fee. Finally, China's twelfth "Five-Year Plan for Energy Conservation and Emissions Reduction", published by the State Council on August 6, 2012, includes projects promoting the circular economy.

On policies to combat climate change, although it refused to accept binding, measurable, reportable and verifiable obligations on controlling greenhouse gas emissions in Durban in December 2011, China continues to take steps in this area. For example, to promote the development of green credit, on February 24, 2012 the China Banking Regulatory Commission issued guidelines that require financial institutions to promote green credit, increase their support for the green economy, recycling and low carbon production, in order to avert environmental and social risks.

(d) Australian regulations

Environmental matters in Australia traditionally fall within the jurisdiction of state governments rather than the federal government, and each state has its own air, water, soil and biodiversity protection regulations. However, the federal government has adopted a bill to deal with the issue of climate change at the national level.

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

The "Clean Energy Future" legislative package adopted on November 8, 2011 sets a price on carbon emissions. The main features of the package include:

- an Australian carbon tax that applies from July 1, 2012 to July 1, 2015 to about 300 companies, including landfill sites and wastewater treatment plants;
- an Australian emissions trading scheme, which will begin operating on July 1, 2015 and will be partly linked to the European Emissions Trading Scheme (EU ETS);
- a carbon-credit mechanism (the "Carbon Farming Initiative") for biogas capture at landfill sites and carbon sequestration linked to farming and forestry activities. Operational since December 2011, this mechanism should encourage organic waste recovery;
- a regulator tasked with administering the mechanism and overseeing the implementation of the law, as well as an independent authority in charge of climate change.

6.7.2 Regulations related to activities

6.7.2.1 Water

(a) European Regulations

Framework for an EU policy in the water sector

Directive 2000/60/EC establishing a framework for Community action in the field of water policy, as revised in 2008, is aimed at restoring the quality of groundwater and surface water by 2015.

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

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

The directive also sets forth a strengthened legal and institutional framework for the water resource management policy, which is very similar to the French system of management through large river basin districts.

Two European Commission progress reports on implementation of the directive, published on March 22, 2007 and April 1, 2009, specify this approach by recommending the drafting, by December 2009, of river-basin management plans combined with the set-up of programs of measures that must become operational by the spring of 2013 and that will help to achieve the directive's environmental targets by 2015. A roadmap that includes "A Blueprint to Safeguard Europe's Water Resources," expected for November 2012, should also offer Member States the tools to help them achieve these targets.

Directive 2000/60/EC is separated into two implementing directives (known as daughter directives) which specify the "good condition" to be reached for ground and surface water by 2015.

Directive 2008/105/EC, relative to environmental quality standards applicable to surface water, sets concentration thresholds for 33 chemical substances or groups of chemical substances identified as a priority because of the significant risk they present for the environment and/or for human health *via* the aquatic environment. Thirteen of these substances have been classified as hazardous; emissions of these substances into surface water must cease by 2021. The other substances are subject to national reduction targets, to be defined by the Member States. In addition, on January 31, 2012 the European Commission presented a proposal for a revised Directive which notably includes a list of 15 additional priority substances.

The goals of Directive 2006/118/EC on the protection of groundwater against pollution and deterioration are primarily the good chemical status of water and the prevention or limitation of the introduction of pollutants into groundwater. In France, the directive has been transposed within the context of the Law on Water and Aquatic Environments (LEMA No. 2006-1772 of December 30, 2006) and the corresponding regulatory measures amending the Environment Code.

Directive on drinking water

Directive 98/83/EC on the quality of water intended for human consumption has raised requirements in terms of several parameters (turbidity, chlorites, arsenic, volatile organohalogenates and nickel) and notably concerning lead (25 µg/l end-2003 and 10 µg/l end-2013), which means that eventually there may be no contact between drinking water and lead pipes, hence the replacement of all existing lead pipes and the work required in private and public properties to achieve this goal. It also raised requirements regarding public information on the quality of water distributed. After consulting the stakeholders concerned in 2003 and 2008, the Commission decided in 2011 not to revise this directive, and to restrict itself to amending the details in various annexes.

Directives on wastewater treatment activities

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

- efficient collection and secondary treatment of wastewater in municipalities with over 2,000 inhabitants;
- definition of "sensitive areas" at a national level, where treatment of nitrogen and/or phosphorus is required;
- the need for a high degree of reliability of wastewater treatment systems and the obligation to monitor these systems; and
- the option of using non-collective wastewater treatment "when the organization of a collection system is not justified, either because it is not in the best interests of the environment or because the cost would be excessive", provided that the system provides "an identical level of environmental protection."

Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources is intended to protect water resources, and requires the definition of "vulnerable areas" where codes of best agricultural practices must be established.

Directive 2006/07/EC concerns surface water that could serve as bathing water. Member States must provide for the supervision and assessment of their bathing water. Information regarding the classification, description of bathing water and potential water pollution must be easily accessible to the public and provided close to the area concerned.

Both Directive 2006/44/EC on the quality of fish farming water, and Directive 2006/113/EC on the quality required for shellfish farming water, apply to water that requires protection or quality improvement to be fit for raising fish and shellfish respectively.

(b) French regulations

In France, a number of laws regulate water pollution, and numerous public authorities are in charge of implementing them. Some discharges and various other activities that potentially have a negative impact on the quality of surface water or groundwater are subject to authorization or declaration. Public authorities must therefore be informed of any installation of a pumping system for groundwater that exceeds predetermined volumes and the law forbids, or limits, the release of various substances into water. Violation of these laws is subject to civil and criminal sanctions and the company may itself be held criminally liable.

Law No. 2006-1772 on water and aquatic environments, dated December 30, 2006, is intended to modernize the legal framework

for water management and improve water quality in order to achieve the objectives of good ecological and chemical status set forth in Directive 2000/60/EC by 2015. It is also intended to improve public water and wastewater treatment services (access to water and transparency).

The delays observed in the application of the directive on urban wastewater treatment (91/271/EEC) have required the government to step in where local authorities have been slow to comply. A program of measures and dedicated financing has been implemented within the context of the "Borloo Plan to standardize wastewater treatment in France's urban areas", to meet the goal of 100% compliance by all wastewater treatment plants before the end of 2011, as defined in the framework of the "Grenelle 1 Law". The targets were essentially met by the end of 2011, although work continues at some sites.

(c) Spanish regulations

In Spain, private contract law governing water, dating from 1879, was entirely superseded in 1985 by public provisions under which all surface and ground water was considered public property. The private use of such water requires a concession or administrative license. The Water Law of 1985 transposed all EU requirements contained in the previously adopted directives.

The water laws (RDLeg 1/2001 of July 20, 2001) also impose processes for water desalination and re-use, presented as solutions for increasing the availability of water resources. As for water conservation, the law introduces the general obligation to measure water consumption using standardized metering systems, or for an administrative definition of standard water use in irrigation.

To guarantee the good ecological status of water, the operating permits impose strict limits on authorized ecological flows and discharges.

(d) United States regulations

In the United States, the primary federal laws regarding water distribution and wastewater treatment services are the Clean Water Act of 1972, the Safe Drinking Water Act of 1974, and the regulations issued to implement these laws by the Environmental Protection Agency (EPA). Each state has the right to impose higher standards and stricter criteria than those established by the EPA, and several states have done so.

The main regulatory changes of the past few years are as follows:

In the drinking water sector, in 2002 the EPA adopted the Interim Enhanced Surface Water Treatment Rule for systems with more than 10,000 PE and the Long-Term 1 Enhanced Surface Water Treatment Rule for systems with less than 10,000 PE.

In 2006, the latter rule was updated to strengthen protective measures on contaminants that are required for high-risk public water systems. The EPA also strengthened the regulations on disinfection byproducts (Stage 2 Disinfectants and Disinfection Byproducts Rule). Finally, the Ground Water Rule establishes multiple restrictions designed to prevent drinking water from being contaminated by bacteria or viruses. The proposed revisions to the standards relating to coliform bacteria (Total Coliform Rule) should prompt those systems vulnerable to microbiological contamination to adopt more effective operating practices.

Since 2010, the EPA has developed a new strategy to protect public health against contaminants which promotes a "grouping" approach to contaminants, stimulates technological innovation and strengthens the implementation of existing legislation, such as the Toxic Substances Control Act (TSCA). In wastewater treatment, many facilities are now required to add a third treatment stage to remove phosphorus and eliminate nutrients in order to preserve fragile environments. Many of these are also now required to control their toxic emissions and comply with quality standards aimed at restoring favorable conditions for bathing and fishing in the receiving environment. As part of the national emissions licensing system, the EPA uses a method that analyzes total effluent toxicity. Under the provisions of the Clean Water Act, municipalities also have to invest in the renovation of their wastewater treatment infrastructures as well as in the reduction of flows at source, in order to improve control of discharges – rainwater and wastewater from sewers, in particular – into the natural environment.

(e) Chinese regulation

China has promulgated a law on the prevention and control of water pollution covering both groundwater and surface water. In addition, the twelfth "Five-Year Plan for Energy Conservation and Emissions Reduction" of August 6, 2012 provides for 10 key projects in this area, including:

- construction of wastewater treatment facilities;
- control and prevention of water pollution in the main river basins;
- desulfurization and denitrification.

6.7.2.2 Waste

In many countries, waste treatment sites are subject to laws that require service providers to obtain authorizations from public authorities to operate their sites. Obtaining these authorizations requires specific environmental and health impact studies to be submitted, together with a risk assessment for the facility concerned. Operators of landfills must provide specific financial guarantees (often in the form of bank guarantees) that cover the restoration

of the site and monitoring after its closure (for a 30-year period in most countries). Operators must also observe specific standards with respect to discharges and emissions arising from processes; incineration plants, for example, are subject to regulations intended to limit emissions of pollutants and to encourage energy recovery. Waste flows are also subject to specific regulations depending on their type.

(a) European Regulations

Waste Framework Directive

The new Waste Framework Directive (2008/98/EC) was published in the Official Journal of the European Union (OJEU) on November 22, 2008. This directive simplifies existing legislation by repealing the former directive on waste, the directive on hazardous waste and part of the directive on the disposal of used oils. Member States have two years to transpose the directive into national law.

By establishing a new framework for waste management services in Europe, European authorities wish to encourage national waste prevention programs and to promote recycling and recovery.

The new directive thus reinforces the principle of hierarchy in waste treatment methods, encouraging Member States to employ, in order of priority, prevention, reuse, recycling, energy recovery and finally – as a last resort – landfill. An analysis based on the "life-cycle" approach will, however, allow certain adjustments to be made within this hierarchy. At the same time, the Member States have been set ambitious recycling targets: 50% of municipal waste and 70% of non-hazardous construction and demolition waste by 2020.

The directive clarifies the definitions of recycling and recovery and recognizes incineration with energy recovery – if certain efficiency criteria are met – as a recovery operation. Lastly, it introduces two new notions: that of the byproduct and that of the "end-of-waste status"; regarding the latter, more precise criteria are currently being defined through the comitology process. This same process was also used in 2011 to define a method for measuring waste-recovery efficiency against targets.

Regulations relating to cross-border shipment of waste

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

The regulation provides for more rigorous performance measures. It requires Member States to carry out inspections and spot checks. It also authorizes physical controls of transferred waste, in particular the opening of containers, and requires Member States to notify the European Commission of their domestic legislation on illegal transfers and corresponding sanctions.

Directive on landfilling of waste

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

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

Industrial emissions directive

Directive 2010/75/EU on industrial emissions, published in the OJEU on December 17, 2010, incorporates Directive 96/61/EC on Integrated Pollution Prevention and Control (IPPC) along with six sector-based directives, including the directive on incineration (2000/76/EC) and the directive on limiting emissions of certain pollutants into the air from large combustion plants (2001/80/EC). Following a two-year deadline for transposition, the directive should come into effect in early 2014, or early 2016 for existing facilities.

Today, as a complement to the environmental thresholds put in place by the directive on the incineration and co-incineration of waste, the IPPC directive stipulates that certain industrial and agricultural activities – including waste management – must be

subject to prior authorization that requires certain environmental conditions to be met. Through the adoption of specific measures (for example: recycling, accident prevention and treatment of sites at end-of-life), and through meeting operating requirements (for example: emissions limits for polluting substances and monitoring of discharge), companies are responsible for prevention and reduction of the pollution they are likely to cause. The new directive introduces more stringent BREFs (best available techniques Reference Documents), modifies emissions limit values and broadens the scope of application to new types of facilities, including recycling facilities.

Directives relating to specific waste

Directive 94/62/EC aims to reduce the environmental impact of packaging and packaging waste. This directive established quantified targets for December 31, 2008 for the recycling and recovery of packaging used in the European market:

- a minimum of 60% of packaging waste must be reused or incinerated at energy recovery facilities;
- between 55% and 80% of packaging waste must be recycled;
- the following objectives must be met for materials contained in packaging waste: 60% for glass, paper and cardboard; 50% for metals; 22.5% for plastics and 15% for wood.

The directive was revised in 2004 to clarify the definition of the term "packaging," then again in 2005 to allow new Member States extra time for implementation.

Directive 2002/96/EC on waste electrical and electronic equipment (WEEE) imposes measures concerning product design, the establishment of collection, treatment and especially recovery systems and manufacturers' participation in these measures in such a way as to encourage them to integrate recycling measures into the design stage. The directive introduces the principle of extended producer responsibility, making it mandatory for them to fund collection from the drop-off sites and treatment, recovery and disposal of WEEE (for both households and businesses). These obligations are accompanied by quantified targets for selective collection, recovery and reuse.

Directive 2012/19/EU entered into force on August 13, 2012, amending the previous directive. Targets for collection rates were thus increased to 45%, by 2016, of the average household and commercial EEE on the market in the preceding three years, and 65% by 2019. In addition, recycling and recovery targets, currently set by equipment category at between 50% and 75% for reuse and recycling and between 70% and 80% for recovery, will be raised by 5% by 2018. Finally, the scope was expanded to include, in principle, all electrical and electronic equipment (with the exception of a few equipment categories that are specifically excluded).

Similarly, Directive 2011/65/EU on the Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment was published in the OJEU on July 1, 2011.

Directive 2006/66/EC lays down the rules for the collection, recycling, treatment and disposal of batteries and accumulators. It prohibits the sale of certain batteries containing mercury or cadmium in a proportion greater than a preset threshold, and sets two collection targets (25% minimum by September 26, 2012 and 45% minimum by September 26, 2016). This directive was amended by Directive 2008/12/EC, which came into force on March 30, 2008, and which specifically introduced changes in the implementing powers of the European Commission.

Directive 2000/53/EC on End-of-Life Vehicles (ELVs) requires owners of ELVs to return them to an authorized operator for destruction, on penalty of being unable to deregister their vehicle. Destruction involves extracting all materials and optimizing their reuse, recycling, or recovering what can be recovered. The recycling rate must reach 80% and the recovery rate 85% as from 2006, and 85% and 95% respectively by 2015.

Directive 86/278/EEC on the protection of the environment, and in particular of the soil, regulates the use of sewage sludge in agriculture, so as to avoid harmful effects on soil, plants, animals and humans. Thus, in order for sludge from wastewater treatment plants to be recovered for agricultural purposes, it must comply with traceability requirements with regard to organic compounds and the various metallic trace elements that it may contain (heavy metals such as cadmium, mercury or lead). French standard NFU 44-095, drafted in 2002 and now applicable in France, goes further, defining a strict framework for recovery into soil conditioner of remaining substances after composting, produced by the treatment of wastewater or by the organic portion of household waste.

(b) French regulations

In France, in compliance with Articles L. 511-1 *et seq*. of the ICPE (Environmental Code regarding Plants Classified for the Protection of the Environment), ministry and prefecture decrees and orders define the rules governing the treatment of waste. They specifically regulate the design, building, operation and monitoring after closure of these facilities. Hazardous waste is subject to strict tracking obligations throughout the entire treatment chain. Traceability of hazardous waste is provided by a waste tracking form (BSD). Energy recovery units are subject to numerous restrictions, notably limitations on emissions of pollutants. A third ICPE system that complements the reporting and authorization systems, known as the registration system, was introduced in 2009. It helps speed up the licensing process by replacing the public inquiry procedure with a public information process.

The waste management section of the Grenelle Law is largely completed. Its measures include the establishment of separate biowaste collection by large producers, a planning reform making waste management plans compulsory for construction projects and, lastly, the implementation of a greenhouse gas emissions analysis.

In addition, France now has nearly 20 Extended Producer Responsibility (EPR) mechanisms, with the most recent covering furniture waste, special household waste and medical waste.

6.8 GROUP ENVIRONMENTAL, CORPORATE AND SOCIAL RESPONSIBILITY POLICY

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

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

6.8.1 Environmental Policy

Due to the nature of its water and waste activities, the Group is involved in the following environmental issues:

- environmental preservation, involving: water, air, soil and public health, and control of potential impacts from the operation of water and waste treatment plants;
- mitigation and adaptation to climate change and reduction of greenhouse gas emissions;
- control of energy resources and the need to develop renewable energies;
- preservation of commodity resources and the need to develop, improve and diversify recycling processes;
- protection of biodiversity.

Regarding environmental protection, the services that SUEZ ENVIRONNEMENT offers its customers, local authorities and manufacturers, under concession contracts, are original in that waste and effluent are treated/purified, and any recoverable waste or energy recovered through a circular economy.

SUEZ ENVIRONNEMENT is thus a major contributor towards efforts to reduce pollution and hazards and to preserve resources and habitats.

Alongside this positive impact on the environment, there are nevertheless “negative contribution” aspects, as for all industrial activities, resulting from the operation of waste or water treatment centers, although they have a quantitatively lower impact on the environment. For this reason, they are governed by regulatory provisions applying to construction and operating activities, in order to protect the environment.

The remaining risks of impact on natural habitats and resources must be measured, monitored, and minimized in a process of continuous improvement, through proper environmental management of the facilities and processes used.

Potential environmental pollution or damage expose the Group to various risks, which are likely to generate additional costs, but also affect its image and reputation.

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

6.8.1.1 Environmental management

The Group has implemented a process aimed at improving its environmental management, minimizing the impacts of its activities and being proactive in its approach. Furthermore, complying with local, regional and national regulations is an ongoing concern:

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

- the Group constantly monitors the adequacy of all the plants and services it provides or manages to ensure that they meet the growing demands of environmental regulations. It also anticipates new legislation in order to meet the expectations of its customers and interested parties;
- it encourages its subsidiaries to implement their own environmental policies, based on their activities, local economic conditions, and the expectations of their industrial and municipal customers.

ENVIRONMENTAL RISK MANAGEMENT

SUEZ ENVIRONNEMENT takes special care in monitoring environmental risks. SUEZ ENVIRONNEMENT's environmental management is reviewed annually by the Board of Directors' Ethics and Sustainable Development Committee. Following the committee's recommendation and challenge, the Executive Committee approved a proposal to review this management.

As a result, a new Environmental Risk Management Policy was signed by the General Management in 2012, reaffirming the Group's commitment in this area.

This policy clarifies the respective roles of the business units and head office. It also aims to define the Group's rules for environmental management and to specify standards that are to be applied worldwide. The rollout of this policy began in 2012 and will continue in 2013.

Where risks are identified, action plans to minimize the potential impact of an incident or environmental accident are implemented and monitored until their conclusion.

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

ENVIRONMENTAL MANAGEMENT SYSTEMS CERTIFICATION

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

The indicators below show the extent of the Group's certifications and/or implementation of environmental management systems by activity:

Indicator	2012 data
Waste	
Household and municipal solid waste tonnage, treated by the Group, certified by an environmental management system (EMS)	37.5 MT
Portion of waste treatment activity covered by an environmental management system (EMS)	84.3%
Water	
Volumes covered (drinking water + wastewater treatment) by certification issued by an environmental management system (EMS)	6,089 Mm^3
Portion of activity covered by an environmental management system (EMS)	68%

ENVIRONMENTAL PROGRAM

The environment constitutes an integral part of SUEZ ENVIRONNEMENT's Sustainable Development Roadmap and strategy. The business units implemented Environment Programs applying to a share of their activity that represented 86.3% of the Group's 2012 revenues. These programs are defined in terms of measurable, time-bound objectives (planning, procedures, implementation, etc.). SUEZ ENVIRONNEMENT's environmental program is a vital component of the Sustainable Development Roadmap, encapsulated by four Priorities and 12 Commitments, all monitored through well-defined performance indicators.

Commitments relating specifically to the environment are set out in Priorities 1 and 2 of the Sustainable Development program:

Priority 1: Conserve natural resources and promote the circular economy

Maximize waste recycling and recovery rates by increasing the proportion of waste managed by the Group that is reused or recycled and recovered in the form of new materials, so as to minimize the impact of the product life cycle.

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

Priority 2: Innovate to meet environmental challenges

Reduce greenhouse gas emissions (metric tons-equivalent of CO_2) in order to play a part in the fight against climate change. To achieve this objective, the Group is not only reducing emissions from technical installations, vehicle fleets, and buildings that are essential to its business activities, but is also increasing its contribution to emissions avoided through recycling, energy recovery, and so on.

Improve energy efficiency by reducing the amount of power required by the Group's operations (consumption of fossil fuels, network energy consumption – electricity, natural gas, etc.).

Increase the production of renewable energy from energy recovery plants, sludge recovery or landfill biogas.

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

The table below shows the results of indicators audited by the statutory auditors:

Indicator	2012 data
Linear loss index for networks (XXX)	See 6.8.1.3
Installed capacity – Energy recovery (waste services) (XXX)	651 Mw
Total energy consumption as share of revenues (XXX)	683 Wh/€
Renewable energy generated (waste services + water and wastewater treatment) (XXX)	3,405 GWh
Direct and indirect GHG emissions (XXX)	7.17 M t CO_2 eq.

See meaning of (XXX) in section 6.8.1.8: Reporting methodology and scope.

A new Sustainable Development roadmap has been developed for 2013-2016.

EMPLOYEE TRAINING AND INFORMATION ON ENVIRONMENTAL PROTECTION

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

AN ORGANIZATION AND SYSTEMS FOR MEASURING AND CHECKING ENVIRONMENTAL AND OPERATIONAL PERFORMANCE

Since 2003 SUEZ ENVIRONNEMENT has employed a special reporting system to manage the deployment of its environmental actions, to control environmental risks and to keep stakeholders informed about its environmental performance and operating results. This system was developed, under GDF SUEZ's leadership, on the basis of recommendations resulting from work carried out in forums for international dialogue such as the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD). It complies with the provisions of the French NRE (New Economic Regulation) law.

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

The reporting exercise carried out in 2012 and the Group's practices in the area have continued, through a process of continual improvement, to improve the procedures for gathering and disseminating information, particularly on the environment. This information is also disseminated *via* SUEZ ENVIRONNEMENT's Annual Report and the reports published by its business units.

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

Indicators for measuring and improving environmental and operating performance are reported to headquarters, and the results are relayed to the operating managers. The indicators show the progress made and provides an overall view as well as specific views of each of the business units with comparable activities within the Group (benchmarking-type analysis).

This desire to make the environment an integral part of its management is supported by the Group's General Management and is implemented in the field by the operating teams.

In an annual Environmental Compliance letter, the CEOs and Environmental Officers of SUEZ ENVIRONNEMENT's business units and subsidiaries express their commitment to the following:

- An annual compliance review of the organization(s), under their responsibility, conducted in accordance with the principles of the GDF SUEZ Environmental Charter.
- Environmental and performance data conveyed through the reporting process, audited and deemed fair and consistent.
- Identification of significant and critical risks, establishment of appropriate action plans which are quantified and monitored.

6.8.1.2 Health protection

WATER: QUALITY MONITORING

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

Apart from this constant monitoring, the Group has procedures in place for managing health crises. Susceptible critical activities and personnel are identified to ensure service continuity.

Regulations defining quality standards are developed in response to the identification of new risks. France has been campaigning for several years to phase out lead pipe systems by 2013. The Group thus offers its customers replacements for lead pipelines and pipe systems: these additional works are the subject of contract renegotiations. However, the Group cannot exclude the possibility that this policy will be inadequate to achieve its targets due to the presence of lead in pipes for which its customers themselves are responsible and over which the Group has no control.

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

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

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

Indicator	2012 data
Waste:	
Quantity of leachates treated	3.1 Mm^3
Wastewater treatment	
Purification yield on organic substances in BOD	92%
Reuse of sludge recovered	71%

WASTE: CONTROLLING POLLUTING ATMOSPHERIC EMISSIONS

In the waste sector, emissions are controlled and constantly monitored. The main potential pollutants, particularly the dioxins emitted by household waste incinerators, are thus continually monitored, in accordance with the regulations in force.

The indicators below show the consolidated figures for the emission of major pollutants:

Indicator	2012 data
Incineration (non hazardous waste)	
SO_x emissions	385 t
NO_x emissions	4,291 t
Emissions of dust and particles	45 t
Hazardous waste treatment	
SO_x emissions	53 t
NO_x emissions	500 t
Emissions of dust and particles	20 t

WATER AND WASTE: LIMITING NOISE AND ODOR POLLUTION

SUEZ ENVIRONNEMENT (through its R&D, Innovation and Performance Department) has recently developed "NOSE", a service that objectively evaluates and models the impact of the olfactory footprint of wastewater collection and treatment activities and sites, sludge recovery and waste management on local residents.

This service enables the Group to suggest solutions for controlling the olfactory footprint, by keeping it below the level of two units of odor per m^3 ($UO.m^{-3}$) and thus meeting regulatory requirements (footprint below the threshold of five units of odor per m^3) when these exist.

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

6.8.1.3 Conservation of resources

WATER CONSERVATION

Population growth, changing eating habits and the resulting agricultural demand for water and the inadequacy of cleanup systems have resulted in growing pressure on water resources. In some regions, particularly those experiencing an increasing incidence of droughts, climate change risks adding to this pressure.

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

Reduction of water usage has received particular attention throughout the world, through demand management programs. These include infrastructure measures (reducing leaks) and other measures targeting user behavior: putting in place rate structures to encourage water saving, awareness campaigns to combat waste. In addition, the objectives of such programs increasingly exceed the mere optimization of economic efficiency (reducing costs of consumable materials), and include careful management of the resource as an end in itself. The use of "non-conventional" water resources is expected to grow significantly. In particular, the reuse of wastewater for agricultural and industrial purposes, the upkeep of public parks, and even the replenishment of groundwater reserves, is likely to increase significantly in the years to come.

Through its activities as a drinking water and wastewater treatment services operator, the Group's contribution to the protection of water resources and ecosystems falls into three specific categories:

- optimization of existing water resources by close status monitoring, ongoing precautionary sampling and encouraging users to consume water intelligently. The Group works to limit water wastage – since the resource is scarce and increasingly costly to produce, particularly in highly water-stressed regions – by reducing leaks in water distribution systems and improving yield. Furthermore, awareness initiatives encourage users to change their behavior and use water more responsibly;
- protection of water resources to prevent deterioration. Preventing pollution by controlling the quality of water released into the environment and by monitoring protected zones are key priorities in the protection of water resources;
- development of alternative sources by, for example, reusing water, replenishing water tables and desalinating seawater are options proposed where conditions so require.

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

Indicator	2012 data
Waste	
Water consumption for industrial use	9.6 Mm^3
Water (drinking water)	
Linear Loss Rate* (XXX)	11.5 m^3/km/day
Technical yield of drinking water supply networks	76.9%

* *Excluding Agbar: 8.7 m^3/km/day.*

See meaning of (XXX) in section 6.8.1.8.

SORTING AND RECYCLING

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

Indicator	2012 data
Number of sorting/recycling centers	373
Tonnage received in sorting centers	12.2 Mt
Tonnage of recovered material outgoing from sorting centers (excluding mono-flows)	8.8 Mt
Rejection rate	28%
Tonnage sent directly to recycling plants after collection (from waste collection centers, drop-off centers and transfer stations) without passing through a sorting/recycling center	3.4 Mt
Other flows of recycled materials returned to the market	4.5 Mt

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

In its waste recycling activities, SUEZ ENVIRONNEMENT has set itself the goal of improving its material and energy recovery rates from household and industrial waste in order to put continually increasing quantities of secondary raw materials, compost and energy on the market.

Sita is continuing to develop solutions for eliminating non-recoverable residual waste (which cannot be transformed into new resources) in conditions that respect the environment and are affordable.

SOIL REMEDIATION

As part of its operations, the Group is stepping up its efforts to clean up contaminated soil sent to it for treatment. A specialized subsidiary, Sita Remediation, provides soil decontamination and remediation services for the private and public sector. These treatments are conducted either *in situ* or by excavating and transporting the soil to the appropriate Group-owned facility. For example, Sita FD, a subsidiary of Sita France, has developed multimodal platforms capable of treating most of the pollutants encountered: hydrocarbons, non-biodegradable organic substances, organic materials and heavy metals.

Indicator	2012 data
Tonnage of soil treated/recovered	1,310,184 t

This treatment is performed under close environmental supervision and ensures traceability, which makes all parties in the chain more accountable.

6.8.1.4 Energy management

ENERGY EFFICIENCY

The issue of energy efficiency is addressed by Commitment 4 of the current Sustainable Development Roadmap: "Improve energy efficiency."

It should be noted that SUEZ ENVIRONNEMENT reports that its activities are increasingly energy-intensive due to improvements in the services rendered (more effective pollution treatment and a greater proportion of waste recovered), partly to tackle growing amounts of pollution (requiring ever more technical treatment solutions) and partly to meet the ever-increasing stringency of environmental regulations. Improving the energy efficiency of its processes is therefore a challenge.

The Group's contribution to reducing energy consumption leads to a reduction in greenhouse gas emissions. The Group strives to improve the energy efficiency of all processes it manages. Specifically, the Group focuses on reducing consumption linked to its treatment processes and waste collection and transportation activities, cleaning and wastewater treatment activities, for which it operates a fleet of nearly 12,200 trucks. It strives to reduce fuel consumption by optimizing collection rounds (frequency and distance travelled, for example), buying new engines, and training drivers to drive more economically.

RENEWABLE ENERGY

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

The total useful energy produced (sum of electrical energy produced and thermal energy sold) from incineration plants, methanization plants and biogas recovery from landfills and sewage plants, has increased in recent years to more than 5,500 GWh.

Some 6.66 million metric tons of household and municipal solid waste were incinerated, the energy from which was recovered in the form of 2,862 GWh of electricity produced and 1,960 thermal GWh sold.

This production should be compared with the electricity consumption of SUEZ ENVIRONNEMENT:

Indicator	2012 data
Electricity consumption (Waste)	587 GWh
Electricity consumption (Water)	4,170 GWh

6.8.1.5 Preventing climate change

REGULATORY FRAMEWORK FOR CLIMATE CHANGE

In recent years, there has been a significant increase in regulations on reducing emissions of CO_2 and other greenhouse gases at the global and European Union level in particular.

The institutional framework regulating carbon constraints is the result of the United Nations Framework Convention on Climate Change dated May 9, 1992, the Kyoto Protocol of December 11, 1997 and, in Europe, Directive 2003/87/EC of the European Parliament and of the Council of October 13, 2003 relating to the European Union Emissions Trading Scheme (EU ETS).

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

IMPACT ON WATER AND WASTE ACTIVITIES

Although the contribution of water and waste management activities to greenhouse gas emissions is modest, and the latter are not currently covered by restrictive regulatory provisions, the Group's companies play an active role in controlling such emissions. The Group believes that it has a responsibility to make every effort to avoid contributing to global warming.

Several French subsidiaries of SUEZ ENVIRONNEMENT are affected by Decree 2011-829 and are required to publish a report on their greenhouse gas emissions.

In Australia, the carbon tax on CO_2 emissions, which took effect on July 1, 2012, also covers waste management activities, a world first. The Group's waste activities in Australia are thus directly affected by this tax.

MITIGATION OF THE IMPACT OF GROUP ACTIVITIES ON CLIMATE CHANGE

More than three-quarters of SUEZ ENVIRONNEMENT's greenhouse gas emissions are related to its waste activities (virtually all of these

emissions being directly linked to landfill and waste incineration operations). The remainder, related to its water activities, consist mainly of indirect emissions linked to the electricity consumption of various processes. SUEZ ENVIRONNEMENT is therefore committed to curbing its emissions by:

- designing infrastructures that allow it to limit methane emissions through biogas capture at landfill sites (direct emissions);
- rethinking waste collection and facilities management.

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

Indicator	2012 data
Direct GHG emissions, waste sector	5.48 M t CO_2 eq.
Indirect GHG emissions, water sector	1.19 M t CO_2 eq.

Efforts to reduce energy consumption automatically lower greenhouse gas emissions. Additional efforts are being made to use alternative fuels that do not contribute as much to the greenhouse effect, such as biofuels and natural gas.

In addition, SUEZ ENVIRONNEMENT, through its efforts in material recovery (sorting and recycling) and energy recovery (incineration and landfill), helps other players to reduce their greenhouse gas emissions and thus contributes to avoided emissions.

Landfills are a major sector where the Group is active in combating climate change. Methane, which is released by the decomposition of fermentable waste, is a greenhouse gas with a greater warming potential than CO_2. It can be recovered to produce electricity, heat or fuel for vehicles. If not recovered, methane is at least captured and flared.

In 2012, the Group continued its efforts to improve and spread the capture and recovery of biogas from its landfills.

Indicator	2012 data
Proportion of waste disposed of in landfills equipped with a biogas collection and treatment system	94%

ADAPTING TO CLIMATE CHANGE

SUEZ ENVIRONNEMENT's businesses can provide solutions to the challenge of adapting to the impact of climate change. Water in particular lies at the heart of this issue. SUEZ ENVIRONNEMENT and its subsidiaries supply their customers with products and services in order to continue growing in a world constrained by the impact of global changes, particularly urban and climate change. Integrated water resources management, network yield maximization, alternative water resources development, safety and diversification and wastewater and rainwater management tailored to the constraints of the receiving environment are just some of the services offered by SUEZ ENVIRONNEMENT's subsidiaries. SUEZ ENVIRONNEMENT constantly strives to transfer its know-how in adaptation, particularly in emerging countries, which are hardest hit by the anticipated effects of climate change. Finally, SUEZ ENVIRONNEMENT contributes to the capacity building of administrative and technical water resources managers through its training and sponsorship programs. Established in 2009 at the Institut de France, the "Paris Tech – SUEZ ENVIRONNEMENT – Water for All" Business Chair aims to contribute to developing research and training for the advancement and dissemination of knowledge, know-how, operational management practices and the techniques needed to improve access to water and wastewater treatment in emerging and developing countries.

6.8.1.6 Protection of biodiversity and ecosystems

SUEZ ENVIRONNEMENT acts to protect biodiversity for local authorities and industry. The Group's activities in offering water and waste treatment solutions limit the physical, chemical and biological impact that human activities would have on the environment, if not for the treatments provided by the Group. Nonetheless, the Group increasingly incorporates the preservation of natural heritage into its sites' operating practices and carries out biodiversity impact assessments for all major developments. Biodiversity risk prevention plans are prepared for various sensitive sites in partnership with local stakeholders and organizations specializing in the protection of nature (MNHN – the French National Natural History Museum; FNE – France Nature Environnement; LPO – League for the Protection of Birds, etc.).

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

6.8.1.7 Environment-related expenditure

EXPENDITURE RELATED TO ENVIRONMENTAL PROTECTION

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

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

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

Indicator	2012 data
Provisions for closure and post-closure	€m561.8
Provisions for environmental risks	€m10.9
Provisions for dismantling non-nuclear facilities	€m12.0

EXPENDITURE RELATED TO ENVIRONMENTAL INCIDENTS

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

Indicator	2012 data
Formal complaints (related to incidents impacting the environment)	32
Convictions for environmental damage	3
Compensation paid as a result of convictions for environmental damage	€1,715,000

6.8.1.8 Reporting methodology and scope

SUEZ ENVIRONNEMENT operates a variety of business activities that rely on extremely varied technical processes: from waste collection and transfer with a fleet of several thousand vehicles, to chemical, thermal, biological and mechanical processes carried out at several thousand facilities. This broad technical diversity complicates the task of defining, distributing and smoothing indicators, as well as collecting and computing statistical data. SUEZ ENVIRONNEMENT is continuing its efforts to achieve greater rigor and provide reliable, audited data, in order to report on the continuous improvement of its performance.

METHODOLOGICAL FACTORS IN THE 2012 ENVIRONMENTAL REPORT

Regarding the environmental data published in this report, the following information should be noted:

1/ Scope

The figures published in this report relate exclusively to fully consolidated companies whose operations are controlled by SUEZ ENVIRONNEMENT. When a company becomes fully consolidated, 100% of its environmental data are incorporated, irrespective of the percentage held by the Group in its capital. The scope of consolidation is set on June 30 of each year. For transfers occurring after that date, the entity is expected to fill in the environmental questionnaire with the data available up until the date of transfer. Acquisitions made after June 30 are not normally taken into account, unless they involve entities of notable size that have a significant influence on the overall scope of consolidation.

Legal entities included within the scope of environmental reporting are those whose activity is relevant in terms of environmental impact (therefore excluding financial, construction and engineering entities). Water service management contracts such as those in Jeddah and Algiers are not included in the environmental reporting. Comparisons between reporting periods are made on a like-for-like basis.

Waste business

The report covers subsidiaries based in:

- Europe: Germany, Belgium, Finland, France (including overseas departments and territories), Spain, the United Kingdom, Ireland, Luxembourg, the Netherlands, Poland, Portugal, the Czech Republic, Romania, Slovakia, Slovenia, Sweden, and the hazardous industrial waste processing activities of France, Belgium, Germany, the Netherlands and Spain);
- Asia-Pacific: Turkey, China, Australia and the United Arab Emirates;

- North Africa: Morocco;
- North America: Canada.

Waste management includes collection, sorting and recycling, material, biological or energy recovery, incineration, landfilling, and the treatment of hazardous waste, including soil remediation.

Water business

The report covers contracts located in:

- Europe: Spain, France, the United Kingdom, Italy, Portugal, the Czech Republic and Slovakia;
- Asia-Pacific: Australia, Taiwan, New Zealand, Indonesia and India;
- North America: the United States and Mexico;
- South America: Chile and Colombia;
- North Africa and the Middle East: Morocco, Algeria, Egypt, Jordan and Qatar.

The report covers all the activities of the water cycle, including the treatment and distribution of drinking water, the collection and treatment of wastewater, as well as sludge treatment and energy recovery.

Data associated with activities not directly managed by SUEZ ENVIRONNEMENT are not presented or included in the calculations.

2/ Reporting tool

Since 2003, SUEZ ENVIRONNEMENT has been using a computer-based environmental reporting system, developed by GDF SUEZ in cooperation with the company Enablon. This software facilitates the management and documentation of the environmental reporting scope, the input, control and consolidation of indicators, the publication of reports, and finally the provision of the documentation needed to collect data and monitor the reporting progress.

3/ Procedures

Apart from defining the reporting scope, SUEZ ENVIRONNEMENT follows the procedures and instructions established by GDF SUEZ when compiling environmental information. These consist of a generic procedure and instructions to be applied at the appropriate stages of the reporting process. These procedures have been customized to create procedures and indicators for SUEZ ENVIRONNEMENT's specific needs.

A Group-wide network of environmental contacts and coordinators, appointed by the head of each reporting entity, is responsible for applying all of the procedures and instructions. The Group and subsidiary level procedures and instructions provide a detailed description of the various phases for collection, control, consolidation, validation and transfer of environmental data at different organizational levels; they also describe the rules for consolidation and define the reporting scope. They are supported by technical documents laying down methodological guidelines for calculating certain indicators.

All documentation is available through the online reporting tool.

4/ External control

For 2012, the Group engaged the specialized services of the statutory auditors to verify five environmental indicators (indicated by the symbol XXX) and obtain a reasonable assurance. The nature of the work and findings of the statutory auditors can be found in section 6.8.4 of this Reference Document.

6.8.2 Employee relations policy

The table below presents the employment-related disclosures as defined in the decree implementing Article 225 of the Grenelle II law and their corresponding sections in this Reference Document:

Subject/Disclosure	Corresponding chapter(s) and section(s)
Employment	
- the total number and breakdown of employees by gender, age and geographical area	- Chapter 17, section 17.2.1
- new hires and layoffs	- Chapter 17, section 17.2.2 (New Hires/Departures section)
- compensation and changes thereto	- Chapter 17, section 17.2.2 (Compensation section)
Organization of work	
- the organization of working time	- Chapter 17, section 17.2.2 (Working Hours/Absenteeism sections)
Employee relations	
- the organization of employee dialogue, including procedures for informing, consulting and negotiating with staff	- Chapter 17, sections 17.1.3 and 17.2.4
- review of collective bargaining agreements	- Chapter 17, sections 17.1.3 and 17.2.4
Health and safety	
- health and safety conditions at work	- Chapter 17, sections 17.1.5 and 17.2.2 (Workplace Safety section)
- review of agreements with trade unions or employee representatives on health and safety in the workplace	- Chapter 17, sections 17.1.5 and 17.2.2 (Workplace Safety section)
- accidents on the workplace, including their frequency and severity, as well as professional illnesses	- Chapter 17, section 17.2.2 (Workplace Safety section)
Training	
- training policies implemented	- Chapter 17, section 17.1.3
- total number of training hours	- Chapter 17, section 17.2.3
Equal opportunity	
- measures taken to promote gender equality	- Chapter 17, sections 17.1.4, 17.2.1 and 17.2.2 (Breakdown of employees by gender/Compensation) and 17.2.3
- measures taken to promote the employment and integration of the disabled	- Chapter 17, sections 17.1.4 and 17.2.2 (Disabled workers section)
- anti-discrimination policy	- Chapter 17, section 17.1.4

"Promotion of and compliance with the core conventions of the International Labour Organization" is discussed in the next section (chapter 6, section 6.8.3)

6.8.3 Corporate commitments to sustainable development

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS

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

As part of its operations in developing countries, SUEZ ENVIRONNEMENT is committed to achieving the Millennium Development Goals. Indeed, since 1990, the Group has connected another 12.8 million people to drinking water systems and provided 6.6 million more people with access to wastewater treatment services in developing countries.

In addition, as part of its activity, the company is committed to the operational implementation of the right to water and wastewater treatment. The Group's know-how, developed since its inception, in the Water for All program is applied locally by performing local diagnostics to find targeted solutions for disadvantaged and marginalized populations in countries in both the northern and southern hemispheres.

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

SUEZ ENVIRONNEMENT is committed to an ambitious employment policy, with the aim of offering young people from deprived neighborhoods one-to-one support so that they can find permanent work or become entrepreneurs in their own right. This commitment is reflected in the Group's "Equal opportunities, social progress and commitment" program, which promotes access to jobs and economic and social insertion. In this respect, SUEZ ENVIRONNEMENT has created "La Maison pour Rebondir" (literally: "Bounce-Back House", a halfway-house program) to support people in difficulty, to create social links and to energize economically depressed neighborhoods by helping young people to find steady jobs or set up their own businesses. This project, under which the first pilot House was created with the support of the SUEZ ENVIRONNEMENT Initiatives Fund, is consistent with the Group's public service commitment and its role as a partner of local authorities.

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

STAKEHOLDER RELATIONS

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

To broaden its thinking, in 2004 the Group set up the Foresight Advisory Council (FAC), which comprises 23 independent environmental and development experts of various nationalities. Twice a year, the Group's Management Board presents its strategy, research and initiatives to the FAC. The experts discuss the issues freely and formulate their own recommendations.

To make its stakeholder relations work, SUEZ ENVIRONNEMENT takes a structured approach and organizes regular consultation meetings, at all pertinent levels, to ensure that its corporate strategy matches the expectations of civil society. Since 2007, the Group has organized eight stakeholder sessions between the functional departments at head office and over 30 external stakeholders representing French and international civil society (associations, universities, unions, public institutions and ratings agencies). Its subsidiaries are also involved in this institutional review.

Locally the Group has developed tools to support managers and teams which are in the process of being deployed. These are designed to help local teams understand their territory, analyze the issues objectively, and build action plans that include partnerships and communications that meet the expectations of local players, regardless of the business line (water, wastewater treatment or waste) or type of contract (public service, plant operation, etc.).

LOBBYING

SUEZ ENVIRONNEMENT engages in ongoing dialogue with public institutions at the local, national, European, and international levels. As a part of its lobbying activities, the Group regularly communicates with European institutions through position statements, direct contact and participation in professional bodies and think tanks. The main issues addressed include such general subjects as public-sector contracts, adapting to and combating climate change, efficient management of natural resources, and sustainable production and consumption. They also cover issues that are more directly related to the Group's daily operations, such as the implementation of the Water Framework Directive, the Waste Framework Directive, the Industrial Emissions Directive, inspection of waste transfer operations, biowaste management, the regulatory framework for the use of sludge as agricultural fertilizer and the injection of biogas into the networks.

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

PARTNERSHIP AND SPONSORSHIP INITIATIVES

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

- urban environment and culture, through actions that promote urban socioeconomic development, cultural awareness and access to culture for all, as well as the economic and social insertion of young people in difficulty;
- environment and biodiversity, through actions focused on protecting the environment and biodiversity and on raising public awareness of these themes;
- solidarity, through:
  - the SUEZ ENVIRONNEMENT Initiatives Fund

    With a €4 million budget in 2011, 2012 and 2013, this endowment has several priorities:

    - support and assist with projects to provide access to basic services – water, wastewater treatment and waste management – for the poor in developing countries,

    - support urgent actions, especially through Aquassistance, the Group's employee volunteer association,

    - support and assist with projects to integrate disadvantaged populations, in France, through employment and training,

    - strengthen the skills of local players and disseminate their know-how through a flagship project: the SUEZ ENVIRONNEMENT Chair at ParisTech, "Water for All",

    - stimulate innovation, mainly through the SUEZ ENVIRONNEMENT Initiatives Award at the Institut de France.

    With its partners, the Fund ensures that conditions exist for lasting improvements to the living standards of populations concerned by the projects, and that the results are sustainable.

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

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

SUBCONTRACTING AND SUPPLIERS

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

The Group also operates a responsible procurement policy based on joint efforts to trim costs, reduce the company's environmental impact and require suppliers to comply with sustainable development clauses. Its responsible procurement policy has led to the creation of several tools and procedures for the Group and its operating entities:

THE SUEZ ENVIRONNEMENT CODE OF ETHICS, ETHICS HANDBOOK AND THE ETHICAL GUIDE TO SUPPLIER RELATIONS

- a sustainable procurement policy (Waste division)
- Lyonnaise des Eaux's sustainable procurement guide (Water division)
- a supplier evaluation questionnaire
- a social and environmental risk control initiative for SUEZ ENVIRONNEMENT's top 100 suppliers.

The contracts signed by SUEZ ENVIRONNEMENT subsidiaries with their suppliers now include environmental, corporate and social criteria that require suppliers to comply with the Group's Code of Ethics.

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

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

Finally, SUEZ ENVIRONNEMENT is helping to develop the protected and adapted sector through its responsible procurement policy. The Group's Disability Initiative involves growing the market share of our purchases in the protected sector (occupational rehabilitation centers and adapted businesses) by encouraging the Group's subsidiaries to use this sector when purchasing. The Disability Initiative also aims to support the French National Paralysis Association and the French National Disability Employers Association (HESSOR, D3E, printers, etc.) as well as to outsource certain local services (green spaces, administrative services, etc.).

ETHICS IN PRACTICE

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

HUMAN RIGHTS

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

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

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

Employees are asked to ensure that their actions and decisions or those of a colleague or Group entity do not injure the integrity or dignity of any person. The Group also strives to consistently defend human rights in sensitive situations, for example by upholding the rules on protection of property in sensitive regions of the world.

In this respect, all SUEZ ENVIRONNEMENT employees must ensure that their words and actions are non-discriminatory, particularly in terms of age, gender, ethnic, social or cultural origin, religion, political or union affiliation, lifestyle choice, physical characteristics or disability.

6.8.4 Statutory auditors' report on selected social, environmental and governance disclosures

For the attention of SUEZ ENVIRONNEMENT Group Executive Management,

Pursuant to your request and in our capacity as statutory auditors of SUEZ ENVIRONNEMENT COMPANY, we hereby present you with our report on the consolidated social, environmental and other sustainable development information presented in the management report and complemented by the Reference Document, prepared for the year ended December 31st, 2012 pursuant to Article L. 225-102-1 of the French Commercial Code (*Code du commerce*).

Responsibility of the Company

The Board of Directors is responsible for preparing a management report including the consolidated social, environmental and corporate information, complemented by the Reference Document, and provided for by Article R. 225-105-1 of the French Commercial Code (hereinafter the "Information"), prepared in accordance with the reporting criteria used by SUEZ ENVIRONNEMENT (the "Reporting Criteria") and available for consultation at the Environment and Performance Evaluation Department, the Human Resources Performance Department and the Health and Safety Department.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with deontological rules, professional standards and the applicable legal texts and regulations.

Responsibility of the statutory auditor

Based on our work, our responsibility is:

- to attest that the required Information is presented in the management report, included and complemented in the Reference Document, or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code and Decree no. 2012-557 of April 24, 2012 (Attestation of completeness);
- to express reasonable assurance on the fact that certain information selected by the Group and identified by the sign « XXX » in chapters 6.8 and 17.2 of the management report, complemented by the chapter 17.1 of the Reference Document, are presented, fairly, in all material aspects, in accordance with the Reporting Criteria;
- to express limited assurance on the fact that the other Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria.

To assist us in conducting our work, we referred to the corporate responsibility experts of our Firms.

ATTESTATION OF COMPLETENESS

We conducted the following procedures in accordance with professional standards applicable in France:

- we have compared the Information presented in the management report, included and complemented in the Reference Document, with the list set forth in Article R. 225-105-1 of the French Commercial Code;
- we have verified that the Information covered the consolidated scope, i.e., the Company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth in the methodological Note in chapters 6.8.1.8 and 17.2.5 of the Reference Document;
- in the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with Decree no. 2012-557 of April 24th, 2012.

Based on our work, we attest to the completeness of the required Information in the Reference Document which includes and completes the management report.

ASSURANCE REPORT

Nature and scope of procedures

We conducted our procedures in accordance with ISAE 3000 (International Standard on Assurance Engagements) and professional guidelines applicable in France.

We have carried out the following work:

- to obtain reasonable assurance on the fact that certain information selected by the Group and identified by the sign « XXX » in chapters 6.8 and 17.2 of the management report, complemented by the chapter 17.1 of the Reference Document, are presented, fairly, in all material aspects, in accordance with the Reporting Criteria (reasonable assurance report);
- to obtain limited assurance on the fact that the other Information in chapters 6.8 and 17.2 of the management report, complemented by the chapter 17.1 of the Reference Document, does not contain any material anomalies that would call into question its fairness, in all material aspects, in accordance with the Reporting Criteria.

We performed the following procedures:

- we assessed the appropriateness of the Reporting Criteria with respect to its relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector's best practices;
- we have verified the set-up within the Group of a process to collect, compile, process and check the selected information with regard to its completeness and consistency. We have familiarized ourselves with the internal control and risk management procedures relating to the compilation of the information. We have conducted interviews with individuals responsible for social, environmental and other sustainable development reporting;
- we have selected the consolidated information to be tested[(1)] and determined the nature and scope of the tests by taking into consideration their significance with respect to the social and corporate consequences relating to the activity and the Group's characteristics as well as its corporate commitments.
  - Concerning the consolidated quantitative information that we consider to be the most significant:
    - for the consolidating entity and controlled entities, we have set up analytical procedures and verified, using sampling techniques, the calculations as well as the consolidation of this information,
    - at the sites that we have selected[(2)] based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we have:
      - conducted interviews to verify the proper application of procedures and obtained information to perform our verifications,
      - conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with supporting evidence.
  - Concerning the consolidated qualitative information that we consider to be the most significant, we have conducted interviews and reviewed the related source documents to corroborate this information and assess its fairness. On the subject of fair practices, interviews were conducted only at the consolidating entity.
- regarding the other published consolidated information, we have assessed its fairness and consistency in relation to our understanding of the Group and, where necessary, through interviews or by consulting documentary sources.
- finally, we have assessed the relevance of the explanations relating to, where necessary, the absence of certain information.

For certain information selected by the Group and identified by the sign « XXX » in chapters 6.8 and 17.2 of the management report, complemented by the chapter 17.1 of the Reference Document, the degree of precision applied to the measurement and the more extensive nature of our work than that previously described, particularly in terms of the number of samplings, enable us to express reasonable assurance.

Comments on the Information

The reporting process requires the following comments:

- significant efforts have been made to strengthen controls at Group level. This internal control system must be implemented at the level of all entities involved in the reporting of environmental indicators;
- the strengthening of internal control on social information must be pursued for all entities, particularly on information related to occupational diseases, which only covers France, as specified in the methodological note.

(1) ***Information verified with reasonable assurance:*** *(the contribution to group data of selected entities is indicated in brackets): Installed capacity for energy recovery (88%); Useful renewable energy production (90%); Energy consumption vs. turnover (85%); Direct and indirect Greenhouse Gas emissions (85%); Drinking water distribution – Linear loss index (vs. total drinking water in the network) (92%); Workforce (52%); Managerial staff members (49%); Non-managerial staff members (52%); Share of women in the Group – Proportion of women in the workforce (54%); Proportion of women in managerial staff (51%); Number of training hours per person trained (55%); Percentage of trained workforce (53%); Voluntary turnover (58%); Frequency rate of occupational accidents (per working hour) (51%).*

Information verified with limited assurance *(the contribution to group data of selected entities is indicated in brackets): Demographic pyramid on permanent workforce (52%); Turnover (52%); Hiring rate (59%); Severity rate (30%); Number of fatal accidents (40%).*

(2) ***Environment:*** *Agbar (sites of Purton and Alicante), Degrémont (site of Milan San Rocco), LDE (site of Dijon-Longvic), United Water (sites of New-York and Devens), Sita France (BU, sorting center of Gennevilliers and incinerator of Lagny), ECOCAT (Martorell), Sita UK (BU, Central Processing review, sites of Sidegate Lane Landfill and Packington Landfill), Sita Deutschland (BU, Sita Süd review and sorting center of Bruchsal), Sita Polska (BU and site of Ryman Landfill), Sita Australia, Sita Waste Services.* ***Social:*** *Agbar, Lyonnaise des Eaux France, Lydec, Safege, Sita SRA Savac, Sita Centre-Ouest, Sita Sud-Ouest, Sita Australia, Sita CZ, Sita Deutschland, Sita Polska, Degrémont, Sita Sverige, Sita UK, United Water.*

Conclusion

Reasonable assurance

- During our work on the selected entities, we identified and requested the correction of several anomalies regarding the indicator “primary and secondary energy consumption related to revenue”. Therefore we are not able to assess if other anomalies are likely to affect untested elements of this indicator.

In our opinion, except for the effects of the matter described above, the Information identified by the sign « XXX » was prepared, in all material aspects, in accordance with the above-mentioned Reporting Criteria.

Limited assurance

Based on our work, we did not identify any material anomaly likely to call into question the fact that the other Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

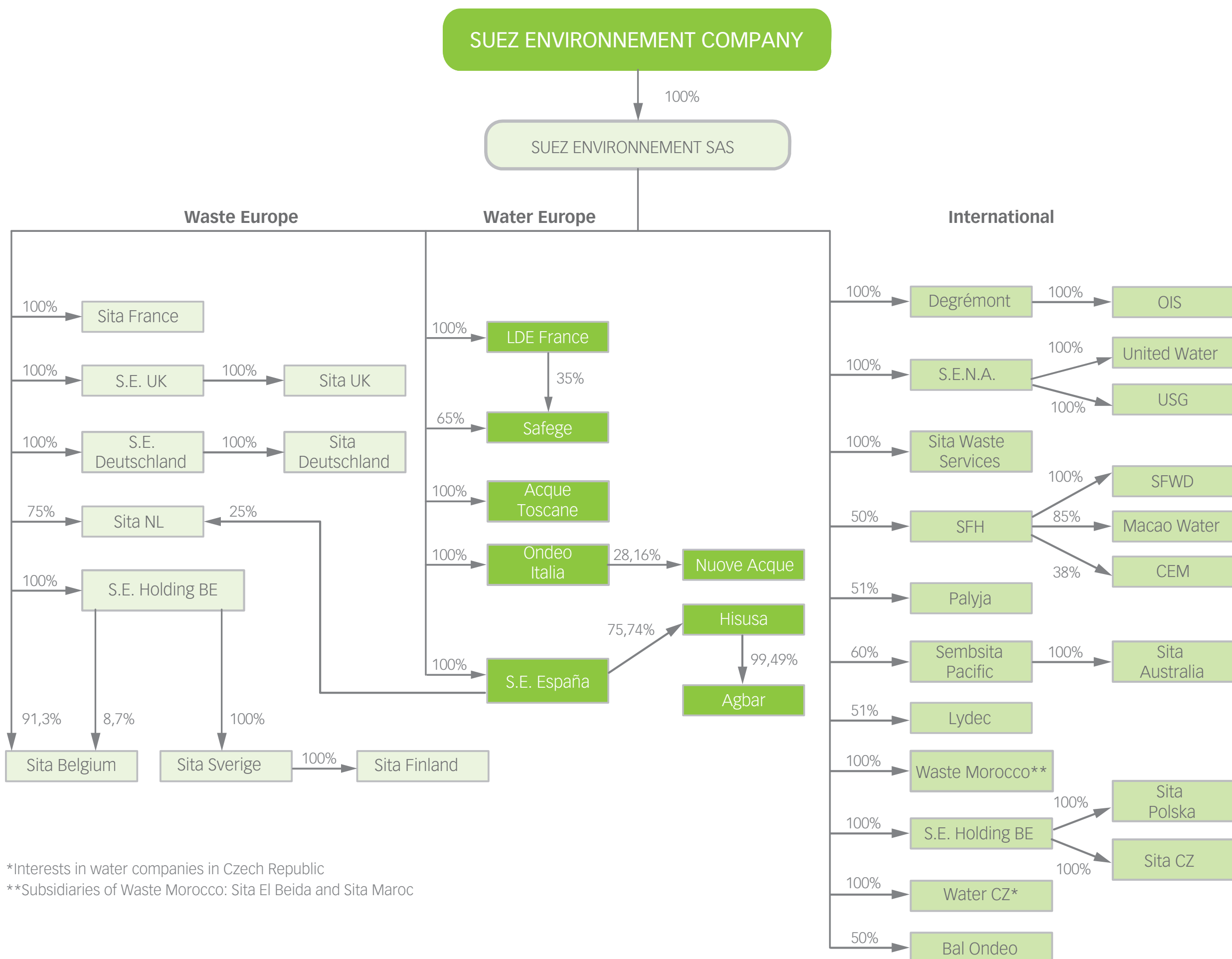
Courbevoie and Paris-La Défense, April 2, 2013.

The statutory auditors

Mazars		**Ernst & Young et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

7 ORGANIZATIONAL CHART

7.1 SIMPLIFIED GROUP ORGANIZATION AS OF DECEMBER 31, 2012



7.2 PRESENTATION OF THE GROUP'S MAIN SUBSIDIARIES

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

7.3 RELATIONS WITH SUBSIDIARIES

SUEZ ENVIRONNEMENT COMPANY is a holding company. As of December 31, 2012, its sole shareholding was 100% of the share capital of SUEZ ENVIRONNEMENT SAS. It carries the Group's bond debt (see section 10.3 of this Reference Document).

On January 1, 2008, a tax consolidation group was created in France between the Company and the subsidiaries in which it holds at least 95% of the capital. As a result of this tax group, SUEZ ENVIRONNEMENT COMPANY and each of the tax group member companies have entered into tax consolidation agreements. Every year, subsidiaries might leave or enter the tax group; in the latter case, new agreements are signed between SUEZ ENVIRONNEMENT COMPANY and each joining subsidiary.

The Group has established a centralized cash management system for its main French and international subsidiaries, which optimizes net cash positions at SUEZ ENVIRONNEMENT SAS level.

Other cash flows within the Group consist primarily of loans granted by SUEZ ENVIRONNEMENT SAS to some of its subsidiaries.

In addition to cash flows related to cash management and financings, SUEZ ENVIRONNEMENT SAS receives dividends from its subsidiaries; for fiscal year 2011, these dividends totaled €438 million, and were almost fully paid out in 2012.

In addition, SUEZ ENVIRONNEMENT SAS provides various types of services to the other Group subsidiaries, particularly administrative and financial services, as well as technical assistance. In exchange for these services, SUEZ ENVIRONNEMENT SAS bills the other Group's subsidiaries. In 2012, total compensation received by SUEZ ENVIRONNEMENT SAS in connection with these services was €108 million, versus €107 million in 2011.

8 REAL ESTATE AND EQUIPMENT

8.1 GROUP REAL ESTATE AND EQUIPMENT

The Group owns and operates several drinking water production plants, wastewater treatment plants, storage reservoirs and water distribution networks.

The Group also operates a number of waste incineration plants, mainly in Europe, as well as numerous landfills, primarily located in France, the United Kingdom and Australia.

Information on the main facilities and plants operated by the Group as of December 31, 2012, is provided in the table below:

Sector	Country	City/Area/State	Activity	Capacity
	Australia	Perth	Desalination Plant	155,000 m^3/day
		Sydney (PWP)	Production of drinking water	3,000,000 m^3/day
	Chile	Santiago	Production of drinking water	2,900,000 m^3/day
		Santiago	Wastewater treatment plant	1,340,000 m^3/day
	China	Baoding	Production of drinking water	260,000 m^3/day
		Changshu	Production of drinking water	675,000 m^3/day
		Chongqing	Production of drinking water	540,000 m^3/day
		Chongqing Tangjiatuo	Wastewater treatment plant	300,000 m^3/day
		Macao	Production of drinking water	330,000 m^3/day
		Qingdao	Production of drinking water	726,000 m^3/day
		Sanya	Production of drinking water	245,000 m^3/day
		Shanghaï SCIP	Treatment of industrial wastewater	266,000 m^3/day
WATER		Tanggu	Production of drinking water	280,000 m^3/day
		Tanzhou	Production of drinking water	150,000 m^3/day
		Tianjin	Production of drinking water	500,000 m^3/day
		Zhengzhou	Production of drinking water	300,000 m^3/day
		Zhongshan	Production of drinking water	950,000 m^3/day
	Colombia	Cartagena	Production of drinking water	405,000 m^3/day
	Egypt	Gabal El Asfar	Wastewater treatment plant	625,000 m^3/day
	Spain	Barcelone	Production of drinking water	933,000m3/day
		Granada	Production of drinking water	230,000 m^3/day
		Monte Orgegia	Wastewater treatment plant	60,000 m^3/day
		Murcia-ESTE	Wastewater treatment plant	121,000 m^3/day
		Rincon de Leon	Wastewater treatment plant	75,000 m^3/day
		Valladolid	Wastewater treatment plant	214,000 m^3/day

Sector	Country	City/Area/State	Activity	Capacity
	France	Aubergenville	Production of drinking water	140,000 m³/day
		Bordeaux	Production of drinking water	316,000 m³/day
		Cannes	Production of drinking water	242,000 m³/day
		Cannes	Wastewater treatment plant	225,000 m³/day
		Clos de Hilde	Wastewater treatment plant	100,000 m³/day
		Dijon	Production of drinking water	114,000 m³/day
		Dijon	Wastewater treatment plant	400,000 m³/day
		Grimonpont	Wastewater treatment plant	285,000 m³/day
		La Feyssine	Wastewater treatment plant	91,000 m³/day
		Le Pecq-Croissy	Production of drinking water	160,000 m³/day
		Louis Fargue	Wastewater treatment plant	135,000 m³/day
		Marseille (SERAM)	Wastewater treatment plant	325,000 m³/day
		Mont Valérien	Production of drinking water	115,000 m³/day
		Morsang	Production of drinking water	225,000 m³/day
		Nantes (Tougas)	Wastewater treatment plant	111,500 m³/day
		Nice (Haliotis)	Wastewater treatment plant	220,000 m³/day
		Strasbourg	Wastewater treatment plant	380,000 m³/day
		Valenton	Wastewater treatment plant	800,000 m³/day
WATER		Viry Chatillon	Production of drinking water	120,000 m³/day
	India	Bisalpur	Production of drinking water	400,000 m³/day
		Chembarambakkam	Production of drinking water	530,000 m³/day
		Rhitala	Wastewater treatment plant	182,000 m³/day
		Sonia Vihar	Production of drinking water	635,000 m³/day
		TK-Hali	Production of drinking water	400,000 m³/day
	Indonesia	Jakarta	Production of drinking water	490,000 m³/day
	Italy	Milan San Rocco	Wastewater treatment plant	777,600 m³/day
	Mexico	Aguakan	Production of drinking water	219,000 m³/day
		Ciudad Juarez	Wastewater treatment plant	320,000 m³/day
		Culiacan	Wastewater treatment plant	120,000 m³/day
	Czech Republic	Brno	Production of drinking water	245,000 m³/day
	United Kingdom	Bristol	Production of drinking water	545,000 m³/day
	USA	Haworth	Production of drinking water	610,000 m³/day
		Idaho	Production of drinking water	378,000 m³/day
		Indianapolis	Wastewater treatment plant	928,000 m³/day
		Jersey City	Production of drinking water	303,000 m³/day
		New Rochelle	Production of drinking water	340,000 m3/day
		New York	Production of drinking water	219,000 m³/day

Sector	Country	City/Area/State	Activity	Capacity
	Germany	Laar/Coevorden	Waste incineration	364,000 t/yr
		Zorbau	Waste incineration	300,000 t/yr
	Australia	Cairns	Composting	110,000 t/yr
		Eastern Creek	Non-hazardous landfill	550,000 t/yr
		Elizabeth Drive	Non-hazardous landfill	450,000 t/yr
		Lucas Heights	Non-hazardous landfill	575,000 t/yr
		Melbourne	Non-hazardous landfill	400,000 t/yr
		Mindarie	Pre-treatment of household waste	100,000 t/yr
		Sydney (EDL)	Hazardous and non-hazardous landfill	350,000 t/yr
		Wingfield	Pre-treatment of waste for RDF production	180,000 t/yr
	Belgium	Beveren ROX	Waste incineration	350,000 t/yr
		Bruxelles – Laken	Pre-treatment of household waste et commerciaux	200,000 t/yr
		Grimbergen	Treatment of polluted soil and hazardous waste	300,000 t/yr
		Lodelinsart	Pre-treatment of household waste	230,000 t/yr
		Sleco	Waste incineration lit fluidisé	466,000 t/yr
	China	Hong Kong – NENT	Non-hazardous landfill	810,000 t/yr
		Hong Kong – WENT	Non-hazardous landfill	2,150,000 t/yr
		Shanghaï SCIP	Waste incineration industriels spéciaux	60,000 t/yr
	France	Argenteuil	Waste incineration	185,000 t/yr
		Bègles	Waste incineration	255,000 t/yr
		Bessières	Waste incineration	170,000 t/yr
WASTE		Carrières sur Seine	Waste incineration	140,000 t/yr
		Créteil	Waste incineration	235,000 t/yr
		Gennevilliers	Pre-treatment of household waste	190,000 t/yr
		Hersin-Coupigny	Non-hazardous landfill	600,000 t/yr
		Issy-les-Moulineaux	Waste incineration	460,000 t/yr
		La Roche-Molière	Non-hazardous landfill	500,000 t/yr
		Lagny	Waste incineration	150,000 t/yr
		Les Aucrais	Non-hazardous landfill	300,000 t/yr
		Lyon	Waste incineration	150,000 t/yr
		Pont-de-Claix	Hazardous industrial waste incineration	70,000 t/yr
		Roussillon	Hazardous industrial waste incineration	115,000 t/yr
		Satolas	Non-hazardous landfill	300,000 t/yr
		Vedène	Waste incineration	180,000 t/yr
		Villeparisis	Hazardous landfill	250,000 t/yr
		Villeparisis	Treatment of polluted soil	60,000 t/yr
		Villers-St-Paul	Waste incineration	157,000 t/yr
		Ivry-sur-Seine	Waste incineration	670,000 t/yr
	The Netherlands	Roosendaal	Waste incineration	260,000 t/yr
		Rotterdam	Pre-treatment of household waste	250,000 t/yr
	Poland	Radom	Pre-treatment of industrial waste	95,000 t/yr
		Ryman	Non-hazardous landfill	220,000 t/yr
		Starol	Pre-treatment of industrial waste	160,000 t/yr

Sector	Country	City/Area/State	Activity	Capacity
WASTE	Czech Republic	Spovo	Hazardous waste incineration	18,000 t/yr
		Usti	Hazardous and non-hazardous landfill	75,000 t/yr
	United Kingdom	Billingham-Teesside	Waste incineration	193,000 t/yr
		Cleveland	Waste incineration	263,000 t/yr
		Clifton Marsh	Non-hazardous landfill	525,000 t/yr
		Fareham	Pre-treatment of non hazardous waste	300,000 t/yr
		Kirklees (Huddersfield)	Waste incineration	136,000 t/yr
		Packington	Non-hazardous landfill	1,400,000 t/yr
		Path Head	Non-hazardous landfill	120,000 t/yr
		Sidegate Lane	Non-hazardous landfill	100,000 t/yr
		Stoneyhill	Non-hazardous landfill	100,000 t/yr
		Whinney Hill	Non-hazardous landfill	700,000 t/yr
	Sultanate of Oman	Mascate	Non-hazardous landfill	200,000 t/yr
	Taiwan	Ren Wu	Waste incineration	380,000 t/yr

The Group also has numerous assets, particularly for its water business, which are governed by service agreements with a limited term and under which the Group carries out most of its operations.

At the beginning of a project, the client awards the Group the right to use pre-existing buildings and facilities, which are made available for the duration of the contract. Any initial investments, at least specific investments, are generally subject to a clause that provides for return to or takeover by the client or the Group's successor once the contract has ended. For the duration of the contract, and depending upon the legal systems involved, the Group may or may not be the legal owner, but it almost always controls the assets needed for the operations and provides for their maintenance and renewal, as necessary.

8.2 ENVIRONMENTAL CONSTRAINTS THAT MAY AFFECT THE GROUP'S USE OF ITS FIXED ASSETS

Environmental issues that may affect the use of the various facilities fully owned or operated by the Group are described in section 6.8.1 of this Reference Document.

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The following financial review for the Group should be read in conjunction with the consolidated financial statements set out in section 20.1 of this document.

9.1 GENERAL INFORMATION

9.1.1 Introduction

In 2012, in an adverse economic climate, SUEZ ENVIRONNEMENT posted **revenue growth** of +1.8%.

Current operating income rose sharply, by +10.2%, although **EBITDA** declined by -2.5%. The slower growth in EBITDA compared to current operating income is mainly explained by the impact of increased costs and provisions booked on the Melbourne desalination plant contract. The COMPASS cost reduction program contributed €150 million in 2012.

Net income Group share was €251 million, down -€72 million against 2011. This decline was primarily due to higher gains on disposals and remeasurement (in accordance with revised IFRS 3) in 2011 than in 2012 and to higher restructuring charges in 2012 related to the acceleration of the cost reduction program.

Free cash flow[1] before disposals and development capex was €1,358 million, up +58% versus 2011. Working capital requirement fell sharply this year (€305 million).

Net financial debt amounted to €7,436 million as of December 31, 2012, down slightly (-1.7%) year-on-year. The increase in free cash flow compared to 2011 funded all development capex. Net debt amounted to 108.4% of total equity at the end of 2012 versus 109.3% at the end of 2011. Net debt/EBITDA stood at 3.0 at December 31, 2012, unchanged from 2011.

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2012 to pay a cash dividend of €0.65 per share, totaling €331 million[2], subject to approval by the Shareholder's Meeting on May 23, 2013.

9.1.2 Significant events in the period

SALE OF EURAWASSER

On February 13, 2012, SUEZ ENVIRONNEMENT finalized the sale of its German subsidiary Eurawasser, which specializes in drinking-water distribution and wastewater services, to the Remondis group. Announced in December 2011, the transaction for a consideration of €95 million received the approval of the relevant antitrust authorities.

SUEZ ENVIRONNEMENT AND RWE SIGN AN AGREEMENT WITH THE CITY OF BUDAPEST TO PURCHASE THEIR INTEREST IN BUDAPEST WATER WORKS

In accordance with the preliminary agreement signed on April 16, 2012, SUEZ ENVIRONNEMENT and RWE sold their respective 25% stake in Budapest Water Works, acquired in 1997, to the city of Budapest on June 29, 2012.

(1) The Group uses the free cash flow indicator to measure cash generated from existing operations before development capex. The reconciliation of cash generated from operations before financial expenses and income tax with free cash flow can be found in section 9.3.1 of this document. Total free cash flow in 2011 was €860 million.

(2) Based on the number of shares as of December 31, 2012, excluding treasury shares.

This amicable agreement was an outcome of the city's wish to directly manage the water service operations and was signed in accordance with the terms of the contract.

INTERMEDIATED TENDER OFFER ON THE 2014 BOND AND NEW BOND ISSUE

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

On the same day, SUEZ ENVIRONNEMENT COMPANY further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 and bearing a fixed coupon of 4.125%.

The 2014 tranche was hedged by "fixed-to-floating" swaps, qualified as fair value hedges that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by "fixed-to-floating" swaps, also qualified as fair value hedges.

MELBOURNE DESALINATION PLANT CONTRACT

An additional provision of €83 million was recognized at June 30, 2012 for the construction of the Melbourne desalination plant. This provision was mainly intended to cover the additional costs and various contingencies related to the complex local and contractual situation.

Construction of the plant was completed in the second half of 2012, which meant that all contractual milestones for the plant's progressive delivery were achieved:

- provisional commercial acceptance on September 29 and delivery of a volume of 150,000 m^3/day;
- commercial acceptance on November 17, confirming the achievement of full production capacity (450,000 m^3/day);
- reliability Testing Finalization ("RTF") on December 17, following the success of reliability testing.

On this basis, and given the lifting of certain contingencies, the Group reversed a portion (€20 million) of the provision booked on June 30, 2012. For the full year, the impact on current operating income (EBIT) was a loss of €63 million.

The plant's operation and maintenance will be handled by the joint venture between Degrémont (60%) and Thiess (Leighton Group) (40%) for the next 27 years.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe, however, that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them. A first compensation claim has been lodged on January 30, 2013, by Aquasure with the Victoria's State regarding the impacts of extraordinary climatic problems during the project completion.

SALE OF UNITED WATER CONNECTICUT (USA)

On September 4, 2012, United Water, a subsidiary of SUEZ ENVIRONNEMENT, completed the sale of its regulated water activities in Connecticut to the Aquarion Water Company for US$37.6 million.

SALE OF ALTISERVICE

SUEZ ENVIRONNEMENT, through its subsidiary Lyonnaise des Eaux France, sold 100% of its stake in Altiservice, a company that operates mechanical lifts at ski resorts in the French Pyrenees, to the COGAC company, a subsidiary of GDF SUEZ.

AGREEMENT TO SELL PT PAM LYONNAISE JAYA

SUEZ ENVIRONNEMENT signed an agreement on October 18, 2012 to sell its 51% interest in PT PAM Lyonnaise Jaya to Manila Water Co.

The transaction remains subject to obtaining government approvals.

PT PAM Lyonnaise Jaya has been responsible for water management in West Jakarta since 1998 under a 25-year agreement with PAM Jaya, a company controlled by the Province of Jakarta.

GLOBAL GDF SUEZ BONUS SHARE ALLOCATION PLAN

On October 30, 2012, the GDF SUEZ Board of Directors decided to implement a new bonus share allocation plan to benefit its employees, including those of SUEZ ENVIRONNEMENT, who will thus eventually receive 15 GDF SUEZ shares each.

The terms of this plan are disclosed in Note 21 "Share-based payments".

9

9.2 ANALYSIS OF INCOME STATEMENTS

9.2.1 Explanations on main income statement items

REVENUES

Revenues generated by water supply are based on volumes delivered to customers that are either individually metered and invoiced or estimated based on the output of the supply networks.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice or is sent in a separate invoice to the local authorities or industrial client.

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

Revenues from other forms of waste treatment (primarily sorting and incineration) are based on volumes processed and services rendered by the operator, plus the additional revenues from recovery operations, such as the sale of raw materials for sorting centers (paper, cardboard, glass, metals, plastics etc.) and the sale of energy (electricity or heat) for incinerators.

Revenues from engineering, construction and service contracts are determined using the percentage of completion method. Depending on the contract concerned, the stage of completion may be determined according to either the proportion that costs incurred to date represent in the estimated total cost of the contract or the physical progress of the contract, based on such factors as contractually defined milestones.

PURCHASES

Purchases primarily include purchases of unpurified water intended for treatment prior to delivery to customers, as well as purchases of equipment, parts, energy, combustibles and recyclable materials.

OTHER OPERATING INCOME AND EXPENSES

Other operating income includes reinvoicing direct charges and overheads.

Other operating expenses primarily include costs relating to subcontracting and other external services, maintenance and repair costs for waste collection and treatment equipment, production costs, water and waste treatment costs and administrative costs. This item also includes other routine operating expenses such as rental expenses, external personnel costs, commissions and fees to intermediaries, and taxes other than corporate income tax.

CURRENT OPERATING INCOME

Current operating income is an indicator used to present a certain level of operating performance. It is a subtotal that facilitates interpretation of the Group's performance by excluding elements which, in the Group's view, are insufficiently predictable due to their unusual, irregular or non-recurring nature. These elements relate to asset impairments, disposals, scope effects, restructuring costs and mark-to-market of trading instruments.

EBITDA

The Group uses EBITDA to measure its operating performance and capacity to generate operating cash flows.

EBITDA is not defined in IFRS and does not appear directly in the Group's consolidated income statement. Current operating income can be reconciled with EBITDA as follows:

Current operating income
- Depreciation, amortization and provisions
- Share-based payments (IFRS 2)[a]
- Net disbursements under concession contracts[b]
EBITDA

(a) This item includes the allocation of stock options, bonus shares and payments made by the Group in relation to Company savings plans (including employer's matching contributions or matching shares).

(b) This item corresponds to the sum of the renewal expenditure relating to concessions and to the evolution of assets and liabilities for concession renewals.

The reconciliation of current operating income to EBITDA for 2012 and 2011 is set out in Note 3.4 to the consolidated financial statements.

9.2.2 Comparison of fiscal years ended December 31, 2012 and 2011

In millions of euros	2012	2011
Revenues	15,101.6	14,829.6
Purchases	(3,486.9)	(3,439.5)
Personnel costs	(3,764.4)	(3,663.3)
Depreciation, amortization and provisions	(1,036.0)	(1,178.8)
Other operating income and expenses	(5,668.5)	(5,508.6)
CURRENT OPERATING INCOME	**1,145.8**	**1,039.4**
Mark-to-market on operating financial instruments	3.5	(4.5)
Impairment on property, plant and equipment, intangible and financial assets	(87.5)	(69.0)
Restructuring costs	(78.4)	(39.9)
Scope effects	63.5	122.4
Other gains and losses on disposals and non-recurring items	5.2	43.4
INCOME FROM OPERATING ACTIVITIES	**1,052.1**	**1,091.8**
Financial expenses	(563.5)	(557.4)
Financial income	144.3	152.6
NET FINANCIAL INCOME	**(419.2)**	**(404.8)**
Income tax	(185.7)	(174.2)
Share in net income of associates	22.4	37.4
NET INCOME	**469.6**	**550.2**
OF WHICH NON-CONTROLLING INTERESTS	**218.2**	**227.4**
NET INCOME GROUP SHARE	**251.4**	**322.8**

OTHER INCOME STATEMENT ITEM

In millions of euros	2012	2011
EBITDA	2,450.0	2,512.9

REVENUES

In millions of euros	2012	2011	Change	% change
Water Europe	4,325.2	4,205.7	119.5	2.8%
Waste Europe	6,542.3	6,416.6	125.7	2.0%
International	4,219.7	4,197.2	22.5	0.5%
Other	14.4	10.1	4.3	41.7%
REVENUES	**15,101.6**	**14,829.6**	**272.0**	**1.8%**

SUEZ ENVIRONNEMENT posted revenues of €15,102 million in 2012, up 1.8% versus 2011. This €272 million increase breaks down as follows:

- organic growth of €48 million (+0.3%) driven mainly by the Water Europe segment. Water Europe saw the strongest growth (+3.3%), mainly due to a positive price effect and growth of the "New Solutions" activity. Waste Europe posted organic growth of +0.1% with rising activity in France and the UK/Scandinavia, offset by a slight decline in the Benelux/Germany area. Finally, despite the dynamism of the Asia-Pacific region, the International segment was down (-2.4%), mainly due to the slowdown in Degrémont's activity, largely as a result of the completion of the Melbourne plant;
- negative scope effects of -€83 million, resulted mainly from the Water Europe segment with the sale of 70% of Bristol Water's regulated activities in 2011, and of Eurawasser in 2012;
- positive translation adjustments of €306 million, due to the appreciation of major currencies against the euro (US dollar, Australian dollar, British pound, Chilean peso).

As of December 31, 2012, the Group generated 36% of its revenues in France and 31% outside Europe.

Water Europe

The Water Europe segment contributed €4,325 million to Group revenues in 2012, up €119 million (an increase of 2.8%).

Water Europe posted organic revenue growth of +3.3% (+€137 million) thanks to:

- organic growth of +4.2% at Lyonnaise des Eaux (+€95 million). This growth was driven by a positive price effect on concession contracts and the dynamism of the "New Solutions" activity;
- organic growth of +2.2% at Agbar (+€42 million), essentially driven by water price rises in Spain and Chile, increased volumes in Chile, and the dynamism of the "New Solutions – Aqualogy" activity. These positive factors were partially offset by a decline in civil works activity in Spain.

The negative scope effect of -1.6% (-€67 million) was primarily due to the sale of 70% of Bristol Water's regulated activities in 2011 and of Eurawasser in 2012.

Changes in foreign currencies against the euro had a positive impact on revenues (+€50 million or +1.2%) due mainly to the appreciation of the Chilean peso.

Waste Europe

The Waste Europe segment contributed €6,542 million to Group revenues in 2012, up +€126 million (+2.0%) versus 2011.

Organic growth of +0.1% (+€8 million) thanks mainly to:

- the increase in activity on energy recovery, with volumes up +4.6%;
- the reduction of landfilled volumes (-9.5%) due to the global slowdown in industrial activity.

Revenues were up in France (+0.7%; +€25 million) and the UK/Scandinavia (+1.3%; +€16 million), but down in Benelux/Germany (-2.0%; -€33 million).

Overall, the total volumes treated by the Group in Europe were down -2.5% in 2012 due to the effects of the global economic slowdown on this region.

Changes in foreign currencies against the euro had a positive impact on revenues (+€68 million or +1.1%) due mainly to the appreciation of the British pound.

International

The International segment contributed €4,220 million to Group revenues in 2012, up +€23 million (+0.5%) versus 2011.

Organic growth fell by -€100 million (-2.4%), reflecting the following trends:

- organic decline at Degrémont (-€238 million or -15%) due to construction finishing on the Melbourne desalination plant (-€86 million), and the completion of certain Design & Build contracts in France and the Middle East;
- continuing dynamic activity in the Asia-Pacific region (+€110 million, +10.0%). In Australia, growth in both collection and treatment activities was mainly driven by higher prices. In China, activity continued to be sustained by increased volumes in the industrial water market, as well as by growth in the volumes of electricity sold in Macao. Waste activities grew in China, driven by index-linked price increases as well as commercial development in the region;
- growth in the Central Europe/North Africa/Middle East region (+€17 million; +1.9%), with robust growth in Morocco and Poland offset by a decline in Algeria;
- growth in North America (+€11 million; +1.7%) with stable volumes and a positive price effect on regulated activity.

Changes in foreign currencies against the euro had a positive impact on revenues (+€188 million or +4.5%) due mainly to the appreciation of the US and Australian dollars.

Other

The Other segment contributed €14 million to Group revenues in 2012, versus €10 million in 2011.

OPERATING EXPENSES

Purchases

Purchases amounted to €3,487 million in 2012, up +€47 million (+1.4%) compared to 2011. Purchases primarily include purchases of unpurified water intended for treatment prior to delivery to customers, as well as purchases of equipment, parts, energy, combustibles and recyclable materials.

Personnel costs

Personnel costs were €3,764 million in 2012, up +€101 million (+2.8%) versus 2011 (for a breakdown of personnel expenses, see Note 4.2 to the consolidated financial statements found in chapter 20 of this Reference Document).

Depreciation, amortization and provisions

Net allowances to depreciation, amortization and provisions amounted to €1,036 million in 2012, down -€143 million from 2011. This change is mainly due to the reversal of a provision on the construction of the Melbourne desalination plant.

Other operating income and expenses

Other operating income and expenses were -€5,669 million in 2012, up +€160 million versus 2011.

CURRENT OPERATING INCOME

In millions of euros	2012	2011	Change	% change
Water Europe	581.9	608.3	(26.4)	-4.3%
Waste Europe	309.4	387.7	(78.3)	-20.2%
International	323.1	130.8	192.3	147.0%
Other	(68.6)	(87.4)	18.8	21.5%
CURRENT OPERATING INCOME	**1,145.8**	**1,039.4**	**106.4**	**10.2%**

The Group's current operating income was €1,146 million in 2012, up +€106 million on 2011. This growth breaks down as follows:

- organic growth of +€132 million (+12.7%) mainly from the International segment (€197 million), whose current operating income was significantly impacted in 2011 by additional costs recognized by Degrémont on the contract for the Melbourne desalination plant (-€262 million). For the full year 2012, the contract's negative impact on current operating income was -€63 million. Organic growth was also positive in the Water Europe segment (+€8 million) and the Other segment (+€15 million). This positive impact was offset by the weak performance of the Waste Europe segment (-€88 million), impacted by a slowdown in industrial production in Europe which resulted in lower volumes treated;
- scope effects (mainly in Water Europe) which were negative overall (-€45 million);
- a positive currency effect of +€19 million (due to the appreciation of all major currencies against the euro).

Water Europe

Water Europe contributed €582 million to the Group's current operating income in 2012, down -€26 million (-4.3%) on 2011.

This was due to negative scope effects (-€53 million, including the sale of 70% of Bristol Water's regulated activities in 2011 and of Eurawasser in 2012), offset by a positive currency effect of +€19 million. Organic growth stood at +€8 million, mainly due to price increases.

Waste Europe

The contribution of the Waste Europe segment to the Group's current operating income in 2012 was €309 million, down -€78 million (-20.2%) on 2011. This change was due to a combination of negative organic growth (-€88 million), scope effects (+€7 million) and positive currency effects (+€3 million).

Negative organic growth is mainly due to the decline in volumes treated in a sluggish economy and, to a lesser extent, falling prices of secondary raw materials (paper and metal) in 2012.

International

The International segment contributed €323 million to the Group's current operating income in 2012 (+€192 million; +147% on 2011).

The International segment's contribution to current operating income was significantly higher than in 2011, which was impacted by the Melbourne desalination plant contract (-€262 million impact on 2011 current operating income). Excluding the impact generated by Melbourne, growth of the International segment was negative (-1.2%), primarily due to the completion of certain contracts in France and the Middle East.

Current operating income of the International segment saw organic growth of +€197 million (+151%) with a negative exchange difference (-€2 million).

EBITDA

In millions of euros	2012	2011	Change	Change in %
Water Europe	1,182.7	1,212.5	(29.8)	-2.5%
Waste Europe	799.8	880.7	(80.9)	-9.2%
International	504.1	470.9	33.2	7.1%
Other	(36.6)	(51.2)	14.6	28.5%
EBITDA	**2,450.0**	**2,512.9**	**(62.9)**	**-2.5%**

The Group's EBITDA was €2,450 million in 2012, down -€63 million (-2.5%) compared to 2011, with negative organic growth of -2.3%.

INCOME FROM OPERATING ACTIVITIES

Income from operating activities in 2012 was €1,052 million, down -€40 million from 2011. The main items are detailed below.

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

Impairment on property, plant and equipment, intangible and financial assets for 2012 totaled -€87 million, up +€18 million compared to 2011.

In 2012, this was mainly attributable to the Water Europe segment (-€65 million, including a -€60 million charge following the remeasurement at fair market value of Acea shares) and to the Waste Europe segment (-€23 million).

Restructuring costs

In 2012, restructuring costs totaled -€78 million, against -€40 million in 2011. This item mainly reflects the costs associated with restructuring plans agreed by Agbar in Spain and by Degrémont (mainly in France), and the costs of adaptation plans approved for the Waste Europe segment based on the slowdown in activity.

Asset disposals and scope effects

Gains on asset disposals and scope effects generated proceeds of +€68 million in 2012, against +€166 million in 2011. In 2012, most of this gain came from the sales of Eurawasser (+€34 million) and Altiservice (+€18 million). In 2011, this mainly consisted of a gain on disposal before taxes and non-controlling interests of 70% of Bristol Water's regulated activities (+€88 million) and a gain on disposal of Degrémont's headquarters in France (+€34 million).

NET FINANCIAL INCOME

In millions of euros	2012	2011	Change	Change in %
Cost of net debt	(410.6)	(397.1)	(13.5)	-3.4%
Other financial income and expenses	(8.6)	(7.7)	(0.9)	-11.7%
NET FINANCIAL INCOME	**(419.2)**	**(404.8)**	**(14.4)**	**-3.6%**

The Group posted net financial income of -€419 million in 2012, a decline of -€14 million versus 2011 due to an increase in the cost of net debt (see Note 6 to the consolidated financial statements).

The cost of net debt was -€411 million, versus -€397 million in 2011, with an average rate of 5.08%, versus 5.19% in 2011. This change was due to average maturity lengthening from 6.4 years to 6.5 years.

INCOME TAX EXPENSE

The Group's income tax expense in 2012 was -€186 million, versus -€174 million in 2011. The difference between the Group's effective tax rate in 2012 (29.3%) and the prevailing rate in 2012 in France (36.10%) is mainly due to lower tax rates in the various countries where the Group operates.

NET INCOME GROUP SHARE

Net income Group share was €251 million, down by -€71 million (-22.1%) compared to 2011. This change is due to:

- the decrease in gains on disposals of consolidated investments compared to 2011 (-€59 million). See above;
- the decrease in proceeds from sales of other assets (-€38 million). No significant transactions were carried out in 2012, in contrast to 2011, when Degrémont sold its former headquarters in Rueil-Malmaison (Hauts-de-Seine), generating a gain of €34 million;
- the increase in restructuring charges of €39 million (see Income from operating activities).

9.3 FINANCING AND NET DEBT

9.3.1 Cash flows in fiscal years 2012 and 2011

In millions of euros	2012	2011
Cash flows from/(used in) operating activities	2,357.1	1,901.9
Cash flows from/(used in) investing activities	(1,283.3)	(1,561.4)
Cash flows from/(used in) financing activities	(1,375.2)	297.0
Impact of changes in exchange rates and other	55.2	29.5
TOTAL CASH FLOWS FOR THE PERIOD	**(246.2)**	**667.0**
Cash and cash equivalents at the beginning of the year	2,493.5	1,826.5
Cash and cash equivalents at the end of the year	2,247.3	2,493.5

CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES

In millions of euros	2012	2011	Change	Change in %
EBITDA	**2,450.0**	**2,512.9**	**(62.9)**	**-2.5%**
+ Net disbursements under concession contracts	(244.6)	(265.4)	20.8	-7.9%
+ Impairment of current assets	(24.4)	(42.0)	17.6	-41.7%
+ Impact of restructuring operations	(41.2)	(72.2)	31.0	-42.9%
+ Dividends received from associates	39.4	32.3	7.1	22.1%
- Net allocation to provisions for employee benefits	(14.5)	(35.2)	20.7	-58.9%
CASH FLOWS GENERATED FROM OPERATIONS BEFORE INCOME TAX AND FINANCIAL EXPENSES	**2,164.7**	**2,130.4**	**34.4**	**1.6%**
Tax paid	(112.9)	(163.2)	50.3	-30.8%
Change in working capital requirement	305.3	(65.3)	370.6	-566.5%
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**2,357.1**	**1,901.9**	**455.2**	**23.9%**

Net cash flows from operating activities amounted to €2,357 million in 2012, up by +€455 million versus 2011.

This change mainly reflects:

- the increase in cash flows generated from operations before tax and financial expenses (+€34 million), despite the decline in EBITDA (-€63 million);
- the reduction in tax paid (-€50 million), mainly due to inclusion of Agbar in the Spanish tax consolidation group;
- the +€371 million difference between the reduction in the working capital requirement recognized in 2012 (+€305 million) and the increase recognized in 2011 (-€65 million).

CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

In millions of euros	2012	2011	Change	Change in %
Investments in property, plant and equipment and intangible assets	(1,222.4)	(1,409.7)	187.3	-13.3%
Financial investments	(91.7)	(259.6)	167.9	-64.7%
Including acquisitions of entities net of cash and cash equivalents acquired	*(71.6)*	*(237.6)*	*166.0*	*-69.9%*
Including acquisitions of available-for-sale securities	*(20.1)*	*(22.0)*	*1.9*	*-8.6%*
Disposals of tangible and intangible assets	33.8	69.0	(35.2)	-51.0%
Disposals of entities net of cash and cash equivalents sold	79.9	73.2	6.7	9.2%
Disposals of available-for-sale securities	31.0	14.9	16.1	108.1%
Interest received on non-current financial assets	13.4	9.0	4.4	48.9%
Dividends received on non-current financial assets	19.1	34.0	(14.9)	-43.8%
Change in loans and receivables issued by the Company and others	(146.4)	(92.2)	(54.2)	58.8%
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(1,283.3)**	**(1,561.4)**	**278.1**	**-17.8%**

Net cash flows used in investing activities were -€1,283 million as of December 31, 2012, versus -€1,561 million as of December 31, 2011.

Total investment in property, plant and equipment and intangible and financial assets fell by -€355 million due to greater selectiveness in capital expenditures and a reduction in financial investments in 2012.

Maintenance and development capital expenditure and free cash flow

Within “Investments in property, plant and equipment and intangible assets”, the Group distinguishes:

- maintenance capital expenditure, corresponding to investments incurred to replace equipment and machinery operated by the Group, as well as investments made in order to comply with new regulations; and
- development capital expenditure[1], corresponding to investments incurred to build new facilities for operation.

The maintenance capital expenditure as of December 31, 2012 and 2011 is presented in the following table:

In millions of euros	2012	2011
Total maintenance capital expenditure[a]	**(647.8)**	**(752.3)**
Of which maintenance capital expenditure	*(666.1)*	*(710.9)*
Of which change in maintenance asset supplier debt[b]	*18.3*	*(41.4)*

(a) Total maintenance capital expenditure for 2012 breaks down as follows: €209.4 million for the Water Europe segment, €286.8 million for the Waste Europe segment, €147.1 million for the International segment, and €4.5 million for Other. The breakdown was as follows at December 31, 2011: €278.2 million for the Water Europe segment, €331.2 million for the Waste Europe segment, €136.4 million for the International segment, and €6.5 million for Other.

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

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

(1) Total development capital expenditure in 2012 (€574.6 million vs. €657.4 million in 2011) breaks down as follows: €250.8 million for the Water Europe segment, €193.5 million for the Waste Europe segment, and €130.3 million for the International segment. The breakdown in 2011 was as follows: €322.2 million for the Water Europe segment, €201.3 million for the Waste Europe segment, and €133.9 million for the International segment.

The reconciliation of cash generated from operations before income tax and financial expenses with free cash flow as of December 31, 2012 and 2011 is presented in the following table:

In millions of euros	2012	2011
Cash flow from operations before financial income/(expense) and income tax	2,164.7	2,130.4
Total maintenance capital expenditure	(647.8)	(752.3)
Change in working capital requirement	305.3	(65.3)
Tax paid	(112.9)	(163.2)
Financial interest paid	(432.1)	(379.2)
Interest received on cash and cash equivalents	48.1	46.0
Interest received on non-current financial assets	13.4	9.0
Dividends received from non-current financial assets	19.1	34.0
Other	0.2	0.4
Free cash flow	**1,358.0**	**859.8**

The breakdown of free cash flow by segment was as follows in 2012:

- Water Europe segment: €567.2 million;
- Waste Europe segment: €602.7 million;
- International segment: €214.4 million;
- Other: -€26.3 million.

In 2011, it broke down as follows:

- Water Europe segment: €454.8 million;
- Waste Europe segment: €325.1 million;
- International segment: €117.2 million;
- Other: -€37.3 million.

CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

In millions of euros	2012	2011	Change	Change in %
Dividends paid	(601.1)	(280.6)	(320.5)	114.2%
Repayment of borrowings	(1,491.2)	(1,472.3)	(18.9)	1.3%
Change in financial assets at fair value through income	(9.0)	251.0	(260.0)	-103.6%
Financial interest paid	(432.1)	(379.2)	(52.9)	14.0%
Interest received on cash and cash equivalents	48.1	46.0	2.1	4.6%
Flows on financial derivatives qualifying as net investment hedges and cash payments on financial derivatives[(a)]	(67.8)	6.4	(74.2)	-1,159.4%
Increase in borrowings and long-term debt	1,157.2	2,130.3	(973.1)	-45.7%
Increase/reduction in share capital	(0.1)	20.2	(20.3)	-100.5%
Acquisition and disposal of treasury shares	20.2	(24.3)	44.5	-183.1%
Other	0.6	(0.5)	1.1	-220.0%
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(1,375.2)**	**297.0**	**(1,672.2)**	**-563.0%**

(a) The Group has applied a new definition of total "Net debt" (see below). In order to ensure consistency with this new definition and clearly present the non-recurring impact of compensation payments associated with the unwinding of financial derivatives, the cash flows related to net investment hedges and compensation payments made/received in connection with the unwinding of financial derivatives are presented in the statement of cash flows on the line entitled "Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives". Comparative information from 2011 has been restated in order to present the relevant cash flows in accordance with this new procedure.

Net cash from financing activities amounted to -€1,375 million at December 31, 2012, down -€1,672 million from December 31, 2011.

The change in cash flows from financing activities is explained by:

- a slighter increase in gross financial debt in 2012 (+€1,157 million), mainly due to a 10-year bond issue for €250 million and a draw-down on credit line for €250 million by SUEZ ENVIRONNEMENT COMPANY, as well as a bond issue in Chilean peso by Agbar, for €178 million; the increase in 2011 was +€2,130 million, mainly due to a 10-year bond issue for €750 million, a bond issue of £250 million, and a private placement of €100 million;

- a €260 million reduction in proceeds from the sale of financial assets (under "Change in financial assets at fair value through income") which amounted to +€251 million in 2011;
- a €321 million increase in dividends paid, to €601 million in 2012:
  - €367 million in cash dividends paid by SUEZ ENVIRONNEMENT COMPANY, of which €36 million related to the undated deeply subordinated notes coupon,
  - €234 million corresponding to dividends paid to non-controlling interests by other Group companies.

Note that 78% of dividends paid in 2011 by SUEZ ENVIRONNEMENT COMPANY for fiscal year 2010 were paid in shares.

9.3.2 Net debt

NET DEBT AS OF DECEMBER 31, 2012 AND 2011

In millions of euros	2012	2011	Change	Change in %
Bond issues	5,974.9	5,740.2	234.7	4.1%
Draw-downs on credit facilities	1,027.7	989.7	38.0	3.8%
Liabilities under finance leases	442.2	506.6	(64.4)	-12.7%
Other bank borrowings	1,056.2	1,427.5	(371.3)	-26.0%
Other borrowings	424.3	606.5	(182.2)	-30.0%
Total borrowings	**8,925.3**	**9,270.5**	**(345.2)**	**-3.7%**
Overdrafts and current cash accounts	758.4	626.5	131.9	21.1%
Total outstanding debt	**9,683.7**	**9,897.0**	**(213.3)**	**-2.2%**
Financial assets at fair value through income	(23.5)	(14.7)	(8.8)	59.9%
Assets related to financing	(4.6)	-	(4.6)	-
Cash and cash equivalents	(2,247.3)	(2,493.5)	246.2	-9.9%
Total net debt (excluding derivative financial instruments and amortized cost)	**7,408.3**	**7,388.8**	**19.5**	**0.3%**
Impact of derivative financial instruments and amortized cost	27.5	59.8	(32.3)	-54.1%
NET DEBT	**7,435.8**	**7,448.6**	**(12.8)**	**-0.2%**

In 2012, the Group has reviewed its definition of net debt in order to gain economic coherence between the different elements included within the aggregate. Therefore, the derivative financial instruments subscribed to in order to reduce Group exposure related to its investments in consolidated companies with a currency other than the euro, as well as the interest rate component for derivative instruments (not qualifying as hedges or qualifying as cash flow hedges) are henceforth excluded for the definition of net debt.

Indeed, the elements that cause Group exposure (for which derivative instruments are subscribed to in order to reduce the exposure) are not included in this figure.

In addition, the financial assets relating to the debt instruments, essentially deposits pledged as part of project financing arrangements, will from now on be recognized in the deduction of gross borrowings.

The data at December 31, 2011 have been restated to ensure comparability between the two periods, which translates into a reduction in net debt for 2011 of €109 million compared with the previous definition (see Note 12.3 to the consolidated financial statements in section 20.1).

Net financial debt amounted to €7,436 million as of December 31, 2012, against €7,449 million as of December 31, 2011. This -€13 million reduction is mainly due to the +€1,358 million increase in free cash flow compared to 2011, used to finance:

- all development capital expenditure net of disposals;
- the cash dividends paid to shareholders of SUEZ ENVIRONNEMENT COMPANY and dividends paid to non-controlling interests in subsidiaries.

Net debt amounted to 108.4% of total equity at the end of 2012, versus 109.3% at the end of 2011. The net debt/EBITDA ratio was 3.0 at the end of 2012, unchanged from 2011.

As of December 31, 2012, the Group had a total of €2,345 million in undrawn authorized credit facilities.

9.3.3 Return on capital employed (ROCE)

ROCE is calculated by dividing net operating profit after tax (NOPAT) for the period (see details below) by the opening capital employed, adjusted for the scope effects on a *pro rata temporis* basis as well as for material foreign exchange rate effects.

The calculation of NOPAT, capital employed and return on capital employed for 2012 and 2011 are presented in the following tables:

In millions of euros	2012	2011
Current operating income	1,145.8	1,039.4
Share in net income of associates	22.4	37.4
Dividends	30.3	35.2
Interest and income from receivables and current assets	11.9	13.7
Other financial income and expenses	(48.6)	(53.1)
Income tax expense	(161.7)	(84.9)
NOPAT	**1,000.1**	**987.8**

In millions of euros	2012	2011
Goodwill (net)	3,264.7	3,147.4
Property, plant and equipment and intangible assets (net)	12,828.5	12,634.0
Available-for-sale securities	459.9	509.7
Investments in associates	498.2	443.3
Provisions	(1,834.7)	(1,656.5)
Impact of material exchange rate fluctuations and scope changes	194.1	(253.1)
Other	(823.0)	(947.5)
CAPITAL EMPLOYED AT JANUARY 1ST (a)	**14,587.7**	**13,877.3**

(a) Opening capital employed, adjusted for material scope and foreign exchange effects.

In millions of euros	NOPAT	Capital employed	ROCE(a)
2012	1,000.1	14,587.7	6.9%
2011	987.8	13,877.3	7.1%

(a) To be compared to the weighted average cost of capital (WACC) estimated at 6.6% for 2012 (unchanged from 2011).

ROCE by segment breaks down as follows:

- in 2012: Water Europe segment: 7.7%, Waste Europe segment: 5.0%, International and Other segments: 7.6%;
- in 2011: Water Europe segment: 9.7%, Waste Europe segment: 6.7%, International and Other segments: 2.8%.

9.4 PROVISIONS

The movements in provisions between December 31, 2012 and December, 31, 2011 are presented in the following table:

In millions of euros	2012	2011	Change	
			€M	*In %*
Pensions and other post-employment and long term benefits	672.9	570.7	102.2	17.9%
Sector-related risks	117.7	101.8	15.9	15.6%
Warranties	27.5	28.8	(1.3)	-4.5%
Disputes, claims, and tax risks	208.8	211.3	(2.5)	-1.2%
Site restoration	561.8	567.0	(5.2)	-0.9%
Restructuring costs	51.5	21.5	30.0	139.5%
Other contingencies	355.0	333.5	21.5	6.4%
TOTAL PROVISIONS	**1,995.2**	**1,834.6**	**160.6**	**8.8%**

The main provisions as of December, 31, 2012 were the following:

- **provisions for site restoration**, which amounted to €562 million in 2012, down -€5 million from 2011. The purpose of these provisions and the methods for calculating them are explained in Note 15.4 to the consolidated financial statements (section 20.1 of this Reference Document);
- **provisions for pensions and other post-employment and long term benefits** which in 2012 were €673 million, up +102 million on December, 31, 2011, of which +€105 million was actuarial loss. For a detail of provisions for pensions and other post-employment and long term benefits, see Note 16 to the consolidated financial statements in section 20.1;
- **provisions for other contingencies**, which amounted to €355 million in 2012, an increase of +€22 million from December, 31, 2011, of which +€36 million was due to the reinsurance portfolio transfer for SUEZ ENVIRONNEMENT Ré. Under this label are mainly included miscellaneous employee-related and environment-related contingencies, and various business risks;
- **provisions for disputes, claims, and tax risks** amounted to €209 million, relatively steady against December, 31, 2011;
- **provisions for sector-related risks**, which totaled €118 million in 2012, up +16 million on December, 31, 2011 due to a provision for risks on shares in the Waste Europe segment. This item includes primarily provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

9.5 CONTRACTUAL COMMITMENTS

9.5.1 Commitments relating to Group financing

FINANCIAL DEBT

The Group's total gross debt and its repayment schedule as of December 31, 2012 is set out in the following table:

In millions of euros	Total	2013	2014	2015	2016	Beyond 2016
Total borrowings	8,925.3	519.1	1,253.2	501.2	933.4	5,718.4
Overdrafts and current accounts	758.4	758.4	-	-	-	-
TOTAL OUTSTANDING FINANCIAL DEBT	**9,683.7**	**1,277.5**	**1,253.2**	**501.2**	**933.4**	**5,718.4**
Of which, GDF SUEZ share	*144.0*	*6.0*	*6.0*	*106.0*	*4.5*	*21.5*

SECURED, PLEDGED, AND MORTGAGED ASSETS

Items of property, plant and equipment pledged by the Group to guarantee commitments amounted to €157.4 million as of December 31, 2012, and €123.7 million in 2011. This increase was mostly related to a pledge (+€33.5 million) given on SFWD's assets as a debt payment guarantee.

The maturities of these commitments are as follows:

In millions of euros	December 31, 2012	December 31, 2011
2012	-	3.5
2013	3.0	0.4
2014	0.4	1.0
2015	0.4	0.1
2016	0.6	0.1
Beyond	153.0	118.6
TOTAL	**157.4**	**123.7**

FINANCING COMMITMENTS

Financing commitments provided or received by the Group in respect of the fiscal years ended on December 31, 2012 and December 31, 2011 is presented in the following table:

In millions of euros	December 31, 2012	December 31, 2011
Personal securities provided for borrowings	228.0	269.1
Financing commitments provided	-	-
TOTAL COMMITMENTS GIVEN	**228.0**	**269.1**
Financing commitments received	2,344.6	2,482.0
Other financing guarantees received	-	-
TOTAL COMMITMENTS RECEIVED	**2,344.6**	**2,482.0**

Commitments received related to financing mainly concern undrawn confirmed credit facilities.

Personal securities cover the repayment of the principal amount and interest on debt if the latter is not recognized as a liability on the Group's statement of financial position.

9.5.2 Contractual investment commitments

CONTRACTUAL COMMITMENTS TO INVEST IN PROPERTY, PLANT, AND EQUIPMENT

In the ordinary course of their operations, certain Group companies have also entered into commitments to purchase, and related third parties to deliver, property, plant, and equipment. These commitments break down by maturity as follows:

In millions of euros	December 31, 2012	December 31, 2011
2012	-	428.6
2013	364.3	110.0
2014	58.8	37.0
Beyond	45.2	25.9
TOTAL	**468.3**	**601.5**

This change is mainly due to the €96.4 million reduction in Agbar's commitments for capital expenditure due to the completion of various projects.

OTHER CONTRACTUAL INVESTMENT COMMITMENTS

The Group made various commitments to invest in intangible assets and to a lesser extent the purchase of equity investments, in the total amount of €362 million as of December 31, 2012. These other investment commitments amounted to €319 million as of December 31, 2011.

9.5.3 Lease-related commitments given

COMMITMENTS RELATED TO FINANCE LEASES

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

The future minimum lease payments under these leases were as follows as of December 31, 2012 and 2011:

	Future minimum lease payments as of December 31, 2012		Future minimum lease payments as of December 31, 2011	
In millions of euros	Undiscounted value	Discounted value	Undiscounted value	Discounted value
During year 1	66.4	63.9	77.6	73.9
During year 2 and up to year 5 inclusive	244.0	214.1	276.4	233.3
Beyond year 5	228.3	164.3	299.3	199.4
TOTAL	**538.7**	**442.3**	**653.3**	**506.6**

COMMITMENTS RELATED TO OPERATING LEASES

Minimum future lease payments under non-cancellable operating leases can be analyzed as follows:

In millions of euros	December 31, 2012	December 31, 2011
During year 1	191.1	178.8
During year 2 and up to year 5 inclusive	388.3	384.9
Beyond year 5	320.3	299.3
TOTAL	**899.7**	**863.0**

9.5.4 Operation-related commitments given

Commitments given in relation with operations amounted to €3.5 billion as of December 31, 2012, versus €3.4 billion in 2011. They concern guarantees given by the Group in respect of contracts and markets, including bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangement.

9.6 PARENT COMPANY FINANCIAL STATEMENTS

See section 20.3 of this Reference Document which also includes the position of accounts payable by maturity.

9.7 OUTLOOK

See section 6.3.4 of this Reference Document.

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10.1 COMPANY SHAREHOLDERS' EQUITY

Total shareholders' equity as of December 31, 2012 amounted to €6,859 million, up +€42 million compared to December 31, 2011. This change includes in particular the impact of dividend payments in cash for fiscal year 2011 in the amount of -€585.7 million, of which -€562.0 million and -€23.7 million (net of tax) paid as coupon relating to the undated deeply subordinated notes. It also includes translation adjustments (+€118 million) and net income for fiscal year 2012 (+€470 million).

Group net debt (including amortized cost and impact of derivative instruments) was €7,436 million as of December 31, 2012, versus €7,449 million as of December 31, 2011. Consequently, the net debt/EBITDA ratio remains steady to 3.0 as of December 31, 2012.

10.2 SOURCE AND AMOUNT OF THE ISSUER'S CASH FLOWS AND DESCRIPTION OF CASH FLOWS

10.2.1 Cash flows from operating activities

CASH FLOWS GENERATED FROM OPERATIONS BEFORE NET FINANCIAL INCOME AND INCOME TAX

In millions of euros	2012	2011	Gross change in %
Water Europe	996.8	959.3	+3.9%
Waste Europe	753.7	820.9	-8.2%
International	453.6	390.3	+16.2%
Other	(39.4)	(40.1)	-1.8%
TOTAL	**2,164.7**	**2,130.4**	**+1.6%**

Cash flows generated from operations before financial expenses and income tax totaled €2,165 million as of December 31, 2012, up +1.6% versus 2011.

In total, operating activities generated a cash surplus of €2.4 billion in 2012.

10.2.2 Cash flows from investing activities

Investments in 2012 totaled €1.3 billion and included:

- financial investments of €91.7 million (€259.6 million in 2011), including €5.4 million for acquisitions in the Water Europe segment, €1.8 million in the Waste Europe segment, €69.5 million in the International segment and €15.0 million for the Other segment;
- maintenance capital expenditure of €647.8 million (€752.3 million in 2011), including €209.4 million for the Water Europe segment, €286.8 million for the Waste Europe segment, €147.1 million for the International segment and €4.5 million for the Other segment;
- development capital expenditure of €574.6 million (€657.4 million in 2011), including: €250.8 million for the Water Europe segment, €193.5 million for the Waste Europe segment and €130.3 million for the International segment.

Disposals in 2012 represented €144.7 million, versus €157.1 million in 2011. The main disposals in 2012 are the sale of SUEZ ENVIRONNEMENT's German subsidiary Eurawasser to the Remondis group and the sale of Budapest Water Works to the city of Budapest, the sale of United Water regulated water activities in Connecticut, and the sale of Altiservice by Lyonnaise des Eaux.

In total, cash flows from investing activities resulted in a cash outflow of €1.3 billion, versus an outflow of €1.6 billion in 2011.

10.2.3 Cash flows from financing activities

Dividends paid in cash in 2012 amounted to €601.1 million[1] (versus €280.6 million in 2011). This figure includes the dividends paid by SUEZ ENVIRONNEMENT COMPANY to its shareholders (€330.8 million) as well as the coupon for the undated deeply subordinated notes (€36.1 million, or €23.7 million net of tax impact). It also includes the dividends paid by certain subsidiaries to non-controlling interests in the amount of €231.2 million and withholding taxes in the amount of €3 million. Net financial interests paid totaled €384.0 million in 2012, versus €333.2 million in 2011.

Total cash flow from financing activities generated a €1.4 billion cash outflow in 2012, versus a €0.3 billion cash surplus in 2011.

10.3 BORROWING TERMS AND ISSUER'S FINANCING STRUCTURE

10.3.1 Debt structure

Gross debt (excluding amortized cost and the effect of derivatives) at December 31, 2012 was €9,684 million versus €9,897 million at December 31, 2011, and breaks down as follows:

- bonds (largely subscribed by the parent SUEZ ENVIRONNEMENT COMPANY) in the amount of €5,975 million (€5,740 million in 2011);
- bank borrowings in the amount of €2,084 million (€2,417 million in 2011);
- GDF SUEZ financing in the amount of €144 million (€148 million in 2011);
- other borrowings and current accounts totaling €1,481 million (€1,592 million in 2011).

Including amortized cost and the impact of derivatives, 57% of net debt was denominated in euros, 15% in US dollars, 5% in pounds sterling and 16% in Chilean pesos at the end of 2012. In 2011, it was 61% denominated in euros, 15% in US dollars, 4% in pounds sterling and 14% in Chilean pesos.

60% of gross debt and 81% of net debt (after hedging) is fixed-rate. The Group's 2012 objective was to implement a dynamic distribution between the various reference rates, taking into account changes in the market. The average cost of net debt was 5.08%, versus 5.19% in 2011. The average term of net debt was 6.45 years at the end of 2012, versus 6.40 years at the end of 2011. A summary of maturities can be found in section 10.5.1.

10.3.2 Major transactions in 2012

Fiscal year 2012 was marked by the continuation of a financial policy aimed at reinforcing SUEZ ENVIRONNEMENT's financial independence by using bank and bond markets to optimize the cost of debt.

On December 12, 2012, the Company's Board of Directors thus authorized renewal of the €6 billion Euro Medium-Term Note program and the use of a €2 billion issuance package. Accordingly, SUEZ ENVIRONNEMENT COMPANY launched a compulsory repurchase on the 2014 tranche to issue a €250 million tap transaction maturing in 2022 and bearing a coupon of 4.125%.

(1) €601.1 million corresponds here to dividends paid in cash in 2012, versus the €585.7 million in dividends net of tax impact (€598.1 million before tax), voted for in 2012 and presented in the consolidated statement of changes in shareholders' equity in section 20.1.

10.3.3 Group ratings

SUEZ ENVIRONNEMENT COMPANY has its senior debt rated by Moody's rating agency. The rating confirmed on May 3, 2012 is A3 for long-term debt and Prime-2 for short-term debt, along with a stable outlook.

Moody's applied the following main adjustments to the Group's net debt:

- addition of funding shortfall on pension liabilities (see section 20.1 Note 16);
- addition of the present value of future minimum payments on operating leases (see section 20.1 Note 18).

10.4 RESTRICTIONS ON THE USE OF CAPITAL

As of December 31, 2012, the Group had undrawn confirmed credit facilities (which may be used for such purposes as backup credit facilities for commercial paper programs and treasury bills) totaling €2,344.6 million.

Some loans contracted by Group subsidiaries or by SUEZ ENVIRONNEMENT COMPANY on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. Such ratios, as well as their levels, are known as financial covenants and are agreed to with the lenders, and may be revised during the term of the loan. The liquidity risk arising from the Group's possible breach of financial covenants is described in section 4.1.3.3 of this Reference Document.

For most loans relating to subsidiaries and involving negotiation of financial covenants, the lending banks usually require the relevant company to maintain a minimum level of debt coverage (with respect to the principal amount and interest), which is measured by a ratio called the DSCR (debt service cover ratio), or, with respect to interest, by a ratio called the ISCR (interest service cover ratio).

With regard to project financing, lending banks may also require that the concerned company maintains an actuarial ratio for debt coverage for the remaining term of the loan, called the LLCR (loan life cover ratio). Within the context of other financing, lending banks may also request the relevant company to observe a ratio regarding a balance sheet item, which generally takes the form of a debt to equity ratio.

The Group has implemented a semi-annual procedure for monitoring its financial covenants that involves the CFOs of the major subsidiaries sending representation letters indicating (i) whether the subsidiary or other legal entities supervised by this subsidiary have, as of the last account closing, been in default or potential default situations (situations likely to become default situations contingent upon a decision of the lenders or the expiry of time limits), or (ii) whether default or potential default situations may occur at the next half-year closing. These letters of representation are supplemented by an appendix listing the loan agreements, including covenants, types of covenants and the consequences to the borrower in the event of a breach of such covenants.

10.5 EXPECTED SOURCES OF FINANCING TO MEET THE COMMITMENTS RELATING TO INVESTMENT DECISIONS

10.5.1 Contractual commitments

The following table shows the gross debt maturities as of December 31, 2012.

	Amount per period				
In millions of euros	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Debt with GDF SUEZ	1.5	4.5	138.0	0.0	144.0
Bonds and bank borrowings	953.8	317.7	3,253.4	5,014.8	9,539.7
TOTAL	**955.3**	**322.2**	**3,391.4**	**5,014.8**	**9,683.7**

10.5.2 Expected sources of financing

As of December 31, 2012, the Group had available cash of €2,507.9 million and undrawn, confirmed credit facilities of €2,344.6 million, of which €937.2 million will mature in 2013.

The Group anticipates that its future financing needs for major capital investments will be covered by its available cash, future cash flows from operating activities and possibly the use of available credit facilities.

Liquidity at December 31, 2012 is sufficient to cover medium-term cash requirements and the split between available cash and unused confirmed credit facilities is optimized to minimize carrying costs.

11 RESEARCH AND INNOVATION, TRADEMARKS, PATENTS AND LICENSES

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11.1 RESEARCH AND INNOVATION

SUEZ ENVIRONNEMENT bases its strategy on an ambitious Research and Innovation policy that strongly differentiates the Group's offering and helps its customers to become leaders in environmental performance within their sectors. SUEZ ENVIRONNEMENT addresses recent public demand for better use of natural resources and pollution abatement, as well as regulatory changes in our operating regions. It also anticipates future needs in order to generate new sources of growth for the Group.

Research, focused on the key scientific and technical issues of our activities, serves to expand our knowledge, strengthen our skills and meet new technical challenges, supporting progress both in water (advanced analytical methods, new treatment processes, environmental expertise, etc.) and waste (biological processes, recovery, recycling, waste-to-energy and raw materials, etc.).

Another aspect of the Group's commitment to innovation is the continuous improvement of our processes to increase the performance and productivity of our business lines and boost their results.

Research and Innovation drive the ongoing development of our knowledge and expertise. Assigning teams to each business unit fosters a culture of technology within the Group, based on shared skills, expertise and programs. Our programs, aligned with the Group's strategy and ambitions, are important elements of the technological assets and technical expertise that set SUEZ ENVIRONNEMENT apart.

In 2012, the Group committed €74 million to research, technological development and innovation.

Our Research and Innovation policy is executed through a variety of programs and projects developed in the Group's research and development (R&D) centers, and through a strong commitment to "open innovation" – a policy of seeking innovations from external partners to accelerate our time-to-market.

This partnership policy takes various forms to adapt to the maturity of the technologies presented to the Group and to the size of the companies or university teams with which we work. Through these partnered projects, we have access to knowledge and technologies that complement our internal expertise and accelerate the time-to-market of innovative products and solutions. This helps us to better control our R&D costs by sharing the risks and benefits of our partners' achievements.

Communicating and promoting our innovations is an important part of our researchers' activities, and is subsequently taken up by our sales forces.

The public can learn about the innovations launched by the Group in 2012 online at www.innovations.suez-environnement.com.

In all, over 400 researchers, experts and technicians around the world – in our R&D centers or the expert networks developed by our technical centers – are active in the Group's research and development. The main centers are located in France (Bordeaux and Pecq-Croissy), Spain (Barcelona and Alicante), the United States (Richmond, VA), and China (Shanghai). Their missions range from technical assistance to the operations teams, to implementing advanced research programs that pave the way for the Group's future activities, expertise and technologies. Our teams also help to develop software solutions for the business units. Through scientific and technical communication, they also help strengthen the Group's image as an industry leader and, through training, to disseminate knowledge about SUEZ ENVIRONNEMENT to the teams on the ground.

Advanced research

In 2012, SUEZ ENVIRONNEMENT defined its priorities by establishing projections to 2020 of its activities in municipal water, industrial water and waste. These projections were used to define broad guidelines, structure specific research programs and better prioritize our actions overall. One result is a program called "Station d'Epuration de Demain" ("Wastewater Treatment Plant of Tomorrow"), which aims to redesign the treatment process to reduce energy consumption and investment and operating costs, and to treat emerging pollutants. This program is the result of a joint effort by the researchers, operators of Lyonnaise des Eaux, United Water and Agbar, and the engineering teams of our subsidiary Degrémont.

The aim of redesigning our advanced research activity is to better prepare the Group to meet the challenges of major breakthroughs, whether technological, related to the emergence of new activities, or the rapid evolution of our traditional activities as they are revolutionized by information technology. This heightened focus on major issues will ensure a more rational use of resources.

Applied research

Applied research is performed in the research centers, or, for some cutting-edge technology, in the technical centers managed by SUEZ ENVIRONNEMENT's business units. Pilot programs for industry and demonstrators of new solutions are executed on the ground, in close collaboration with line personnel who contribute their expertise to foster innovation.

The main objectives of applied research are:

- **Energy optimization and greenhouse gas reduction**

In water and waste, many programs are now dedicated to reducing greenhouse gas emissions, optimizing energy use, and developing the potential of renewable energy. These programs are designed to meet the increasing demand from our customers for the most energy-efficient technology for treating water and waste and generate significant savings in operating costs.

Take, for example, biogas, produced by the anaerobic digestion of sludge at wastewater treatment plants and by the fermentable fraction of household waste, mainly at landfills. Its capture and use can produce energy and help to reduce the environmental footprint of SUEZ ENVIRONNEMENT's activities, as well as those of its customers. The Group's R&D is especially focused on raising the productivity of production processes as well as on technologies for capturing and treating biogas to recover its energy in the form of heat and electricity.

In addition, SUEZ ENVIRONNEMENT devotes considerable effort to energy savings schemes in operating its facilities through more efficient dehydration-drying of sludge, energy recovery from waste incineration units and the use of renewable energy. For instance, the Solar Active System, developed in collaboration with Clipsol, was installed at the Aquaviva wastewater treatment plant in Cannes, where solar panels now produce both electricity and gentle heat which are used to dry sludge.

In another example, the Group worked with SEMAT to develop an all-electric household waste collection vehicle that reduces noise and eliminates the exhaust fumes of diesel vehicles commonly used for waste collection. It is being successfully marketed by Sita, and has helped to win numerous public tenders.

- **Energy or raw material from waste**

In its waste business, SUEZ ENVIRONNEMENT has launched major programs to improve the treatment of solid waste based on the recovery of materials (plastics, rubber and metals recycling) and organic waste (compost). These innovative programs have made the Group a leading player today in both of these areas.

In upstream sorting methods, the Group is also working on improving automated sorting techniques, such as optical bottle sorting, demolition wood sorting *via* flotation, as well as metals sorting. The aim of this research is to reduce the difficulty of the operators' task, as well as to increase overall sorting efficiency and improve the recycling rates of the sectors concerned.

Research efforts are also intensifying in the recycling of materials to meet market expectations. To achieve this, close upstream coordination with manufacturers is essential. In partnership with its industrial customers, the Group is developing methods for dismantling large equipment such as aircraft and cars. Such methods emphasize the reuse of parts and recycling of materials (metals and carbon fiber, for example).

Plastic packaging, difficult to recycle as a material, is transformed into fuel thanks to our partnership with Cynar (UK). A first plant is under construction and will serve as demonstrator.

- **Use of new resources for water**

In the water sector, Degrémont is strengthening its leadership in desalination through reverse osmosis, a breakthrough technique which continues to make steady progress. Research is being done to further improve energy savings and explore new desalination technologies. Through its subsidiary Degrémont, the Group is active in major desalination markets (as evidenced by the plants in Perth and, very recently, in Melbourne, Australia), as well as in smaller markets for freshwater membrane treatments.

In ultraviolet (UV) water disinfection, to supplement ozonation, the range of UV products developed by Degrémont Technologies has been extended to meet the needs for higher flow rates. This product range, sold directly by Degrémont Technologies, as well as

through incorporation into Degrémont's turnkey offerings, is aimed at drinking water and urban and industrial wastewater markets. The development of these oxidation techniques to treat residual micro-pollutants in wastewater is also being studied.

- **Development of new technologies for industry**

More generally, in 2012 the Group ramped up its R&D efforts in industrial technologies, mainly at its Shanghai research center and in collaboration with the Shanghai Chemical Industrial Park, where SUEZ ENVIRONNEMENT is working on industrial process water treatment (including classifying special effluents and optimizing their treatment). Water treatment technologies for the oil and mining sectors are also a key area of investigation.

- **Optimization of water network yields**

With regard to controlling the impact on water resources, major work is currently being carried out to increase the technical yields of drinking water networks and to reduce leakage and avoid waste. This program also addresses the challenges of replacing infrastructures, whether this involves drinking water lines or municipal wastewater networks. Indeed, it is critical to determine the remaining useful life of lines and networks based on local conditions, age and the specific characteristics of the materials used in order to implement a "sustainable maintenance" policy for these underground assets. The significant results obtained in this way will bring changes to the Group's internal specifications for choosing certain products and finalize the implementation of best practices. The program is focused on three major themes: identification and classification of assets; management and maintenance of these assets; continuous monitoring of the networks by analyzing real-time data from the various sensors installed across the distribution networks. This is smart management of water networks, and is the future of optimized management.

- **Health and environmental risks**

To ensure the complete safety of the water distributed to its customers' faucets at all times, the Group continues to invest heavily in health monitoring programs related to drinking water quality. SUEZ ENVIRONNEMENT has one of the best laboratories in the world in this area. As such, the Group regularly works alongside French and international health authorities on analyzing risks related to emerging pollutants and their potential pathogenic effects, and on adapting technology to eliminate them in current and future treatment processes.

- **Smart Water**

Information technology is a vector of productivity and major innovation for our business lines. Major efforts are thus being made to develop a market-leading offer in smart metering. SUEZ ENVIRONNEMENT has already installed or is installing over two million smart meters, which allow the monitoring of individual consumption. New services will soon be developed to prevent water leaks for residential users.

The robustness of solutions and protocols for communication and data processing has enabled the Group to extend this technology to gas meters. GrDF's smart gas meters project has been won by Ondeo Systems, our subsidiary specialized in this field.

Strengthening and accelerating innovation through our partners:

The Group maintains many partnerships with a variety of key players in science and technology:

- **public,** such as IRSTEA (formerly Cemagref), CNRS, Tsinghua University (Beijing), the Nanyang Technological University (China), University of California Los Angeles (UCLA), etc.;
- **private,** such as the Danish Hydraulic Institute; and
- **skills and innovation networks** such as competitiveness clusters Axelera (environmental chemistry), Vitagora (water taste), Advancity (sustainable cities and mobility), and, more recently, DREAM (sustainability of water resources, renewable energy and natural environments), which will address eco-technologies for the water industry, as well as the Montpellier and Alsace Lorraine competitiveness clusters (inland water quality) and European networks (Water Supply and Sanitation Technology Platform, Climate-KIC).

Such partnerships allow the Group to leverage its research and development efforts while benefiting from collaborative work with some of the best research teams in the world.

The Group has also launched Open Innovation actions designed to stimulate, promote and co-finance innovative projects in the technical, commercial and management fields.

Such projects can translate into venture capital for start-ups, through Blue Orange, the corporate investment fund set up by the Group in 2010. They can also take the form of Technological Tests, through which new industrial solutions are executed in real-world conditions.

Since its inception, Blue Orange has helped the Group to identify hundreds of innovative start-ups. In 2012, several venture capital investments were approved. For example, Blue Orange invested in Redox Maritime Technologies, a Norwegian company specializing in water disinfection by advanced oxidation, for the development of a new technology for treating ship ballast water. Through an equity investment, Blue Orange also supports Sigrenea, which is developing a new technology for waste collection. This company, which specializes in wireless data collection and transmission for managing waste at voluntary drop-off points, offers a solution called "aEner'COM", which allows remote, near real-time monitoring of refuse container fill levels and optimizes their management and subsequent handling by collection services.

As of end-2012, over 30 "Technological Tests" had been funded, mainly in partnership with start-ups and small- and medium-sized enterprises. Some tests were very successful and have already led to the marketing of new solutions, such as the 100% electric bin (partnership between Sita and SEMAT, specialist in collection and wastewater treatment equipment) and the sludge compactor Dehydris™ Twist, a technological solution which dehydrates sludge to achieve a greater level of desiccation than is obtained by conventional technologies.

11.2 TRADEMARKS, PATENTS AND LICENSES

The Group protects its intellectual property assets, its trademarks and especially its patents. Indeed, SUEZ ENVIRONNEMENT believes that these assets contribute significantly to the added value of the services it offers to its customers.

11.2.1 Patents

The Group's patent portfolio represents 281 families of patents.

In 2012, riding a wave of innovation, SUEZ ENVIRONNEMENT filed 31 new patents, continuing its strategy to protect its intellectual assets. The Group filed 26 patents in 2011.

The Group holds approximately 2,000 national patents in total, registered in over 70 countries around the world.

There are a number of potential sources of patentable inventions, which could come from:

- the Group's research centers;
- shared research efforts within the Group;
- one-off collaborations with partners (universities, laboratories, etc.);
- operational subsidiaries (the initial filing is usually handled by the subsidiary; extensions are then carried out by the Group after transfer).

These patents protect products, such as a biological reactor for treating wastewater or a system to recover heat from sewage. They also protect processes, such as biological phosphorus and nitrate removal, and the anaerobic digestion (methanization) of biodegradable waste. Special emphasis is also given to the protection of plant operating techniques and services; as such, many patents cover sensors, settings and processes that streamline operations.

In the environmental sector, where competition is tough, the protection offered by patent law is vital, ensuring that we obtain long-term benefits from research and development innovations. Nevertheless, a large portion of know-how remains protected by confidentiality.

Procedures for reviewing patents have been established based on the activities they cover, so only those patents that cover an existing market are selected.

This rich and varied patent portfolio represents a significant and reliable intangible asset for the Group.

11.2.2 Trademarks

As of December 31, 2012, SUEZ ENVIRONNEMENT was managing a portfolio of approximately 500 trademarks.

As regards the institutional trademarks held by SUEZ ENVIRONNEMENT and its subsidiaries, the most prominent in the water sector are: "Ondeo", "Ondeo Industrial Solutions", "Degrémont" and "Safege"; and in the waste sector, the institutional trademark "Sita". The "Sita" name is also often combined with the corporate names of companies involved in the waste sector.

"Lyonnaise des Eaux" is the historic trademark in water-related activities. It has been registered in various forms both as a trade name and as a semi-abstract trademark in Europe and throughout most parts of the world for nine classes, eight of which represent service classes.

Finally, the "SUEZ ENVIRONNEMENT" trademark and its English version, "SUEZ ENVIRONMENT", were filed in France in March 2005 and received international registration in August 2005.

Included in the trademarks representing the Group's products is the "Pulsator" brand, which has outlived the eponymous patent and is now no longer protected. This trademark corresponds to a water-treatment product sold for over 50 years. Along these same lines, we also Note the French trademark "Aquasource", which designates the ultrafiltration membranes used in drinking water treatment units.

In 2012, the Group registered around 40 new trademarks (including five by SUEZ ENVIRONNEMENT, 15 by Lyonnaise des Eaux, 13 by Degrémont and one by Safege). These include MemLab, Combigreen, Effi Watt, Cositive and Eaux de Lutz, to name a few.

Within the context of the spin-off/distribution transaction in 2008, SUEZ and SUEZ ENVIRONNEMENT have entered into a trademark licensing agreement, as described in section 19.

12 INFORMATION ON TRENDS

The major trends that have affected the Group's activities since the close of the latest fiscal year are described in sections 6 and 9 of this Reference Document.

13 PROFIT FORECASTS OR ESTIMATES

In a difficult macro-economic context, the Group aims for 2013 at reaching the following levels of revenues, EBITDA, and free cash flow:

- higher revenues than in 2012;
- EBITDA of at least €2,550 million;
- free cash flow of at least €1 billion.

In 2013, the Group will also maintain its policy of selectivity for its investments and aims at investing €1.3 billion net, during the fiscal year.

Finally, the Group will keep its target of a net financial debt / EBITDA ratio of around 3 times.

The description of the change in the economic and financial environment and assumptions applied by the Group is described in section 6.3.4 of this Reference Document.

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

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14.1 COMPOSITION OF ADMINISTRATIVE AND MANAGEMENT BODIES

14.1.1 Governance structure of the Company

The Company is a French corporation (*société anonyme*) with a Board of Directors which, in accordance with the shareholders' agreement of June 5, 2008 (a description of which is set out in section 18.3.1. of this Reference Document) decided to separate the functions of Chairman and Chief Executive Officer, effective July 23, 2008.

Gérard Mestrallet was then appointed Chairman of the Board and Jean-Louis Chaussade, Chief Executive Officer. After being reelected as Directors by the Shareholders' Meeting of May 24, 2012, the Board of Directors also reappointed them as Chairman of the Board and Chief Executive Officer, respectively.

A brief description of the main provisions of the bylaws and internal rules for the Board of Directors, particularly its functioning methods and its powers, is provided in section 21.2, "Corporate Charter and bylaws". The bylaws and the Board of Directors' internal rules are also available in their entirety on the Company website (www.suez-environnement.com).

Governance of the Group, the composition of the Board of Directors and its committees, their organization and work are detailed in the Chairman's report on the Company's governance and internal control and risk management procedures for the year ended December 31, 2012, prepared in accordance with Article L. 225-37 of the French Commercial Code (the "Chairman's report"), presented in section 16.4 of this Reference Document.

14.1.2 Composition of the Board of Directors

As of December 31, 2012, the Company's Board of Directors was composed of 18 Directors. Two representatives of the Works Council of SUEZ ENVIRONNEMENT SAS also attend Board meetings.

Detailed information on the composition of the Board of Directors can be found in paragraph 1.1 of the Chairman's report in section 16.4 of this Reference Document.

In 2012, the composition of the Board of Directors changed as follows:

- following Gérard Lamarche's resignation on December 31, 2011 as a Director of the Company, on February 7, 2012 the Board of Directors, on the proposal of GDF SUEZ and in accordance with the Shareholders' Agreement of June 5, 2008, coopted Isabelle Kocher to replace him. This was ratified by the Shareholders' Meeting of May 24, 2012;
- the directorship of Ezra Suleiman expired at the end of the Shareholders' Meeting of May 24, 2012;
- on the Board of Directors' recommendation, the Shareholders' Meeting of May 24, 2012 appointed Delphine Ernotte Cunci as Director for a four-year term.

The information below, updated at December 31, 2012, illustrates the composition of the Board of Directors, which has 18 members, as well as providing individual information on each of the Directors (including the offices and positions held by Directors during the last five years).

Gérard MESTRALLET

63 years old

French

Business address:

GDF SUEZ, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris-La Défense

Main position:

Chairman and Chief Executive Officer of GDF SUEZ

Offices and positions held at the Company:

Chairman of the Board of Directors

Chairman of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

15,266 (of which 2,000 shares as a loan granted by GDF SUEZ)

Biography:

Gérard Mestrallet, born April 1, 1949, is a graduate of the Ecole Polytechnique and Ecole Nationale d'Administration. Mr. Mestrallet joined Compagnie Financière de SUEZ in 1984 as a project manager. In 1986, he was appointed Executive Vice-President for industrial affairs. In 1991, Mr. Mestrallet was appointed 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, then, in 1997, Chairman of the Management Board of SUEZ Lyonnaise des Eaux. On May 4, 2001, Gérard Mestrallet was appointed Chairman and CEO of SUEZ, and later Chairman and CEO of GDF SUEZ following the merger between SUEZ and Gaz de France on July 22, 2008. He was reappointed on April 23, 2012. He is also President of the Association Paris EUROPLACE, Member of the International Council of the Mayor of Shanghai and Chongqing, Director of Tongji University (Shanghai) and recipient of an Honorary Doctorate from Cranfield University (UK).

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Chairman and Chief Executive Officer of **GDF SUEZ**

Chairman of the Board of Directors of GDF SUEZ Energy Services*, Electrabel* (Belgium), GDF SUEZ Belgium* (Belgium)

Vice-Chairman of the Board of Directors of Aguas de Barcelona SA* (Spain)

Director of International Power* (UK) (since February 3, 2011), **Saint-Gobain**, and **Pargesa Holding SA** (Switzerland)

Chairman of GDF SUEZ Rassembleurs d'Énergies SAS* (since October 27, 2011)

President of the Association Paris EUROPLACE

Expired during the last 5 years

Chairman and Chief Executive Officer of SUEZ (until July 22, 2008)

Vice Chairman of the Board of Directors of Electrabel (Belgium) (until March 16, 2012)

Various offices held at companies of the GDF SUEZ Group

Member of the Supervisory Board of Axa (until April 29, 2010)

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Jean-Louis CHAUSSADE

61 years old

French

Business address:

SUEZ ENVIRONNEMENT, Tour CB21, 16 place de l'Iris, 92040 Paris-La Défense

Main position:

Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY

Offices and positions held at the Company:

Director and Chief Executive Officer

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

5,500 shares and 760.6 units in the company mutual fund ("classic" and "multiple" formulae under the Employee Stock Ownership Plan "SHARING 2011")

Biography:

Jean-Louis Chaussade, born December 2, 1951, has an engineering degree from ESTP (1976) and holds a Master's degree in Economics (Sorbonne, 1976). He is also a graduate of the Institut d'Etudes Politiques de Paris (1980) and of AMP at Harvard Business School (1988). He first joined Degrémont in 1978 and was subsequently appointed Chief Operating Officer of Degrémont Espagne in Bilbao in 1989. During this period he was appointed Director of Aguas de Barcelona. Mr. Chaussade was also appointed Chief Executive Officer of Dumez Copisa Espagne in 1992. In 1997 he was appointed Chief Operating Officer of Lyonnaise des Eaux in South America, and Chief Operating Officer of SUEZ for South America. He was appointed Chairman and Chief Executive Officer of Degrémont in 2000 and, in 2004, Executive Vice-President of SUEZ and Chief Executive Officer of SUEZ ENVIRONNEMENT. Mr. Chaussade is also Chairman of the Board of Directors of Lyonnaise des Eaux (France) and of Sita France. He has been Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY since July 23, 2008. Mr. Chaussade has been a member of the GDF SUEZ Management Board since May 1, 2011 and Director of Criteria Caixaholding S.A.U. since October 19, 2011. He has also been Chairman of the Supervisory Board of the Institute of Economic Forecasting for the Greater Mediterranean (IPEMED) since December 9, 2011.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Member of the Management Committee of **GDF SUEZ**

Permanent Representative of SUEZ ENVIRONNEMENT España S.L.* to the Board of Directors of Aguas de Barcelona S.A.* (Spain)

Chairman of the Board of Directors of Lyonnaise des Eaux France*, Sita France*, Hisusa* (Spain) and Sino French Holdings Ltd* (Hong Kong). Executive Director of SUEZ ENVIRONNEMENT España S.L.* (Spain)

Director of **ACEA** (Italy)

Director of Criteria CaixaHolding S.A.U (Spain)

Chairman of the Supervisory Board of the Institute of Economic Forecasting for the Greater Mediterranean (IPEMED)

Expired during the last 5 years

Various offices held at companies of the SUEZ ENVIRONNEMENT Group

** Companies belonging to the SUEZ ENVIRONNEMENT Group.*

In bold: *listed companies.*

Gérald ARBOLA

64 years old
French

Business address:

SUEZ ENVIRONNEMENT, Tour CB21, 16 place de l'Iris, 92040 Paris-La Défense

Main position:

Director of SUEZ ENVIRONNEMENT COMPANY

Offices and positions held at the Company:

Director
Member of the Ethics and Sustainable Development Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares

Biography:

Gérald Arbola, born May 29, 1948, is a graduate of the Institut d'Etudes Politiques de Paris and has a degree in economics. Mr. Arbola held several positions with Cogema Group (which became Areva NC) before joining Areva. He joined Cogema in 1982 as Director of Planning and Strategic Studies at SGN, and from 1985 to 1989, he served as Chief Financial Officer. In 1988, he was appointed Executive Vice-President of SGN. In 1992, Mr. Arbola was appointed Chief Financial Officer at Cogema and was made member of the Executive Committee in 1999, while serving as Chairman of SGN in 1997 and 1998. A member of the Executive Board of Areva for 10 years, Mr. Arbola has been the Chief Operating Officer of Areva for 5 years.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Expired during the last 5 years

Chief Operating Officer and member of the Board of Areva (until June 29, 2011)
Various offices held at companies of the Areva Group
Director of CEA (until September 28, 2011)
Chairman and Chief Executive Officer of FT1CI (until March 15, 2011)
Chairman of the Supervisory Board of STMicroelectronics Holding NV (until May 2008)
Vice Chairman of the Supervisory Board of STMicroelectronics NV (until May 3, 2011)

Nicolas BAZIRE

55 years old

French

Business address:

Groupe Arnault, 22 avenue Montaigne, 75008 Paris

Main position:

Chief Executive Officer of Groupe Arnault SAS

Offices and positions held at the Company:

Independent director

Member of the Audit and Financial Statements Committee, the Nominations and Compensation Committee and the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares

Biography:

Nicolas Bazire, born July 13, 1957, is a graduate of the French Naval Academy and the Institut d'Études Politiques in Paris, and studied at the Ecole Nationale d'Administration. Mr. Bazire was an auditor and then an auxiliary judge at the Cour des Comptes. In 1993, he became Chief of Staff and special assistant to Prime Minister Edouard Balladur. Managing Partner of Rothschild & Cie Banque from 1995 to 1999, Mr. Bazire was then appointed Chairman of the Partnership Board. He has served as Chief Executive Officer of Arnault SAS Group since 1999.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

CEO of Groupe Arnault SAS*

CEO and Permanent Representative of Groupe Arnault SAS* to the Board of Directors of Financière Agache SA*

Vice-Chairman of the Supervisory Board of Les Echos SAS*

Member of the Supervisory Board of Rothschild and Cie Banque SCS

Director of LVMH Fashion Group*, **LVMH Moët Hennessy-Louis Vuitton***, Louis Vuitton pour la création*, Financière Agache Private Equity SA*, Agache Développement SA*, Europatweb SA*, **Carrefour**, Groupe Les Echos SA*, and **Atos**

Member of the Supervisory Board of Montaigne Finance SAS* and Semyrhamis SAS*

Manager of Les Chevaux de Malmain SARL

Expired during the last 5 years

Chairman of Société Financière Saint-Nivard SAS, Director of IPSOS SA, Tajan SA and Go Invest SA (Belgium)

Member of the Supervisory Board of Lyparis SAS

** Companies belonging to the LVMH / Arnault Group.*

In bold: *listed companies.*

Gilles BENOIST

66 years old
French

Business address:
SUEZ ENVIRONNEMENT, Tour CB21, 16 place de l'Iris, 92040 Paris-La Défense

Main position:
Director

Offices and positions held at the Company:
Director
Member of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:
3,000 shares (of which 2,000 shares as a loan granted by CNP Assurances)

Biography:

Gilles Benoist, born December 12, 1946, has a degree in law and is a graduate of the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration. In 1981, he was appointed Chief of Staff of the Minister of the Economy and Finance. In 1983, he became an auxiliary judge at the Cour des Comptes. From 1987 to 1991, he was General Secretary of Crédit Local de France, a member of the Management Board, and advisor to the Executive Vice-President of the Caisse des Dépôts et Consignations before being appointed Director of Central Services of the Caisse des Dépôts et Consignations in 1991. From 1993 to July 1998, Mr. Benoist was General Secretary, a member of the Executive Committee and Director of Human Resources for the Caisse des Dépôts et Consignations. He was Chairman of the Management Board of CNP Assurances from 1998 and CEO and Director from July 2007 to June 2012.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Member of the Supervisory Board of Compagnie Internationale André Trigano
Director of ISODEV
Member of the Supervisory Board of LDHBV (Netherlands)

Expired during the last 5 years

Director and CEO of CNP Assurances
Member of the Management Committee of Groupe de la Caisse des Dépôts et Consignations
Chairman of the Fédération française des sociétés anonymes d'assurance
Director of Dexia, Sino French Life Insurance, Caixa Seguros and CNP UniCredit Vita
Representative of CNP Assurances, Manager of CNP Immobilier, Compagnie immobilière de la CNP-CIMO, Ilôt A5B, Issy Desmoulins, Rueil Newton, Société Civile du 136 rue de Rennes, Société Civile Immobilière l'Amiral, Société Civile Immobilière Montagne de la Fage, Société Civile Immobilière Parvis Belvédère, Société Civile Immobilière de la CNP, Société Foncière de la CNP, Société Immobilière de Construction et d'Acquisition de la CNP
Permanent Representative of CNP Assurances, Chairman of Pyramides 1
Chairman of the Management Board of CNP Assurances
Permanent Representative of CNP Assurances to the Board of Directors of CNP Caution
Member of the Supervisory Board of CDC IXIS
Permanent Representative of CNP Assurances, Manager of Le Sextant
Permanent Representative of CNP Assurances, Chairman of 83 Avenue Bosquet

Valérie BERNIS

54 years old

French

Business address:

GDF SUEZ, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris-La Défense

Main position:

Executive Vice-President of GDF SUEZ in charge of communications and marketing

Member of the Management Committee of GDF SUEZ

Offices and positions held at the Company:

Director

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,087 (of which 2,000 shares as a loan granted by GDF SUEZ)

Biography:

Valérie Bernis was born December 9, 1958. A graduate of the Institut Supérieur de Gestion and Université des Sciences Economiques in Limoges, Ms. Bernis has been a member of the Office of the French Minister of Economics, Finance and Privatization (1986-1988), and Press and Communication Officer for the French Prime Minister (1993-1995). Subsequently a member of the Executive Committee of SUEZ in charge of Communication, Financial Communication and Sustainable Development, Ms. Bernis has been a member of the Executive Committee of GDF SUEZ since July 2008, in charge of Communication, Financial Communication and Public Affairs. She is also an advisor to the Chairman of GDF SUEZ on policy and action plans for extending the role of women in business. Since May 1, 2011, Valérie Bernis has been a member of the Management Committee and Executive Vice-President of GDF SUEZ in charge of Communications and Marketing.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Executive Vice-President of **GDF SUEZ** in charge of Communications and Marketing

Member of the Management Committee of **GDF SUEZ**

Member of the Board of Directors of SERNA* (SUEZ Energy Resources NA)

Representative of GDF SUEZ to the Board of Directors of the Endowment Fund of the 104 "Les Mécènes du CENTQUATRE" (City of Paris artistic establishment)

Director of Société Monégasque de l'Électricité et du Gaz* (SMEG – Monaco)

Member of the Supervisory Board of **Euro Disney S.C.A.**

Member of the Board of Directors and of the Audit Committee of **Bull**

Expired during the last 5 years

Director of Storengy (until December 11, 2009)

Director of SUEZ-Tractebel (Belgium) (until April 27, 2010)

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Harold BOËL

48 years old
Belgian

Business address:
SOFINA, Rue de l'Industrie, 31, 1040 Brussels, Belgium

Main position:
Chief Executive Officer of Sofina and Executive Director of Henex

Offices and positions held at the Company:
Director
Member of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:
5,555 shares

Biography:

Harold Boël, born August 27, 1964, has a degree in Materials Sciences engineering from the Ecole Polytechnique Fédérale in Lausanne, Switzerland. He has held management positions in the steel industry at Usines Gustave Boël, Corus MultiSteel and Laura Metaal Holding. Mr Boël is currently Chief Executive Officer of Sofina SA and Executive Director of one of its parent companies, Henex SA.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Chief Executive Officer of **Sofina*** (Belgium)
Executive Director of **Henex*** (Belgium)
Director of **Biomérieux**, Electrabel SA (Belgium), Société de Participations Industrielles, Sodavi, Domanoy, United World Colleges Belgium asbl

Expired during the last 5 years

Director of François Charles Oberthur Fiduciaire (until April 23, 2012)
Non-voting Director of Biomérieux (until May 30, 2012)
Director of BMF Participation SA (resigned November 1, 2008), Finasucre (not renewed on July 31, 2009)
Director of Union Financière Boël (resigned December 5, 2011)
Director of Oberthur Technologies (resigned December 1, 2011)

** Companies belonging to the same group.*
In bold: *listed companies.*

Alain CHAIGNEAU

61 years old

French

Business address:

GDF SUEZ, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris-La Défense

Main position:

General Secretary and Member of the Executive Committee of GDF SUEZ

Offices and positions held at the Company:

Director

Member of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares (as a loan granted by GDF SUEZ)

Biography:

Alain Chaigneau, born September 8, 1951, holds a master's degree in Economics and is a graduate of the IAE in Paris. After beginning his career at the Bank of France and moving into the Treasury Department (French Ministry of Finance), he joined Compagnie Financière de SUEZ in 1984 as Deputy Director. In 1989, he was appointed Head of Planning and Strategy. He was a Director of Société Générale de Belgique from 1991 to 1995, where he became Chief Financial Officer and a member of the Management Committee in 1995. From 1999 to 2003, he was Executive Vice-President for Finance and Administration of Ondeo Services. In 2003, Mr. Chaigneau was appointed Chief Operating Officer for Finance and Administration of SUEZ ENVIRONNEMENT; in 2005, he was appointed Chief Operating Officer for the Americas. In January 2007, he became Executive Vice-President for Strategy and a member of the Executive Committee of SUEZ. He was a member of the Executive Committee of GDF SUEZ from 2008 to 2011, in charge of Business Strategy and Sustainable Development. Effective May 2011, he is General Secretary of GDF SUEZ, and member of the Executive Committee.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Member of the Executive Committee of **GDF SUEZ**

General Secretary of **GDF SUEZ**

Chairman of the Board of Directors of Storengy* and SFIG*

Director of GDF SUEZ Énergie Services*, Electrabel* (Belgium), GDF SUEZ CC* (Belgium), GDF SUEZ Management Company Belgium* (Belgium), the GDF SUEZ Foundation*, the Association Lesseps et du Canal de SUEZ and the Association des Amis de l'Université Française d'Egypte

Expired during the last 5 years

Director of Strategy and Sustainable Development at GDF SUEZ (until May 8, 2011)

Various offices held at companies of the GDF SUEZ Group

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Penelope CHALMERS SMALL

46 years old

British

Business address:

INTERNATIONAL POWER PLC, Senator House, 85 Queen Victoria Street, London EC4V 4DP, United Kingdom

Main position:

Executive Vice-President of Strategy and Communication at GDF SUEZ Energy International

Offices and positions held at the Company:

Director

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares (as a loan granted by GDF SUEZ)

Biography:

Penelope Chalmers Small, born May 29, 1966, British, was coopted as a Director by the Board of Directors on March 17, 2011, to replace Dirk Beeuwsaert (ratified by the Shareholders' Meeting of May 19, 2011). A graduate of Oxford University in Mathematics, Ms. Chalmers Small began her career as a financial analyst and then as a business analyst at BP. She later joined British Gas (BG) as Business Development Manager for Central and Eastern Europe and Russia, and later as Business Manager for Power Generation. In 1997, she joined International Power as Business Development Manager, then Asset Manager and Head of Global Resources, responsible for Group Human Resources, Corporate Communications and Information Systems. In February 2011 she was appointed Head of Strategy and Communications.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Executive Vice-President of Strategy and Communications at GDF SUEZ Energy International

Expired during the last 5 years

Director of Global Resources, in charge of Human Resources, Corporate Communications and Information Systems at International Power

Jean-François CIRELLI

54 years old

French

Business address:

GDF SUEZ, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris-La Défense

Main position:

Vice-Chairman and President of GDF SUEZ

Offices and positions held at the Company:

Director

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares (as a loan granted by GDF SUEZ)

Biography:

Jean-François Cirelli, born July 9, 1958, is a graduate of the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration; he also has a law degree. From 1985 to 1995, Mr. Cirelli held management positions at the Treasury Department of the Ministry of Economy and Finance, before becoming a technical advisor to the French President from 1995 to 1997, then economic advisor from 1997 to 2002. In 2002, he was appointed Deputy Director of Staff to Prime Minister Jean-Pierre Raffarin, responsible for economic, industrial and social affairs. Chairman and Chief Executive Officer of Gaz de France from 2004 to 2008, Mr. Cirelli was appointed Vice-Chairman and President of GDF SUEZ on July 22, 2008.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Vice-Chairman and President of **GDF SUEZ**

Chairman of the Board of Directors of GDF SUEZ Trading* (formerly Gaselys) and Eurogas* (Belgium)

Vice-Chairman of the GDF SUEZ Foundation*

Director of GDF SUEZ Énergie Services*

Vice-Chairman of the Board of Directors of Electrabel*

Director of GDF SUEZ Belgium* (Belgium)

Director of International Power* (United Kingdom)

Member of the Supervisory Board and Strategy Committee of **Vallourec**

Expired during the last 5 years

Chairman and Chief Executive Officer of Gaz de France (until July 22, 2008)

Various offices held at companies of the GDF SUEZ Group

Director of Neuf Cegetel

Member of the Supervisory Board of Atos Origin

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Delphine ERNOTTE CUNCI

46 years old

French

Business address:

Orange France, 1 avenue Nelson Mandela, 94745 Arcueil Cedex

Main position:

Executive Vice-President of France Telecom/Orange Group

Executive Director of Orange France

Offices and positions held at the Company:

Independent director

Chair of the Ethics and Sustainable Development Committee and Member of the Audit and Financial Statements Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000

Biography:

Delphine Ernotte Cunci, born July 28, 1966, was appointed as Director by the Shareholders' Meeting of May 24, 2012. She is a graduate of the Ecole Centrale de Paris. Delphine joined the France Telecom Group in 1989 in various operational roles throughout the Group, particularly in research and development. She then extended her career into business management, as Director of the regional distribution agency and the Regional Director for Centre-Val de Loire, before becoming the Company's Communication and Sponsorship Director for France. Since 2010 she has been Deputy Chief Executive Officer of the France Telecom/ Orange Group and Executive Director of Orange France in charge of operations for the France Telecom Group in France.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Member of the Board of Directors of the Ecole Centrale de Paris and of Le Cent-Quatre, a cultural institution

Expired during the last 5 years

Director of Communications and Sponsorship France at France Telecom Group (until 2008)

Lorenz d'ESTE

57 years old

Belgian

Business address:

COBEPA, Rue de la Chancellerie, 2, 1000 Brussels, Belgium

Main position:

Managing Partner of E. Gutzwiller & Cie

Offices and positions held at the Company:

Independent director

Chairman of the Nominations and Compensation Committee and member of the Ethics and Sustainable Development Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,139

Biography:

Lorenz d'Este, born December 16, 1955, studied at the Université of Saint-Gall in Switzerland and subsequently obtained a master's degree in economics and politics from the University of Innsbruck, Austria. He joined the Swiss bank E. Gutzwiller & Cie in 1983, first as a banking executive and then as senior manager, and has been Managing Partner of E. Gutzwiller & Cie, Banquiers since 1990. He has also served as advisor to the Executive Management Committee of BNP Paribas since 1999.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Managing Partner of E. Gutzwiller & Cie

Advisor to the General Management of **BNP Paribas**

Expired during the last 5 years

Director of Sita SA

Director of Union Chimique Belge – UCB (April 2010)

In bold: *listed companies.*

Isabelle KOCHER

46 years old

French

Business address:

GDF SUEZ, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris-La Défense

Main position:

Executive Vice-President and Chief Financial Officer of GDF SUEZ

Offices and positions held at the Company:

Director

Member of the Audit and Financial Statements Committee and the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000 shares (as a loan granted by GDF SUEZ)

Biography:

Isabelle Kocher, born December 9, 1966, was co-opted as a Director by the Board of Directors on February 7, 2012 (appointment ratified by the Shareholders' Meeting of May 24, 2012). She is a graduate of the Ecole Normale Supérieure (ENS-Ulm) and a member of the Corps des Mines. In 1997 she was appointed Budget Officer for telecommunications and defense at the Ministry of the Economy. She was industrial affairs advisor to the Prime Minister's Office between 1999 and 2002. In 2002, she joined the SUEZ Group, where she held various positions (from 2002 to 2005 in the Strategy and Development Department; from 2005 to 2007 as Director of Performance and Organization; from 2007 to 2008 as Chief Operating Officer of Lyonnaise des Eaux in charge of water development in Europe; from 2009 to October 2011, Chief Executive Officer of Lyonnaise des Eaux). She has been Executive Vice-President of GDF SUEZ and Chief Financial Officer since October 1, 2011.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Executive Vice-President and Chief Financial Officer of **GDF SUEZ**

Director of **Axa** and International Power Plc*

Expired during the last 5 years

Various offices held at companies of the GDF SUEZ Group

Director of Arkema (until July 31, 2012)

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Patrick OUART

53 years old

French

Business address:

LVMH, 22 avenue Montaigne, 75008 Paris

Main position:

Member of the Executive Committee of LVMH and Advisor to the Chairman of the LVMH Group

Offices and positions held at the Company:

Director

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

4,000 shares

Biography:

Patrick Ouart was born May 25, 1959. A graduate of the Ecole Nationale de la Magistrature, he performed various functions within the SUEZ Group between 1998 and 2003, before joining the LVMH Group in 2004. Patrick Ouart served as advisor to the French Presidency between 2007 and 2009. He is a member of the Executive Committee of LVMH and an advisor to the LVMH Group Chairman.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Member of the Executive Committee of **LVMH**

Advisor to the Chairman of the **LVMH** Group

Chairman of Dumez SAS

Chairman of Union Maritime de Dragage SAS

Director of Etablissement Public du Domaine National de Chambord

Expired during the last 5 years

Advisor to the French Presidency

In bold: *listed companies.*

Guillaume PEPY

54 years old

French

Business address:

SNCF, 34 rue du Commandant Mouchotte, 75014 Paris

Main position:

Chairman and Chief Executive Officer of the SNCF (French Railways)

Offices and positions held at the Company:

Independent director

Chairman of the Audit and Financial Statements Committee and member of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,087

Biography:

Guillaume Pepy, born May 26, 1958, studied at the Ecole Nationale d'Administration and is a legal advisor at the Conseil d'Etat (France's highest administrative court). Mr. Pepy has served in various positions at SNCF (Director of Mainline Services, then Director of Investments, Economy and Strategy, and Chief Executive Officer since 2003) as well as in various government departments (technical advisor to Michel Charasse, Chief of Staff for Michel Durafour, then Chief of Staff for Martine Aubry). Since February 26, 2008, Mr. Pepy has been Chairman and Chief Executive Officer of SNCF.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Chairman and CEO of the SNCF (French Railways)

Expired during the last 5 years

Various offices held at SNCF Group companies

Olivier PIROTTE

46 years old

Belgian

Business address:

GBL, Avenue Marnix, 24, 1000 Brussels, Belgium

Main position:

Chief Financial Officer of Groupe Bruxelles Lambert

Offices and positions held at the Company:

Director

Member of the Audit and Financial Statements Committee and member of the Strategy Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,085

Biography:

Olivier Pirotte, born September 18, 1966, has an engineering degree from the Ecole de Commerce Solvay and from the Université Libre de Bruxelles. He began his career in 1989 at Arthur Andersen, where he held management positions in the "Business Consulting" and "Audit" divisions. He joined Groupe Bruxelles Lambert in 1995, where he was appointed Director of Equity Interests and Investments in 2000, then Chief Financial Officer from January 1, 2012.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Chief Financial Officer of **Groupe Bruxelles Lambert** (Belgium) since January 1, 2012

Director and Member of the Strategy Committee of **Imerys** (France)

Director of GBL Treasury Center S.A.* (Belgium), Brussels Securities S.A.* (Belgium), Sagerpar S.A.* (Belgium), Ergon Capital Partners III S.A.* (Belgium), Belgian Securities B.V.* (Netherlands), GBL Verwaltung S.A.* (Luxembourg), GBL Investments Limited* (Ireland), PGB* and GBL Overseas Finance N.V.* (Dutch West Indies), and the Groupe Bruxelles Lambert Pension Fund

Manager of GBL Energy S.à.r.l.* (Luxembourg), Immobilière Rue de Namur S.à.r.l* (Luxembourg), and GBL R S.à.r.l.* (Luxembourg)

Member of the Investment Committee of Sagard Equity Partners

Expired during the last 5 years

Director of Equity Interests and Investments of Groupe Bruxelles Lambert (Belgium) until December 31, 2011

Director and Chairman of the Audit Committee of Electrabel S.A. (Belgium) (until November 25, 2011)

Director of SN Airholding SA (Belgium) (until June 24, 2009)

** Companies belonging to GBL Group.*

In bold: *listed companies.*

Amaury de SÈZE

66 years old

French

Business address:

POWER CORPORATION CANADA, 1 Rond Point des Champs Elysées, 75008 Paris

Main position:

Vice-President of Power Financial Corporation of Canada

Offices and positions held at the Company:

Director

Member of the Nominations and Compensation Committee

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

2,000

Biography:

Amaury de Sèze, born May 7, 1946, began his career in 1968, at Bull General Electric. In 1978, he joined Volvo Group where he held several positions, including Chief Executive Officer, Chairman and Chief Executive Officer of Volvo France, President of Volvo Corporate Europe, member of the Executive Committee of Volvo Group and member of the Strategy Committee of Renault Volvo. He joined Paribas Group in 1993 as a member of the Management Board of Compagnie Financière de Paribas and of Banque Paribas, responsible for Equity Interests and Industrial Affairs, then as the Head of BNP Paribas' Equity Interests Unit. Mr de Sèze is also Vice-Chairman of Power Corporation of Canada and lead Director of the Carrefour Group.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Vice-Chairman of **Power Financial Corporation of Canada** (Canada)

Lead Director of **Carrefour**

Director of BW Group, **Groupe Bruxelles Lambert** (Belgium), Erbe SA (Belgium), **Pargesa Holding S.A.** (Switzerland), Imerys and **Thales SA**

Chairman of the Supervisory Board of PAI Partners SAS

Member of the Supervisory Board of **Publicis Groupe**

Expired during the last 5 years

Chairman of the Board of Directors of Carrefour SA (until June 21, 2011)

Chairman of the Supervisory Board of PAI Partners SAS, PAI Partners UK Ltd, Financière PAI SAS, Financière PAI Partners SAS, Chairman of the Board of Directors of Cobepa SA

Director of Groupe Industriel Marcel Dassault SA

Vice-Chairman of the Supervisory Board of Carrefour SA

Director of Eiffage, PAI Europe III General Partner NC, PAI Europe III UK General Partner Ltd (United Kingdom), PAI Europe IV General Partner NC, PAI Europe IV UK General Partner Ltd (United Kingdom), PAI Europe V General Partner NC, PAI Partners Srl (Italy), Saeco SpA (Italy), Power Corporation of Canada (Canada), Gepeco SA, Novalis SAS, Novasaur SAS, Vivarte SA

Representative of NHG SAS

Member of the Supervisory Board of Gras Savoye SCA

In bold: *listed companies.*

Jérôme TOLOT

60 years old

French

Business address:

GDF SUEZ ÉNERGIE SERVICES, Tour Voltaire, 1 place des Degrés, 92059 Paris-La Défense Cedex

Main position:

Member of the Management Board and Executive Vice-President of GDF SUEZ in charge of the Energy Services business line.

Offices and positions held at the Company:

Director

Number of SUEZ ENVIRONNEMENT COMPANY shares held:

35,634 (of which 2,000 shares as a loan granted by GDF SUEZ)

Biography:

Jérôme Tolot, born January 4, 1952, has a degree from INSEAD and the Institut d'Etudes Politiques de Paris and holds a DESS in Economics. Mr. Tolot joined Lyonnaise des Eaux in 1982 as financial controller, after beginning his career at the consulting firm McKinsey and Banque Indosuez. He was then successively Executive Vice-President for Finance and Development at Degrémont, Director and Chief Executive Officer of the GTM and VINCI groups, and Chairman and Chief Executive Officer of Sita. In 2002 he was appointed Executive Vice-President and member of the Executive Committee of SUEZ. Since 2005, he has been Director and Chief Executive Officer of SUEZ Énergie Services, which became GDF SUEZ Énergie Services. Since July 22, 2008 he has been a member of the Executive Committee of GDF SUEZ. Mr. Tolot is also, since May 1, 2011, a member of the Management Committee and Executive Vice-President of GDF SUEZ in charge of the Energy Services business line.

LIST OF OTHER MAJOR OFFICES AND POSITIONS HELD DURING THE LAST 5 YEARS

Current

Executive Vice-President of **GDF SUEZ** in charge of the Energy Services Business Line

Member of the Management Committee of **GDF SUEZ**

Chief Executive Officer and Director of GDF SUEZ Énergie Services*

Member of the Supervisory Board of Savelys*

Chairman of the Board of Directors of Société Monégasque de l'Electricité et du Gaz – SMEG* (Monaco)

Chairman of the Board of Directors of Tractebel Engineering* (Belgium)

Chairman of the Board of Directors of Fabricom SA* (Belgium)

Director of GDF SUEZ University* Axima Seitha*, Cofely Italia SPA* (Italy), GDF SUEZ Energy Services España* (Spain), INEO*, Cofely Nederland NV* (Netherlands)

Director of the GDF SUEZ Foundation*

Permanent Representative of GDF SUEZ to the Board of Directors of **Compagnie Parisienne de Chauffage Urbain – CPCU***

Expired during the last 5 years

Various offices held at companies of the GDF SUEZ Group

** Companies belonging to GDF SUEZ Group.*

In bold: *listed companies.*

Pursuant to the Code of Conduct on the use of inside information and securities trading, as approved by the Board of Directors on June 28, 2012, and under which the Company's Directors are required to disclose conflicts of interest annually, no member of the Board of Directors has disclosed to the Company that he or she:

- has family ties with other members of the Company's Board of Directors (including the CEO);
- has been convicted for fraud in the last five years;
- has participated as a manager in any bankruptcy, receivership or liquidation in the last five years;
- has been incriminated or received an official public sanction by statutory or regulatory authorities;
- has been barred by a court of law from acting as a member of an administrative, management or supervisory body of any issuer or participating in the management or business of any issuer in the last five years.

14.1.3 Management bodies

In order to successfully perform his mission, the Chief Executive Officer is assisted by a Management Committee, which is an analysis and decision-making body that examines the Group's major decisions and strategic objectives and meets every two weeks. The Management Committee comprises seven members besides Jean-Louis Chaussade:

Jean-Marc Boursier, born October 5, 1967, worked as statutory auditor for Mazars in Paris and London from 1993 to 1999. He is a former civil engineer for Telecom SudParis and holds a Master's degree in International Finance from the Ecole des Hautes Etudes Commerciales (HEC Paris). Mr. Boursier joined the SUEZ Group in 1999 as financial controller for Sita France. He became Head of financial Control for Sita in 2000 and then Head of Financial Control and Mergers & Acquisitions for Sita in 2001. He was appointed Director of Planning and Control for SUEZ ENVIRONNEMENT in 2002. He was appointed Chief Financial Officer in 2004.

Christophe Cros, born August 3, 1959, was a magistrate at the Cour des Comptes (1985-1989), then Head of Financial Organization at the Centre National des Caisses d'Epargne. Mr. Cros studied at the Ecole Nationale d'Administration (ENA), and is a graduate of the Institut d'Etudes Politiques de Paris and holds a Master's degree in Economics from the Université de Paris I. He joined the SUEZ Group in 1991, where he became Chief Financing and Treasury Officer in 1993. From 1995 to 1998, he was Chief Operating Officer then Chairman and Chief Executive Officer of Crédisuez, the division covering all the Group's real estate activities. He was appointed Chief Operating Officer of Sita in 1999, and took over all its European activities in 2002. He is responsible for SUEZ ENVIRONNEMENT's Waste Europe activities and is Chief Executive Officer of Sita France.

Marie-Ange Debon, born May 18, 1965, is a graduate of the HEC and ENA, and has a Master's degree in Law. From 1990 to 1994, she served as a magistrate at the Cour des Comptes. Ms. Debon joined France 3 and was Management Director, then Executive Vice-President for Resources (Finance, Legal, Information Technology, Production and Equipment). She then joined the Thomson Group in November 1998, where she was Deputy Chief Financial Officer. From July 2003 she has served as General Secretary, responsible for Legal, Insurance, Real Estate, Corporate Communications and Shareholder Relations. She is a member of the Board of the French Financial Markets Authority (Autorité des Marchés Financiers). She joined SUEZ ENVIRONNEMENT on June 1, 2008 as General Secretary in charge of Legal and Audit. Since September 2009, she has also been responsible for the Water and Waste Project Divisions, Information Systems, Risks/Investments, Insurance and Purchasing. Marie-Ange Debon is also a Director at Technip (since July 2010).

Bernard Guirkinger was born April 21, 1952 and holds an Engineering degree from the Ecole Centrale de Paris. He has dedicated most of his career to the water industry, of which he has extensive knowledge. After serving in various operational roles at several Lyonnaise des Eaux outfits in France, Mr. Guirkinger was appointed Regional Director of the Southern Paris center in the early 1990s. In 1995, he pursued his career abroad, heading up the operating subsidiaries in Germany, Central Europe and Northern Europe. Leveraging this international experience, he was appointed Chief Executive Officer of Lyonnaise des Eaux in 1996, and then Chairman and Chief Executive Officer in 2002. Since September 2009, he has been Executive Vice-President of SUEZ ENVIRONNEMENT in charge of business coordination for Water, R&D and Sustainable Development. He is also responsible for Institutional Relations (European affairs, international agencies and corporate engineering). Since November 2010, Bernard Guirkinger has been a member of the Economic, Social and Environment Council of France (Conseil Economique, Social et Environnemental).

Thierry Mallet, born September 4, 1960, is a graduate of the Ecole Polytechnique (1980) and Ecole Nationale des Ponts et Chaussées (1985), and also holds a master's degree in Science from the Massachusetts Institute of Technology. He started his career working for the French Ministry of Transportation from 1987 to 1989. He then moved to the Générale des Eaux Group, where he held different positions and in particular, was in charge of water activities in Spain from 1995 to 1997 and in North America from 1997 to 1999. He joined Degrémont in December 2002 as Deputy Chief Operating Officer, where he worked closely with Jean-Louis Chaussade, at that time Chairman and Chief Executive Officer. He became Chief Executive

Officer in June 2004, a post he held until October 2009, when he was appointed Chairman of Degrémont. Since October 1, 2009, Thierry Mallet has been Executive Vice-President of SUEZ ENVIRONNEMENT, in charge of the International segment, which includes Degrémont, Asia, North America, Central Europe and the Middle East. He became a member of the Group Management Committee on the same date.

Denys Neymon, born June 18, 1960, worked for ten years in the construction industry (Bouygues Group) as Director of Human Resources. In 2002, Mr. Neymon joined the Group as the Director of Human Resources of Degrémont. He holds a Law degree (1983) and a Human Resources degree (1984). He has been the Head of Human Resources of SUEZ ENVIRONNEMENT since 2004 and is responsible for the Health and Safety Department. He is also a member of the GDF SUEZ Human Resources Executive Committee.

Frédérique Raoult, born on July 13, 1966, is a graduate of the Institut d'Etudes Politiques de Paris and holds a master's degree in History. She has held a number of communication posts within the Group relating to the environment. In 1997, she joined Degrémont as Director of Communications. She has been Director of Communications for SUEZ ENVIRONNEMENT since 2004 and a member of SUEZ ENVIRONNEMENT's Management Committee since January 1, 2009.

The Company also has an Executive Committee, which is a Group policy management and implementation body and meets around once a month. It consists of the eight Management Committee members and the eight main Business Unit managers. Its exact composition is detailed on the Company website (www.suez-environnement.com).

The Company announced on March 22, 2013 that from April 15, 2013 and on, the Executive Committee will be formed by Jean-Louis Chaussade, Chief Executive Officer, Jean-Marc Boursier, Deputy Chief Executive Officer in charge of Finance and Purchasing, Christophe Cros, Deputy Chief Executive Officer in charge of Waste Europe, Angel Simón, Deputy Chief Executive Officer in charge of Water Europe, Marie-Ange Debon, Deputy Chief Executive Officer in charge of International activities, Frédérique Raoult, Director of Communications and Sustainable Development, and Denys Neymon, Director of Human Resources. Angel Simón is Chief Executive Officer of Agbar.

14.2 CONFLICTS OF INTEREST WITHIN ADMINISTRATIVE BODIES AND GENERAL MANAGEMENT

The Company has put in place various mechanisms to prevent any conflict between the private interests of its Directors and those of the Company.

The Director's Charter (as annexed to the Board of Directors' Internal Regulations) provides that every Director must inform the Board of any conflict of interest, even potential, in which he or she could be directly or indirectly involved. In the event that a Director cannot avoid being in conflict of interest, he or she must refrain from participating in discussions and any decisions on the relevant matters.

In addition, on June 28, 2012, on the recommendation of the Nominations and Compensation Committee, the Board of Directors also adopted a Code of Conduct on the prevention of insider trading, which:

- recalls the laws and regulations on insider dealing and market abuse;
- sets blackout periods during which insiders must not trade in the Company's shares, including:
  - a period of 30 days prior to the publication of the Company's annual and interim results until two days after their publication, and
  - a period of 15 days prior to the publication of the Company's first and third quarter results until two days after their publication;
- recalls the obligation for Directors and certain executives of the Group to report transactions involving the Company's shares;
- establishes the obligation for Directors to make an annual declaration of interests, indicating in particular any potential conflict of interest that could exist between their duties to the Company and other duties or private interests.

As regards the annual declaration of interests made by each Director at the start of 2013, no members of the Board of Directors (including the Chief Executive Officer) notified the Company of any conflict of interest between their duties to the Company and other duties or private interests.

Furthermore, to the Company's knowledge, as of the date of this Reference Document, no member of the Board of Directors or the Chief Executive Officer enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.

15 COMPENSATION AND BENEFITS

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15.1 COMPENSATION AND BENEFITS IN KIND

15.1.1 Total compensation of the Chief Executive Officer

Compensation policy

The compensation of the Chief Executive Officer is composed of various elements:

- an annual fixed compensation;
- benefits in kind;
- an annual variable compensation based on the achievement of qualitative and quantitative criteria;
- long-term compensation, *via* the allocation of performance shares. For the record, in fiscal year 2012, as in 2011, no performance shares were allocated to the Chief Executive Officer.

The Chief Executive Officer also benefits from Group retirement, insurance and healthcare plans, special unemployment insurance and severance pay in case of dismissal.

In accordance with the Board of Directors' internal regulations, the Nominations and Compensation Committee plays an important role in determining all elements of the Chief Executive Officer's compensation. The committee makes recommendations and proposals to the Board of Directors, based on surveys and analyses of the market practices of comparable companies, and taking a global approach to all elements of compensation, including:

- determining the fixed compensation;
- defining the quantitative and qualitative criteria for determining the variable compensation, as well as their application;
- allocating performance shares (number of shares allocated, performance conditions, allocation rules, etc.).

The Nominations and Compensation Committee also periodically examines (at least upon renewal of his directorship) the CEO's overall contractual status, particularly the maintenance of his employment contract and severance pay in case of dismissal.

The Board of Directors relies on these recommendations and proposals to approve all elements of the Chief Executive Officer's compensation.

Compensation for 2012

The tables below summarize the compensation of the Chief Executive Officer, the Company's sole corporate officer, according to the model defined by the AFEP-MEDEF Code and the AMF recommendation issued on December 22, 2008.

SUMMARY TABLE OF COMPENSATION, OPTIONS AND SHARES ALLOCATED TO THE CORPORATE OFFICER – GROSS AMOUNTS (IN EUROS)

Jean-Louis Chaussade, Chief Executive Officer	Fiscal year 2012	Fiscal year 2011	Fiscal year 2010
Compensation due for the fiscal year (see breakdown below)	1,414,556	1,147,952	1,573,023
Value of options allocated during the fiscal year	–	–	335,637
Value of performance shares allocated during the fiscal year	–	–	182,856
TOTAL	**1,414,556**	**1,147,952**	**2,091,516**

SUMMARY TABLE OF COMPENSATION FOR THE CORPORATE OFFICER (IN EUROS)

	Amounts in fiscal year 2012		Amounts in fiscal year 2011		Amounts in fiscal year 2010	
Jean-Louis Chaussade	due	paid (a)	due	paid (a)	due	paid (a)
Chief Executive Officer						
- Fixed compensation	750,000	750,000	750,000	750,000	750,000	750,000
- Variable compensation	648,854	382,399	382,399	810,105	810,105	799,208
- Benefits in kind	15,702	15,702	15,553	15,553	12,918	12,918
TOTAL	**1,414,556**	**1,148,101**	**1,147,952**	**1,575,658**	**1,573,023**	**1,562,126**

(a) Variable compensation paid corresponds to the variable compensation relative to year n-1.

The gross fixed compensation for Jean-Louis Chaussade has remained unchanged since January 1, 2009 and amounts to €750,000 for 2012.

Added to this fixed compensation is a variable portion that may range from 0% to 145% of the fixed portion. The variable portion for 2012, paid in 2013, was determined based on criteria relating to EBITDA growth, free cash flow, net recurring income and ROCE. It also included a qualitative criterion that represents 20% of the variable portion's overall weighting and relates to health and safety performance, management of the Melbourne desalination plant project, the Compass program, leadership and responsiveness. The Nominations and Compensation Committee has been informed of the 2012 results and has assessed the level of attainment of these goals. The levels of achievement that must be met under these quantitative criteria have been set precisely and for confidentiality reasons cannot be made public. Consequently, the variable portion paid in 2013 for 2012 was €648,854.

The 2011 variable portion, paid in 2012, was €382,399. It was determined based on criteria relating to EBITDA growth, free cash flow, net recurring income, ROCE, governance, the Group's identity, strategy and workplace health and safety. The variable portion for 2010, paid in 2011, was €810,105.

In addition to the fixed and variable compensation mentioned above, 2012 benefits in kind totaled €15,701.77, corresponding to €10,372.80 for a company car and €5,328.97 for the special unemployment insurance for Company Directors (GSC – *Garantie Sociale des Chefs et dirigeants d'entreprise*). The Company also provided Mr. Chaussade with a cell phone and a laptop computer.

Other benefits

In accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code and as authorized by the Board of Directors, Mr. Chaussade receives benefits relating to retirement, insurance, healthcare, special unemployment insurance and severance pay, in case of dismissal, which were established in 2008 by the Board of Directors on the recommendation of the Nominations and Compensation Committee, and subsequently approved by the Shareholders' Meeting of May 26, 2009. These benefits have since remained unchanged and were renewed by the Shareholders' Meeting of May 24, 2012, on similar terms, upon the renewal of Mr. Chaussade's directorship and in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code and the recommendations of the Nominations and Compensation Committee on March 15, 2012. These benefits are described below.

Retirement, insurance and healthcare coverage

No specific supplementary retirement plan has been established for the Chief Executive Officer. Mr. Chaussade also benefits from the Group supplementary retirement plan applicable to SUEZ ENVIRONNEMENT employees.

These include, first of all, mandatory Group insurance subject to defined contributions as stipulated in Article L. 441-1 of the French Insurance Code[1]. Second, they include a supplementary Group defined benefits retirement plan[2]. This scheme applies to employees whose annual compensation is more than four times the annual social security ceiling in France. It provides for payment of an annuity equal to the sum of the annual components of the annuity, based on 2% of the portion (referred to as bracket C) of gross annual compensation between four and eight times the social security ceiling, plus 4% of the portion (referred to as bracket D) of gross annual compensation between eight and 36 times the social security ceiling, minus any annuities paid under other supplementary retirement plans, calculated on the basis of bracket C of the compensation. The benefits paid under the defined benefits plan vest in proportion to each year of service, and are calculated based on a maximum of 10 years of service in the Group (if the 10-year maximum period has not been reached, the corresponding benefits are calculated prorata based on the employee's actual length of service). However, the amount of the annuity payable is capped at 30% of bracket C and 40% of bracket D, based on the average annual gross compensation for the last five years (fixed and variable).

As of December 31, 2012, the provisioned retirement obligations for Mr. Chaussade (in the consolidated financial statements prepared according to IFRS) relating solely to SUEZ ENVIRONNEMENT plans amounted to €4.9 million (excluding tax on employer contribution), versus €4.0 million as of December 31, 2011. Adding the amount of the tax on employer contribution, these obligations reached €7.0 million as of December 31, 2012, versus €5.2 million at the end of 2011. The difference between the provisioned amounts in 2012 and 2011 is not due to the attribution of additional advantages, but, on the one hand to the doubling of the employer contribution tax rate from January 1st, 2013 (immediately impacting 2012), and, on the other hand, to the obligation resulting from the acquisition of rights for an additional year.

Mr. Chaussade also benefits from the Company's current mandatory group insurance and healthcare plans.

(1) *The defined contributions scheme produces definitive rights acquired through the conversion of contributions withheld for retirement, calculated as a function of contributions paid each year. They amount to 4.196% on income in the first social security band, and 7% on income corresponding to the next three bands.*

(2) *Contingent upon having completed his career within the Company, this regime entitles the holder to a life annuity calculated as a function of the number of years of contribution and the reference compensation.*

EMPLOYMENT CONTRACT AND SEVERANCE PAY IN 2012

In 2012, Mr. Chaussade held a contract with GDF SUEZ that had been suspended since July 23, 2008. Upon renewal of the Chief Executive Officer's directorship, submitted to the Shareholders' Meeting of May 24, 2012, the Board of Directors, at its meeting on February 7, 2012 and based on the recommendation of the Nominations and Compensation Committee, determined that in view of Jean Louis Chaussade's seniority within the Group – 34 years – maintaining his employment contract was consistent with the AMF's position in its corporate governance guidelines of 2009, 2010 and 2011 for the employment contracts of executive corporate officers.

In accordance with the recommendations of the AFEP-MEDEF Code, and taking into account the fact that the Chief Executive Officer has a suspended employment contract, the Board of Directors confirmed the amount of severance pay due to the Chief Executive Officer in case of dismissal at 15 months of total gross compensation, unchanged from its 2008 decision. It also set three performance criteria to which this severance pay is subject, in accordance with the TEPA Act of August 21, 2007. They are as follows: average growth in revenues as provided for in the medium-term plan and measured over the period from 2008 to the year in which the position is relinquished (under similar economic conditions to those prevailing when the medium-term plan was drawn up); growth in the SUEZ ENVIRONNEMENT COMPANY share price, which must be equal to or greater than the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period starting from July 22, 2008 to the date on which the position is relinquished; and ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over the same period. If two of these criteria have been fulfilled by the date on which the dismissal decision is taken, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due. The variable portion of the total gross compensation that serves as the basis for calculating the severance payment is equal to the average of the variable portions for the two years preceding the year in which the dismissal decision is taken.

	Employment contract		Supplementary retirement plan		Compensation or benefits due or that may become due pursuant to termination or a change in duties		Compensation due under a no-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Louis Chaussade **Director and Chief Executive Officer**	with GDF SUEZ Management Company, suspended for the duration of his mandate as corporate officer of the SUEZ ENVIRONNEMENT COMPANY [(a)]		X		X			X
Start of mandate: 07/23/2008								
End of mandate: at the end of his directorship, or at the 2016 Shareholders' Meeting in fiscal year 2015					15 months of total gross compensation			

(a) Under his employment contract subject to the collective agreement in force at GDF SUEZ, the Chief Executive Officer benefits from a six-month notice.

Corporate officer's stock options and performance shares

ALLOCATION POLICY FOR CORPORATE OFFICERS

The Chief Executive Officer's total compensation includes a long-term element in the form of performance shares (in 2012 the Company decided against allocating stock options).

Concerning the allocation of stock options or performance shares by the Company since 2009, all stock options or performance shares that the Chief Executive Officer has received are subject to the achievement of performance conditions. In addition, all performance shares that could be allocated to the Chief Executive Officer in the future would also be subject to multi-year performance conditions.

Law No. 2006-1770 of December 30, 2006 to promote employee profit-sharing and shareholding and laying down a range of economic and social provisions (known as the "Loi Balladur") imposes restrictions on the availability of shares resulting from the exercise of stock options and performance shares granted to corporate officers under plans introduced since January 1, 2007.

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board of Directors has resolved that, for the duration of his term of office, Mr. Chaussade will retain 25% of the shares from exercised options and performance shares allocated under various SUEZ ENVIRONNEMENT COMPANY plans, up to a total of 150% of his fixed annual compensation.

In addition, for performance shares allocated based on the authorization of the Shareholders' Meeting of May 24, 2012, which is currently in force, the number of shares allocated to corporate officers may not exceed 5% of the shares allocated.

The Board of Directors must also ensure that the value (under IFRS 2) of the performance shares allocated to the Chief Executive Officer in any fiscal year do not represent an excessive percentage of his total compensation (including the value of performance shares).

Pursuant to the Code of Conduct on the use of inside information and securities trading, as approved by the Board of Directors on June 28, 2012, on the recommendation of the Nominations and Compensation Committee, the Chief Executive Officer may not engage in trading in Company shares, including the sale of shares resulting from the exercise of stock options or allocation of performance shares if he is in possession of inside information, as well as during the following blackout periods:

- a period of 30 days prior to the publication of the Company's annual and interim results until two days after their publication; and
- a period of 15 days prior to the publication of the Company's first and third quarter results until two days after their publication.

Finally, the Chief Executive Officer is expressly prohibited from hedging the performance shares or stock options that he receives from the Company.

STOCK OPTIONS ALLOCATED TO THE CORPORATE OFFICER IN 2012

For fiscal year 2012, as for 2011, no stock options were allocated to the corporate officer.

STOCK OPTIONS EXERCISED BY THE CORPORATE OFFICER IN 2012

The corporate officer did not exercise any stock options during fiscal year 2012.

OPTIONS TO SUBSCRIBE FOR OR PURCHASE GDF SUEZ SHARES EXERCISED DURING THE YEAR BY THE CORPORATE OFFICER

An option was exercised in 2012 relating to the GDF SUEZ (formerly SUEZ) stock option plan of November 17, 2004, which expired on November 16, 2012.

Jean-Louis CHAUSSADE	Plan	Number of options exercised during the year	Exercise price
Chief Executive Officer	SUEZ Plan of November 17, 2004	90,513	€16.84

PERFORMANCE SHARES GRANTED TO THE CORPORATE OFFICER IN 2012

No performance shares were allocated to the corporate officer in 2012.

GDF SUEZ PERFORMANCE SHARES THAT BECAME AVAILABLE TO THE CORPORATE OFFICER DURING THE YEAR

Jean-Louis CHAUSSADE	Plan	Acquisition Date	Availability date	Number of shares that became available
Chief Executive Officer	SUEZ Plan of November 14, 2007	March 15, 2010	March 15, 2012	3,191

BONUS SHARES AWARDED TO THE CORPORATE OFFICER IN 2012

Under the worldwide employee shareholding plan established by GDF SUEZ in 2012, Mr. Chaussade received 15 GDF SUEZ shares.

The current SUEZ ENVIRONNEMENT COMPANY stock option and performance share plans are described in section 15 of the 2009, 2010 and 2011 Reference Documents.

Details are provided in Note 21 of the consolidated financial statements in section 20.1 of this Reference Document.

15.1.2 Compensation of Management Committee members

All active Management Committee members serving as of December 31, 2012 (see section 14.1.3), including the Chief Executive Officer, received total gross compensation of €4,723,526 in 2012.

The table below specifies the fixed and variable amounts paid to Management Committee members over the last three years (amounts in euros). It does not include the valuation of stock options and performance shares allocated by SUEZ ENVIRONNEMENT COMPANY and GDF SUEZ. No such allocations were made in 2011 or 2012.

Year of payment	Total fixed portion	Total variable portion	Total compensation
2010	2,912,678	2,229,637	5,142,315
2011	3,027,761	2,383,177	5,410,938
2012	3,035,167	1,688,359	4,723,526

In addition to the compensation described above, employee profit-sharing and incentive bonuses totaling €55,501 were paid to the entire Management Committee in 2012 for fiscal year 2011. This amount was €62,201 in 2011 for 2010.

15.1.3 Compensation of Directors

The compensation of Gérard Mestrallet, Chairman and Chief Executive Officer of GDF SUEZ, is described in the GDF SUEZ Group Reference Document. Mr. Mestrallet does not receive any compensation as Chairman of the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, or any Director's fees.

Valérie Bernis, Penelope Chalmers Small and Isabelle Kocher (coopted by the Board of Directors on February 7, 2012), as well as Jean-François Cirelli, Alain Chaigneau and Jérôme Tolot are corporate officers or employees of the GDF SUEZ Group, and do not receive any compensation from the Company, or any company controlled by or controlling the Company, in connection with their position as corporate officers at SUEZ ENVIRONNEMENT COMPANY. None of the Directors (including Jean-Louis Chaussade) appointed on the proposal of GDF SUEZ and performing a function in the GDF SUEZ Group (employee or corporate officer) received Directors' fees as Directors of the Company.

No stock options or performance share allocations were awarded during the year to the Directors of SUEZ ENVIRONNEMENT COMPANY as officers of the Company.

No stock options or performance share grants were exercised during the year by Directors of SUEZ ENVIRONNEMENT COMPANY as officers of the Company.

The total amount for Directors' fees set by the Combined Shareholders' Meeting of May 20, 2010 was €450,000.

At its meeting of February 7, 2012, the Board of Directors adopted the recommendations of the Nominations and Compensation Committee relating to the distribution of Director's fees, as follows:

An amount of €255,000 allocated to the Board of Directors to be distributed as follows:

- a fixed portion of €175,000 or €15,000 per Director (excluding representatives of GDF SUEZ Group), €20,000 each for the chairmen of the Nominations and Compensation and Ethics and Sustainable Development Committees, €30,000 for the Chairman of the Audit and Financial Statements Committee, plus an additional fixed amount of €35,000 drawn from the unallocated balance of the variable portions described below to be distributed equally between the Directors receiving Directors' fees;
- a maximum variable portion of €80,000 allocated based on the attendance of Directors at Board meetings.

A maximum portion of €195,000 for the various committees, subject to every Director of any committee receiving the same amount and conditional upon the Directors' regular attendance at the various committee meetings.

The following table shows Directors' fees allocated to Directors, calculated in accordance with the above rules.

Board Members	Directors' fees paid 2011 [(a)]	Directors' fees paid 2012 [(a)]
Gérald Arbola	€31,861.11	€34,849.85
Nicolas Bazire	€40,722.22	€47,882.88
Gilles Benoist	€29,500.00	€32,214.71
Harold Boël [(b)]	€28,611.11	€33,960.96
Delphine Ernotte Cunci [(c)], Chair of the Ethics and Sustainable Development Committee	N/A	€32,425.68
Lorenz d'Este, Chairman of the Nominations and Compensation Committee	€50,750.00	€54,771.77
Patrick Ouart	€23,000.00	€26,944.44
Guillaume Pepy, Chairman of the Ethics and Sustainable Development Committee and subsequently of the Audit and Financial Statements Committee	€56,361.11	€64,545.80
Olivier Pirotte [(d)]	€49,000.00	€53,295.80
Amaury de Sèze	€30,083.33	€34,564.56
Ezra Suleiman [(e)], Chairman of the Audit and Financial Statements Committee	€70,500.00	€34,057.06
TOTAL	**€410,388.89**	**€449,513.51**

(a) Gross amounts before withholding tax, when applicable. Directors' fees for the second half of 2011 were paid in February 2012; Directors' fees for the second half of 2012 were paid in February 2013.

(b) Director's fees were paid to SOFINA.

(c) Delphine Ernotte Cunci was appointed as a Director by the Shareholders' Meeting of May 24, 2012 and was appointed Chair of the Ethics and Sustainable Development Committee with effect from the second half of 2012.

(d) Director's fees were paid to Groupe Bruxelles Lambert.

(e) Ezra Suleiman's directorship ended at the close of the Shareholders' Meeting of May 24, 2012.

15.2 AMOUNTS PROVISIONED BY THE COMPANY AND ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT BENEFITS, AND OTHER BENEFITS TO MEMBERS OF THE MANAGEMENT COMMITTEE

As of December 31, 2012, the provisioned retirement obligations for the members of the Management Committee (in the consolidated financial statements prepared according to IFRS) relating solely to SUEZ ENVIRONNEMENT plans amounted to €10.6 million (excluding tax on employer contribution), versus €8.5 million as of December 31, 2011. Adding the amount of the tax on employer contribution, these obligations reached €13.8 million as of December 31, 2012, versus €10.1 million at the end of 2011. The difference between the provisioned amounts in 2012 and 2011 is not due to the attribution of additional advantages, but, on the one hand to the doubling of the employer contribution tax rate from January 1, 2013 (immediately impacting 2012), and, on the other hand, to the obligation resulting from the acquisition of rights for an additional year in the plan for each one of them.

16 FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

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16.1 TERMS OF OFFICE OF MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the initial appointment and termination dates of the mandates of the current Company's officers:

Name and title	Date of initial appointment	Start date of current mandate	Termination date of mandate
Gérard Mestrallet, Chairman of the Board of Directors [(a)]	December 5, 2007	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Jean-Louis Chaussade, Director and Chief Executive Officer [(a)]	December 5, 2007	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Gérald Arbola, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Nicolas Bazire, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Gilles Benoist, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Valérie Bernis, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Harold Boël, Director	July 15, 2008	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Alain Chaigneau, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Penelope Chalmers Small, Director	March 17, 2011	March 17, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Jean-François Cirelli, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Delphine Ernotte Cunci [(b)], Director	May 24, 2012	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Lorenz d'Este, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Isabelle Kocher [(c)], Director	February 7, 2012	February 7, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Patrick Ouart, Director	January 14, 2010	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Guillaume Pepy, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Olivier Pirotte, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Amaury de Sèze, Director	July 15, 2008	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Jérôme Tolot, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013

(a) Gérard Mestrallet and Jean-Louis Chaussade were appointed Chairman of the Board of Directors and Chief Executive Officer, respectively, at the Board of Directors meeting of July 23, 2008. They were reappointed to these offices by the Board of Directors on May 24, 2012, following the renewal of their directorships by the Shareholders' Meeting of May 24, 2012. In addition, the Board of Directors, at the meeting following the Shareholders' Meeting to be held in 2014 – the year in which Gérard Mestrallet will turn 65 – shall decide on the continuation of his mandate as Chairman of the Board of Directors, as provided under Article 11 of the bylaws.

(b) Delphine Ernotte Cunci was appointed as a Director by the Shareholders' Meeting of May 24, 2012 for a four-year term, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2015.

(c) Isabelle Kocher was co-opted by the Board of Directors on February 7, 2012 to replace Gérard Lamarche, who resigned on December 31, 2011, for the remainder of his term, which runs until the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2014. This co-optation was ratified by the Shareholders' Meeting of May 24, 2012.

Pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies as amended in April 2010 (the "AFEP-MEDEF Code"), and in order to avoid replacing the entire Board of Directors at once following the 2012 Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2011, the Board of Directors decided on February 24, 2010 to implement a staggered renewal of Director appointments. Thus, since 2010, one-third of the directorships are renewed each year, over a three-year period. Details of how this process is implemented are provided in the Chairman's report in section 16.4 of this Reference Document.

Accordingly, the Shareholders' Meeting of May 24, 2012 reappointed Gérard Mestrallet, Jean-Louis Chaussade, Harold Boël, Patrick Ouart and Amaury de Sèze as Directors for a four-year term expiring at the close of the Shareholders' Meeting called in 2016 to approve the financial statements for the year ending December 31, 2015 and appointed Delphine Ernotte Cunci as Director for the same term, replacing Ezra Suleiman whose directorship had expired at the close of that Shareholders' Meeting.

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES AND THE COMPANY OR ANY OF ITS SUBSIDIARIES

To the Company's knowledge, as of the date of this Reference Document, no member of the Board of Directors or the Chief Executive Officer enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.

16.3 COMMITTEES OF THE BOARD OF DIRECTORS

In accordance with Article 15 of the Company Bylaws, the Board of Directors may decide to set up committees responsible for studying issues which the Board or its Chairman refer to them for review.

In this context, the Board of Directors decided to set up four committees at its meeting of July 23, 2008: a Strategy Committee, an Audit and Financial Statements Committee, an Ethics and Sustainable Development Committee and a Nominations and Compensation Committee. Their respective missions are described in the Internal Regulations of the Board of Directors, initially adopted by the Board of Directors on July 23, 2008 and amended at its meeting of February 7, 2012. This document is available on the Company's website (www.suez-environnement.com).

The composition of these committees and their duties are also described in the Chairman's report in section 16.4 of this Reference Document.

16.4 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS PREPARED IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

This report has been prepared in accordance with Article L. 225-37 paragraph 6 *et seq*. of the French Commercial Code.

In the first part (1), it presents the composition of the Board of Directors, the application of the principle of balanced representation of women and men within it, the conditions for preparing and organizing the Board's work, the limits on the powers of the Chief Executive Officer, the principles and rules approved by the Board of Directors to determine the compensation and benefits paid to corporate officers, the Corporate Governance Code to which the Company voluntarily adheres and the reasons why it might depart from certain provisions of that code, as well as the rules governing shareholder participation in the Shareholders' Meeting and the factors likely to have an impact in the event of a takeover bid.

In the second part (2), it reports on the internal control and risk management procedures implemented by SUEZ ENVIRONNEMENT COMPANY.

This report was approved by the Board of Directors on February 13, 2013, on the recommendation of the Nominations and Compensation Committee for the part relating to corporate governance and the Audit and Financial Statements Committee for the part relating to internal control and risk management.

1. Corporate Governance

SUEZ ENVIRONNEMENT COMPANY (hereinafter "SUEZ ENVIRONNEMENT" or the "Company") is a French public limited company (*société anonyme*) with a Board of Directors, governed by applicable French laws and regulations as well as by its corporate bylaws.

As required by law and the Company's bylaws, and to clarify the rules governing the Board's operations, the respective powers of the Chairman of the Board of Directors, the Chief Executive Officer and the Board of Directors, as well as the composition and duties of its committees, the Board adopted a set of internal regulations in 2008, which was amended in February 2012 (the "Internal Regulations"). At that time, a Directors' Charter – which specifies the rights and duties of the Directors – was adopted and appended to the Internal Regulations (the "Directors' Charter").

The Company's bylaws and Internal Regulations, the main elements of which are described in section 21.2 of the Reference Document, as well as the Directors' Charter, are available at its headquarters and can be viewed online on the Company's website (www.suez-environnement.com).

1.1 Composition of the Board of Directors

The Board of Directors is composed of 18 Directors. As a result of the Shareholders' Agreement signed on June 5, 2008 between GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Sofina, Groupe Bruxelles Lambert and SUEZ ENVIRONNEMENT COMPANY, amended on December 18, 2008 (hereinafter the "Agreement"), nine Directors are appointed on the proposal of GDF SUEZ and five on the proposal of the other shareholders who are signatories of the Agreement. Among those five members, two are proposed by Groupe Bruxelles Lambert, one by Areva, one by CNP Assurances and one by Sofina. The Board also includes four independent members who are proposed jointly by shareholders who are signatories of the Agreement, on the proposal of the Chairman of the Board of Directors, after consulting with the other Directors.

Pursuant to the decision of GDF SUEZ and other shareholders party to the Company Shareholders' Agreement not to renew the Agreement, with its initial term of five years expiring July 22, 2013, the Company's governance will be modified to reflect these changes. In particular, in 2013 a plan will be considered to reduce the number of Directors representing GDF SUEZ, with Gérard Mestrallet continuing on as Chairman, along with the conditions under which SUEZ ENVIRONNEMENT Group's employees may be represented on the Board of Directors.

The bylaws provide for a four-year term and require every Director to hold at least 2,000 Company shares.

Jean-Louis Chaussade, Chief Executive Officer, is the only Director with executive functions within the Group.

There is no Director representing employee shareholders or employees on the Board of Directors. However, to ensure employee representation on the Board of Directors, the Company has decided, on a voluntary basis and with the trade unions' agreement, to allow two representatives of the Works Committee of SUEZ ENVIRONNEMENT SAS to attend Board meetings.

In 2012, the composition of the Board of Directors changed as follows:

- following Gérard Lamarche's resignation on December 31, 2011 as Company Director, on February 7, 2012 the Board of Directors, on the proposal of GDF SUEZ and in accordance with the Shareholders' Agreement, co-opted Isabelle Kocher to replace him. This appointment was ratified by the Shareholders' Meeting of May 24, 2012;
- the directorship of Ezra Suleiman expired at the end of the Shareholders' Meeting of May 24, 2012;
- on the Board of Directors' recommendation, the Shareholders' Meeting of May 24, 2012 appointed Delphine Ernotte Cunci as Director for a four-year term.

The composition of the Board of Directors at the date of issue of this report is as follows:

- *Directors appointed on the proposal of GDF SUEZ:*

Gérard Mestrallet, Chairman of the Board of Directors, Jean-Louis Chaussade, Chief Executive Officer, Valérie Bernis, Alain Chaigneau, Penelope Chalmers Small, Jean-François Cirelli, Isabelle Kocher (co-opted by the Board of Directors on February 7, 2012 to replace Gérard Lamarche), Patrick Ouart and Jérôme Tolot.

- *Directors appointed on the proposal of Groupe Bruxelles Lambert:*

Olivier Pirotte and Amaury de Sèze

- *Director appointed on the proposal of Areva (replaced by its subsidiary Areva NC on November 18, 2011):*

Gérald Arbola

- *Director appointed on the proposal of CNP Assurances:*

Gilles Benoist

- *Director appointed on the proposal of Sofina*

Harold Boël

- *Independent directors:*

Nicolas Bazire, Lorenz d'Este, Guillaume Pepy and Delphine Ernotte Cunci

Details of the terms of office and functions of Directors can be found in section 14.1 of the Reference Document.

Staggered schedule of renewals

In line with best governance practices and in accordance with AFEP-MEDEF Code recommendations, the Board of Directors, after consulting the Nominations and Compensation Committee, decided on February 24, 2010 to stagger the appointment of Directors so that a third of Directors are replaced at one time, to avoid having to renew the entire Board of Directors at the Shareholders' Meeting convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011 and thus to facilitate the smooth renewal of directorships.

This staggered renewal approach was first introduced at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 with the early reappointment of one-third of Board members, and continued at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 19, 2011 with the early reappointment of the second third.

The remaining third of the members of the Board of Directors, namely Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Ezra Suleiman, Amaury de Sèze and Harold Boël, continued to hold office until the expiration of their initial term, i.e., until the end of the Shareholders' Meeting of May 24, 2012. Ezra Suleiman did not seek renewal of his term of office which therefore expired at the end of the Shareholders' Meeting of May 24, 2012. The terms of office of Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Amaury de Sèze and Harold Boël were, on the proposal of the Board of Directors, renewed at the Shareholders' Meeting of May 24, 2012, which also appointed Delphine Ernotte Cunci as Director. All of these terms of office will expire at the end of the 2016 Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2015.

Details of directorships can be found in section 16.1 of the Reference Document.

Diversity and gender equality

During its meeting of October 27, 2010, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, undertook to review diversity issues within the Board, with a particular focus on gender equality. This review continued in 2011 and 2012, resulting in:

- the co-opting of Penelope Chalmers Small by the Board of Directors on March 17, 2011, replacing Dirk Beeuwsaert. This appointment was ratified by the Shareholders' Meeting of May 19, 2011;
- the renewal as Director of Valérie Bernis by the Combined Ordinary and Extraordinary Shareholders Meeting of May 19, 2011;
- the co-opting of Isabelle Kocher by the Board of Directors on February 7, 2012, replacing Gérard Lamarche. This appointment was ratified by the Shareholders' Meeting of May 24, 2012;

- the appointment of Delphine Ernotte Cunci by the Shareholders' Meeting of May 24, 2012, replacing Ezra Suleiman, whose term expired at the end of that Shareholders' Meeting.

Women now represent 22.2% of the Board. The Company has therefore achieved the first milestone of 20% representation by the end of the 2014 Shareholders' Meeting called to approve the 2013 financial statements, as provided by the law on the balanced representation of women and men on Boards of Directors and the recommendation of the AFEP-MEDEF Code on the matter.

The Board also includes four Directors of foreign nationality, which is 22.2% of its members.

Independence of Directors

The independent status of certain Directors (according to the AFEP-MEDEF Code) was reviewed by the Nominations and Compensation Committee at the start of 2013.

To carry out this review, the Nominations and Compensation Committee referred to the definition of the AFEP-MEDEF Code which considers that "a Director is independent when (s)he has no relationship of any kind with the Company, its Group or its management that could compromise his/her freedom of judgment", and took into account all the criteria of that Code. Specifically, a Director must not:

- be an employee or officer of the Company or an employee or Director of a company within its scope of consolidation and must not have been one during the previous five years;
- be an officer of a company in which SUEZ ENVIRONNEMENT COMPANY directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (currently or within the previous five years) holds a directorship;
- be (or be related to) a customer, supplier or corporate or investment banker:
  - of significance to the Company or its Group; or
  - whose business has a significant share provided by the Company or Group;
- have close family ties with a corporate officer;
- have been an auditor of the Company during the previous five years;
- have been a Director of the Company for more than twelve years.

Directors representing major shareholders of the Company or its parent company may be considered independent provided that they do not exercise control over the Company. If a Director exceeds a threshold of 10% of the share capital or voting rights, the Board, based on the Nominations Committee's report, must systematically review the independent status of the Director(s) concerned, taking into account the Company's ownership structure and whether or not there may be conflicts of interest.

On this basis, the Nominations and Compensation Committee recommended to the Board of Directors, which officially recorded this during the review of the Chairman's report, the confirmation of independence of four Directors: Delphine Ernotte Cunci, Nicolas Bazire, Lorenz d'Este and Guillaume Pepy.

The Nominations and Compensation Committee also looked at whether Directors nominated by shareholders that are signatories of the Shareholders' Agreement, other than those appointed on the proposal of GDF SUEZ, could be considered independent. In fact, some of these Directors who were appointed on the proposal of shareholders holding significantly less than 10% of the Company's share capital had no relationship with the Company, its Group or management, other than the Agreement, that might compromise their independence in exercising their judgment. Although the Agreement provides for prior consensus in voting, it does not take an explicit position on block voting. Consequently, even on the very strict assumption that, throughout the duration of the Agreement, none of the Directors nominated by the shareholder signatories of the Agreement are independent (even if they have no relationship with the Company that could hamper their judgment and have been nominated by a shareholder holding less than 10% of the share capital), 22% of the Board members are independent directors. If Directors nominated by shareholders holding less than 10% of the share capital and with no relationship with the Company that could hamper their freedom of judgment are considered independent, the proportion rises to over 33%. The proportion rises to 50% if all Directors nominated by the shareholder signatories of the Agreement other than GDF SUEZ are considered independent.

It is further stated that following the confirmation of the non-renewal of the Company's Shareholders' Agreement, which will expire on July 22, 2013, the proportion of independent directors on the Board will be reviewed by the Nominations and Compensation Committee and the Board of Directors, taking into account any changes in the composition of the Board and of the Agreement's termination.

Directors' Charter

The Directors' Charter, annexed to the Board of Directors' Internal Regulations, and as amended by the Board of Directors on February 7, 2012, contains guidelines to which each Director must adhere in order to fully exercise their functions, ensuring the full effectiveness of their personal contribution, in accordance with the rules of independence, ethics and integrity.

The Charter states that each Director must act in the Company's interest and must represent all shareholders. It also reminds them of the principles of independence, duties of expression, loyalty, discretion, confidentiality, professionalism, commitment, and collegiality and efficiency of the Board's work.

In addition, the Directors' Charter provides that every Director must inform the Board of any conflict of interest, even potential, that might directly or indirectly affect him or her. In the event that a Director cannot avoid being in a conflict of interest, (s)he must refrain from participating in discussions or any decisions on the relevant matters.

On June 28, 2012, on the recommendation of the Nominations and Compensation Committee, the Board also adopted a Code of Conduct on the prevention of insider trading, the main provisions of which can be found in section 14.2 of this Reference Document.

The Directors' Charter is available in its entirety on the Company website (www.suez-environnement.com).

1.2 General Management

1.2.1 METHOD OF EXERCISING GENERAL MANAGEMENT

The Board of Directors' meeting of July 23, 2008 opted to separate the roles of Chairman of the Board and Chief Executive Officer, whose respective duties are clearly defined in the Company's bylaws and the Board's Internal Regulations.

This governance model, chosen in accordance with the Agreement, was deemed suitable for the challenges of the Group and its current shareholder structure.

The Board of Directors' meeting of May 24, 2012 confirmed the decision to separate these two positions, reappointing Gérard Mestrallet and Jean-Louis Chaussade as Chairman of the Board and Chief Executive Officer, respectively, following the renewal of their directorships by the Shareholders' Meeting of May 24, 2012.

1.2.2 DUTIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

In accordance with the law and Article 3 of the Internal Regulations, the Chairman of the Board of Directors organizes and manages its work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

1.2.3 LIMIT OF THE CHIEF EXECUTIVE OFFICER'S POWERS

The Chief Executive Officer holds the widest powers to act on behalf of the Company, in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and the Board of Directors, and (ii) internal limits on executive powers.

In this regard, Article 4 of the Internal Regulations defines the limits on the powers of the Chief Executive Officer, which are summarized below:

- the Chief Executive Officer shall submit the following to the Board of Directors for prior approval:
  - significant transactions likely to affect Group strategy or modify its financial structure, scope, activities or risk profile. The following in particular are considered significant: transactions involving a commitment in excess of €350 million, treaties, transactions and agreements in case of a dispute if the amount is in excess of €100 million and financial transactions whose total amount exceeds €1 billion;
  - transactions that fall outside the Company's stated strategy.
- The Chief Executive Officer consults the Nominations and Compensation Committee before any appointment to a position on the Management Committee, as well as on any compensation issue concerning its members. During changes affecting members of the Management Committee, the Chief Executive Officer consults the Committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.
- In addition, in accordance with the annual authorization granted by the Board of Directors, the Chief Executive Officer may grant securities, endorsements and guarantees up to a total amount of €500 million, with an added secondary limit of €100 million per transaction. Beyond these two limits, the Chief Executive Officer must request the prior approval of the Board of Directors.

To successfully perform his duties, the Chief Executive Officer is assisted by a Management Committee composed of seven members whose biographies are provided in section 14.1.3 of the Reference Document and are available on the Company's website (www.suez-environnement.com). The Chief Executive Officer is also assisted by an Executive Committee, composed of the eight members of the Management Committee and the eight heads of the Business Units, details of which are available on the Company's website (www.suez-environnement.com).

1.3 Preparation and organization of tasks performed by the Board of Directors and the specialized committees

1.3.1 FUNCTIONING AND TASKS OF THE BOARD OF DIRECTORS

The Board of Directors has Internal Regulations which, beyond the provisions of the law and the Company's bylaws, sets out the rules on the composition, role and powers of the Board of Directors and its committees. The Internal Regulations, along with the accompanying Directors' Charter, can be viewed online on the Company's website (www.suez-environnement.com). The main aspects of the Internal Regulations concerning the Board of Directors' operations are described in section 21.2.2.1 of this Reference Document.

The Internal Regulations were first adopted by the Board of Directors on July 23, 2008 at the time of the Company's initial public offering. These Internal Regulations were amended by the Board of Directors at its meeting of February 7, 2012. After three-and-a-half years of operations of the Board and its four committees, it was decided, in the interests of good governance, to update the Internal Regulations, in particular to strengthen the role of the committees (especially that of the Audit and Financial Statements Committee), to update and clarify certain provisions relating to Board operations and the limitations on the Chief Executive Officer's powers, and finally to establish a Directors' Charter, which sets out the conditions in which Directors are to perform their mandates, their contribution to the work of the Board and committees, the rights and means granted to Directors, and the rules on confidentiality, independence, ethics and integrity, which are an intrinsic part of their duties (see section 1.1 of this report).

Activities of the Board of Directors in 2012

The Board meets as often as the interests of the Group require. In 2012, the Board met 10 times (including two meetings on the day of the Shareholders' Meeting and excluding the Directors' strategy seminar mentioned below), with an attendance rate of 88.3% (86.7% in 2011).

The main issues discussed focused on a business review, progress of the Melbourne desalination plant, the Group's financial position and results (review of annual, half-year and quarterly performance, analysis and updating of earnings forecasts), status of the Group's financing (borrowings, banking counterparties, cash, commercial paper issuance, renewal of funding authorizations and renewal of a securitization program), the renewal of the share buyback program, governance (changes in the composition of the Board and its committees, amendment of the Internal Regulations establishing the Directors' Charter and adoption of a Code of Conduct on the prevention of insider trading), the implementation of a performance share plan and an examination of the decision by GDF SUEZ and the other signatory shareholders not to renew the Company's Shareholders' Agreement and approval of the framework agreement for industrial and commercial cooperation between GDF SUEZ and the Company.

The Board also renewed the Chief Executive Officer's annual authorization to issue securities, endorsements and guarantees, and approved projects involving guarantees of amounts greater than the Chief Executive Officer's authorization threshold of €100 million. On several occasions, it also reviewed the work of its four committees.

Performance assessment of the Board of Directors and committees

As part of the work carried out by the Board of Directors to improve its own composition, performance, organization and relations with its committees, an individual self-assessment questionnaire was sent to the Directors in February 2011. It included a section specific to each committee and provided the opportunity for committee members to give a specific opinion on committee operations. This questionnaire was primarily focused on the areas for improvement identified in the initial assessment conducted in 2009-2010. The answers provided by the Directors to this questionnaire were presented to the Nominations and Compensation Committee on June 16, 2011. After this second self-assessment, the Directors declared themselves satisfied, overall, by the performance of the Board and its committees. However, they did express a wish to see the Board's composition adjusted to increase the diversity of Directors' profiles (gender mix, background and experience) and reduce the number of Board members. With respect to the Board's performance, they suggested that more options on strategic issues should be presented to the Board and that more time should be given to discussion. They also recommended continuing the visits to Group sites. With respect to the committees, the Directors expressed a wish that committee composition should be altered (gender mix, skills and experience and number of members), the length of presentations reduced so as to leave more time for discussion, and more time spent on questions relating to strategy, safety and ethics.

Various actions were implemented as a result of this review. For instance, it was decided that a one-day seminar would be held on the Group's strategy. This seminar, open to all Directors, was held in 2011 and again in 2012. The main issues discussed were the 2020 vision and strategy, key trends and the Group's strategic positioning in the medium term, as well as a presentation of the main strategic focuses. In addition, during Board meetings, site visits were organized for the Directors at the Baviro waste-to-energy plant in the Netherlands (2011) and the Aquaviva wastewater treatment plant in Cannes (2012). With a view to diversifying and increasing the

number of women on the Board, Penelope Chalmers Small (British), Isabelle Kocher, and Delphine Ernotte Cunci (French) were co-opted or appointed as Directors in 2011 and 2012. Delphine Ernotte Cunci was also appointed Chair of the Ethics and Sustainable Development Committee and member of the Audit and Financial Statements Committee. Isabelle Kocher was appointed member of the Strategy Committee and the Audit and Financial Statements Committee. Questions were also raised relating to safety and were presented to the Ethics and Sustainable Development Committee on two occasions in 2011 and on two occasions in 2012.

Furthermore, in accordance with the recommendations of the AFEP-MEDEF Code on the Board's assessment of its performance, a new, standardized self-assessment process was initiated in December 2012 by sending each Director a new self-assessment questionnaire, reviewed by the Nominations and Compensation Committee, mainly to assess the progress made since the previous self-assessment and the amendment of the Internal Regulations in February 2012. The questionnaires relate to the composition and performance of the Board of Directors, the relationship between the Board and its committees and, where appropriate, the composition and performance of each committee. The results of this self-assessment will be analyzed by the Nominations and Compensation Committee and presented to the Board of Directors in early 2013.

1.3.2 SPECIALIZED COMMITTEES

The Board of Directors is assisted by four committees: the Audit and Financial Statements Committee, the Nominations and Compensation Committee, the Strategy Committee and the Ethics and Sustainable Development Committee.

The Shareholders' Agreement and the Internal Regulations establish the rules governing the composition and role of each committee.

Minutes from each meeting of these various committees were submitted to the Board of Directors and, where appropriate, recommendations were made for decisions within the Board's remit.

Audit and Financial Statements Committee

Composition

In accordance with the Agreement and the Internal Regulations, the Audit and Financial Statements Committee has five members, of whom three are independent (including the Committee Chairman); one is appointed from the Directors nominated by GDF SUEZ and one is appointed from the Directors nominated by other shareholders that are signatories to the Shareholders' Agreement.

In 2012, the committee's composition changed as follows:

- Isabelle Kocher was appointed member of the committee by the Board of Directors on February 7, 2012, replacing Gérard Lamarche, who resigned his directorship;
- with Ezra Suleiman's term of office having expired at the end of the Shareholders' Meeting of May 24, 2012:
  - Delphine Ernotte Cunci was appointed member of the committee;
  - Guillaume Pepy was appointed Chairman of the committee.

The committee is therefore composed as follows: Guillaume Pepy, Chairman, Delphine Ernotte Cunci, Isabelle Kocher, Olivier Pirotte and Nicolas Bazire. Delphine Ernotte Cunci, Guillaume Pepy and Nicolas Bazire are independent directors. Taking into account the provisions of the Shareholders' Agreement and the fact that SUEZ ENVIRONNEMENT is a "controlled" entity, three (60%) of the committee members are currently independent directors[(1)].

As described in the biographies of the members of the Audit and Financial Statements Committee in section 14 of the Reference Document, all committee members have appropriate financial and/or accounting competency based on their education or functions and as defined by Article L. 823-19 of the French Commercial Code. Indeed, Delphine Ernotte Cunci, Nicolas Bazire and Guillaume Pepy are executives of large companies and Isabelle Kocher and Olivier Pirotte are Chief Financial Officers of listed companies.

The committee may request the assistance of outside experts.

Missions

The Audit and Financial Statements Committee assists the Board of Directors in ensuring the accuracy and fairness of the SUEZ ENVIRONNEMENT statutory and consolidated financial statements and the quality of the internal control procedures and information provided to shareholders and financial markets. The committee presents opinions and recommendations in the areas described below to the Board of Directors.

The committee is assigned the following missions by the Board of Directors, which are consistent with the missions defined for the Audit Committee by the decree of December 8, 2008. The Company also refers to the report of the working group on Audit Committees published by the AMF on July 22, 2010.

- As regards the financial statements, the committee:
  - monitors the financial information preparation process;

(1) The proportion rises to 80% if all Directors appointed on the proposal of signatories of the Shareholders' Agreement other than GDF SUEZ are considered independent.

- reviews, before publication, the draft annual and interim financial statements, the activity and income report, and any financial statements (including forecasts) drawn up for specific major transactions and significant financial press releases, before they are circulated to the Board or publicly released;
- assesses the relevance and permanence of the accounting rules and principles used in preparing the statutory and consolidated financial statements and prevents any potential breach of those rules;
- requests details of any change in the scope of consolidation and where necessary, obtains all necessary explanations;
- whenever it deems it necessary, meets with the statutory auditors, General Management, financial management personnel, internal auditors and any other member of management; such meetings may take place, where necessary, without the presence of General Management;
- ensures the quality of procedures to guarantee compliance with stock exchange regulations;
- is informed annually on financial strategy and on the terms and conditions of the Group's main financial transactions;
- is periodically informed on the Group's tax situation.

- As regards external auditing of the Company, the committee:
  - ensures that the statutory and the consolidated annual financial statements are audited by the Company's statutory auditors;
  - operates the selection process when appointing or renewing statutory auditors, taking into account the offers of various candidate audit firms, formulates an opinion on the audit fees for legally prescribed audits and submits the result of this selection in the form of a recommendation to the Board of Directors; the committee also examines issues regarding the possible dismissal of statutory auditors;
  - supervises the rules for referring work other than financial statement auditing to the statutory auditors and, more generally, monitors compliance with the principles that guarantee the independence of the statutory auditors;
  - pre-approves any mission entrusted to the statutory auditors that goes beyond legal audit and that incurs fees exceeding an amount it shall set;
  - each year, examines with the statutory auditors the audit fees paid by the Company and the Group to entities from the network to which the statutory auditors belong, their audit schedule, the conclusions reached by the latter, their recommendations, and the follow-up of these recommendations; and
  - arbitrates, where necessary, issues that may arise between the statutory auditors and General Management in the course of their work.
- As regards internal control and auditing of the Company, the committee:
  - evaluates the efficiency and quality of the Group's internal control systems and procedures;
  - examines, with the heads of internal audit, the audit schedules and action plans involved in internal audit, the conclusions of these audits and actions, and the recommendations and their follow-up, without General Management necessarily being present;
  - is informed by General Management, or by any other means, of any complaints from third parties or any internal information critical of the Company's accounting documents or internal control procedures, as well as the procedures put in place for this purpose and the remedies for such claims or criticisms;
  - entrusts internal audit with any assignment it deems necessary.
- As regards risks and commitments, the committee:
  - evaluates the efficiency and quality of the Group's systems and procedures for evaluating and managing risks;
  - is regularly updated on the Group's financial and cash position and major commitments and risks;
  - is regularly informed on the main Group's disputes.

Activity in 2012

The Audit and Financial Statements Committee met eight times in 2012, with an attendance rate of 89%. For practical reasons, with several members of the committee residing or having resided abroad in 2012, the committee's review of the financial statements could not always take place two days before the Board of Directors' meeting, as provided in the AFEP-MEDEF Code. Board documents are circulated to committee members several days before the committee meeting.

The main topics addressed by the committee were as follows: the review of the annual financial statements as of December 31, 2011, of the half-year financial statements as of June 30, 2012, of the quarterly results and press releases relating to them, and the financing and debt position.

The statutory auditors presented to the committee the essential elements of the Company's results and the main decisions taken.

In addition, the committee was asked to discuss earnings forecasts and updates, cash flow projections, and the management's outlook reports. The Finance Department also reported on the Group's off-balance sheet commitments.

The committee supervised the execution of the 2012 internal audit plan and the main conclusions of the most significant audits. The committee also reviewed and monitored progress in the internal control plans defined in conjunction with the main Group entities.

The committee analyzed the risk mapping prepared by the Investment and Risk Department and the measures taken to manage identified risks. It also specifically examined some of these (financial risks and project risks). The committee regularly reviewed major litigation cases in progress. The committee also reviewed the Group's tax position, particularly in view of the developments that took place in 2012.

In 2012, the committee reviewed the fees paid to the statutory auditors. It also granted prior approval for tasks assigned to the statutory auditors outside the scope of their audit, and amended the procedure on the prior approval of such tasks to allow it to focus on more important matters. The committee also considered the reappointment of Ernst & Young as statutory auditor and recommended it to the Board of Directors.

The statutory auditors took part in all Audit and Financial Statements Committee meetings. In addition, the committee meets regularly with the statutory auditors without the Company's management being present.

Nominations and Compensation Committee

Composition

In accordance with the Agreement and the Internal Regulations, the Nominations and Compensation Committee consists of three members, two appointed from the independent directors (including the Committee Chairman) and one from Directors representing shareholders that are signatories to the Agreement.

In 2012, the committee's composition changed as follows: Nicolas Bazire was appointed member of the committee to replace Ezra Suleiman, whose term of office expired at the end of the Shareholders' Meeting of May 24, 2012.

The committee is composed as follows: Lorenz d'Este, Chairman, Nicolas Bazire and Amaury de Sèze; Messrs. d'Este and Bazire being independent directors (i.e. 66.7% of the members).

Missions

The Nominations and Compensation Committee is charged by the Board of Directors to:

- regularly review the principles and independence criteria relating to members considered independent by the Board of Directors;
- to examine all applications for appointment to a seat on the Board of Directors or as a Board observer, where applicable, and to formulate an opinion and/or recommendation to the Board of Directors on these applications;
- to prepare, as and when necessary, recommendations for the successor to the Chief Executive Officer and, where necessary, the Chairman of the Board of Directors;
- to set, each year, the Chief Executive Officer's targets, which will then serve as a reference in appraising his/her performance and in determining the part of his/her compensation that is performance-based.

The committee is also consulted on appointments to positions on the Management Committee, as well as on any compensation issues involving these appointees. During changes affecting members of the Management Committee, the Chief Executive Officer consults the Committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.

The Nominations and Compensation Committee is also charged with:

- making recommendations to the Board of Directors on compensation, retirement and employee benefit arrangements, benefits in kind and other cash entitlements, including, when applicable, the allocation of Company stock options, as well as the allocation of performance shares for the Chairman, Chief Executive Officer and, if applicable, Executive Vice-Presidents and any salaried members of the Board of Directors;
- making recommendations to the Board of Directors on the compensation of Board Members and, where applicable, observers.

It is also consulted on compensation and other benefits granted to members of the Management Committee.

Activity in 2012

In 2012, the Nominations and Compensation Committee met six times with an attendance rate of 94%.

The main topics discussed by the committee were issues related to governance, such as assessing the performance of the Board and its committees, and amending the Board's Internal Regulations and composition, mainly to achieve the target of more women on the Board. For the nomination of Delphine Ernotte Cunci, the committee was assisted by a specialized recruitment firm, which put forward several candidates. The Committee Chairman also met the candidates personally. At the end of this process, the committee made its recommendation to the Board of Directors.

The committee also reviewed the Chief Executive Officer's variable compensation, the Management Committee members' compensation and the amounts and distribution of Directors' fees. In addition, at the time of the Chief Executive Officer's reappointment as a Director, the committee reviewed his overall situation concerning the maintenance of his employment contract and commitments made to him in terms of retirement, insurance, healthcare coverage, social security and severance pay.

The committee also reviewed the long-term compensation plan set up in March 2012 by way of allocation of performance shares, as well as a worldwide employee shareholding plan approved by the Board in early 2013.

The committee also reviewed the Code of Conduct on the prevention of insider trading.

Finally, the committee considered the succession plan for members of the Management Committee and the Group Executive Committee.

Strategy Committee

Composition

The Strategy Committee consists of eight members, two appointed from the independent directors, three from the Directors nominated by GDF SUEZ, and three from Directors representing other shareholders that are signatories to the Agreement.

In 2012, the composition of the committee changed as follows: Isabelle Kocher was appointed member of the committee to replace Gérard Lamarche.

The committee is composed as follows: Gérard Mestrallet, Chairman, Nicolas Bazire, Gilles Benoist, Alain Chaigneau, Guillaume Pepy, Olivier Pirotte, Harold Boël and Isabelle Kocher. Guillaume Pepy and Nicolas Bazire are independent directors.

Missions

The Strategy Committee gives its opinion and submits a recommendation to the Board of Directors concerning:

- the strategic direction envisaged by the Board of Directors or proposed by the Chief Executive Officer; and
- all significant projects submitted to the Board of Directors involving internal and external growth, divestment, strategic agreements, alliances and partnerships.

Upon presentation of a report by the Chief Executive Officer, the committee carries out a strategy review once a year which it submits, as and when needed, to the Board of Directors.

Activity in 2012

In 2012, the Strategy Committee met three times with an attendance rate of 71%. The main topics discussed by the committee focused on lessons learned from the BOT (Build-Operate-Transfer) contract for the Melbourne desalination plant, as well as Degrémont's Design & Build activities, risks and opportunities in Southern Europe, the Group's medium-term plan, activity in Asia and developments in the Smart Water business.

In addition, all Directors met in November 2012 for a one-day strategy seminar which included a review of the Group's medium-term plan and main strategic options.

Ethics and Sustainable Development Committee

Composition

In accordance with the Agreement and the Internal Regulations, this committee comprises three members: two appointed from the independent directors (including the Committee Chairman) and one from Directors representing shareholders who are Agreement signatories.

In 2012, the composition of the committee changed as follows: Delphine Ernotte Cunci replaced Guillaume Pepy as Chairman.

The committee is composed as follows: Delphine Ernotte Cunci, Chairman, Gérald Arbola and Lorenz d'Este. Delphine Ernotte Cunci and Lorenz d'Este are independent directors.

Missions

The Ethics and Sustainable Development Committee ensures compliance with the individual and collective values on which the Group bases its actions and the rules of conduct that all staff members must follow.

These values include the Group's special responsibility for safeguarding and improving the environment and sustainable development. The Group ensures that the necessary procedures are in place to:

- update the Group's current Ethics Charter and ensure that it is circulated and applied;
- ensure that foreign subsidiaries implement the Group's Ethics Charter, taking into account the domestic legal and regulatory framework of the country where they carry out their business;
- carry out training programs intended to support the circulation of the Group's Ethics Charter;
- obtain from the various Group companies information on the solutions they have selected for issues presented to their own committee.

The Ethics and Sustainable Development Committee reviews and evaluates:

- the Group's sponsorship and philanthropic initiatives;
- the health and safety policies implemented, including their objectives and results;

- the risk management systems and policies involving corporate social responsibility and sustainable development.

Activity in 2012

In 2012, the committee met three times, with an attendance rate of 100%.

The main topics discussed by the committee were the health and safety policy including a review of 2011 and an update in June 2012, as well as the proposed action plan, the environmental risk management policy, a review of the 2011 sustainable development indicators and the Group's proposed 2012-2016 Roadmap for sustainable development and corporate social responsibility, the obligations of social and environmental reporting, and the human resources policy, including diversity and equal opportunity and pay.

The ethics policy was also reviewed with the presentation of the Ethics Officer's report and the 2011-2012 actions. The committee also discussed the social tariff policy of Lyonnaise des Eaux and draft guidelines for lobbying.

1.4 Principles and rules agreed upon by the Board of Directors for determining compensation and benefits of any kind for corporate officers

This point is dealt with in detail in section 15 of the Reference Document.

It should be noted that on October 28, 2008, the Board of Directors indicated its intention to comply with the AFEP-MEDEF recommendation on corporate governance of listed companies as it relates to the principles and rules applied to calculate the compensation and benefits of any kind awarded to the Company's Chief Executive Officer.

1.5 Corporate governance code

The Company follows the corporate governance recommendations defined by the French Association of Private Companies (AFEP) and the Movement for the Companies of France (MEDEF) in the AFEP-MEDEF Corporate Governance Code of December 2008 (hereinafter the "AFEP-MEDEF Code"). The latest version of this Code, dated April 2010, can be viewed on the website http://www.medef.fr/.

At its meeting of October 28, 2008, the Board of Directors acknowledged and fully accepted the AFEP-MEDEF recommendations of October 6, 2008 relating to the compensation of the corporate officers, which are perfectly consistent with the policy of transparency that the Company supports. The Company also restated that it had referred to the AFEP-MEDEF Code, as amended in April 2010, when it amended the Board of Directors' Internal Regulations on February 7, 2012. The Company referred to the AFEP-MEDEF Code for the preparation of this Chairman's report.

The Company follows the AFEP-MEDEF Code in its entirety; the few variances, which relate to the Company's organization, size, resources, shareholder structure and application of the Shareholders' Agreement dated June 5, 2008, are described in the following table:

Recommendations	SUEZ ENVIRONNEMENT's practice and justification
Proportion of independent directors on the Board (Item 8.2 of the AFEP-MEDEF Code): The proportion of independent directors of controlled companies should be at least one-third of the total.	Due to the provisions of the Shareholders' Agreement and the strict interpretation adopted by the Board of Directors under which Directors who were appointed on the proposal of signatories to the Agreement that hold less than 10% of the Company's share capital are classified as non-independent, the proportion of independent directors is 22%. This proportion would be 50%, if, in accordance with the criteria of the AFEP-MEDEF Code, the Board had considered these Directors independent.
Proportion of independent directors on the Audit and Financial Statements Committee (Item 14.1 of the AFEP-MEDEF Code): The proportion of independent directors should be at least two-thirds of the total.	Due to the provisions of the Shareholders' Agreement and the strict interpretation adopted by the Board of Directors under which Directors who were appointed on the proposal of signatories to the Agreement that hold less than 10% of the Company's share capital are as classified non-independent, the proportion of independent directors on the Audit and Financial Statements Committee is 60%. This proportion would be 80%, if the Board had considered these Directors independent.
Participation of the Chairman of the Board of Directors in the work of the Nominations and Compensation Committee (Item 15.1 of the AFEP-MEDEF Code): The Chairman is involved in the committee's work where it concerns appointments.	The Chairman does not attend meetings of the Nominations and Compensation Committee. However, the provisions of the Agreement regarding the Directors appointed by GDF SUEZ, whose Chairman is the CEO, and the independent directors, ensure that the Chairman is closely involved in these matters.
Review period for financial statements by the Audit and Financial Statements Committee (Item 14.2.1 of the AFEP-MEDEF Code): The review period for financial statements should be sufficient (at least two days before their review by the Board).	For practical reasons, with several members of the committee residing or having resided abroad in 2012, the committee's review of the financial statements could not always take place two days before the Board of Directors' meeting. Documents are circulated to committee members several days before the committee meeting.

1.6 Specific terms and conditions governing shareholder participation in Shareholders' Meetings

The terms and conditions governing shareholder participation in Shareholders' Meetings are set forth in the Company bylaws under section VI, Shareholders' Meetings, Articles 20-23.

The terms and conditions governing shareholder participation in Shareholders' Meetings and their right to vote are also explained in section 21.2 of the Reference Document.

For the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012, the participation rate was 73%. SUEZ ENVIRONNEMENT also set up an electronic method of notifying shareholders of meetings; 545 shareholders agreed to receive notice of the 2012 Shareholders' Meeting by e-mail. Finally, SUEZ ENVIRONNEMENT was one of the first companies to enable all of its shareholders, including holders of bearer shares, to vote online, particularly through the VOTACCESS system. A total of 1,433 shareholders used one of the online voting systems provided by the Company.

1.7 Factors likely to have an impact in the event of a takeover bid

Factors likely to have an impact in the event of a takeover bid, as listed in Article L. 225-100-3 of the French Commercial Code, are set forth in sections 18.1, 18.3 and 21 of this Reference Document.

2. Internal control and risk management procedures implemented by the Company

2.1 Group objectives and standards for internal control and risk management

2.1.1 AIMS

The aim of the internal control procedures implemented within SUEZ ENVIRONNEMENT is to provide reasonable assurance that the applicable laws and regulations are complied with, and that accounting and financial information is reliable.

Generally speaking, it helps to safeguard assets and control and optimize operations. Like any control system, it can only provide reasonable assurance that the risks of error or fraud are completely under control or have been eliminated.

The Group has adopted an integrated corporate risk management policy that aims to provide a complete overview of the risk portfolio through the use of methods and tools common to all subsidiaries and functional departments, as well as to put in place and follow up action plans to manage them.

2.1.2 ACCOUNTING STANDARDS

In order to strengthen existing internal control, SUEZ ENVIRONNEMENT has rolled out a Group internal control program since the end of 2004, within the general framework of the criteria defined by GDF SUEZ. This program was developed according to the "COSO" model promoted by the Committee of Sponsoring Organizations of the Treadway Commission, and complies with the principles described within the reference framework supplemented by the application guide published by the French Financial Markets Authority (AMF) and updated by an AMF working group on the Audit Committee (whose final report was published on July 22, 2010).

General risk management is shared with GDF SUEZ and its principles are consistent with professional standards (such as ISO 31000, the framework of reference of the Federation of European Risk Management Associations (FERMA) and the practices it recommends).

2.2 Steering of operations and implementation of internal control and risk management objectives

2.2.1 STEERING OF OPERATIONS

In terms of steering of operations, the Group's organization is based upon the following principles, which form the general control framework in force within SUEZ ENVIRONNEMENT:

- the Board of Directors determines the Company's strategic objectives and sees to their implementation, while the Audit and Financial Statements Committee is responsible, inter alia, for monitoring the internal control and risk management systems (see section 2.2.2 of this report). The Board deals with all issues concerning the running of the Company, deliberates and settles relevant matters and carries out checks and inspections as it deems appropriate. The Chairman or Chief Executive Officer must provide each Director with all the documents and information required to carry out their duties;
- the Chief Executive Officer holds the widest powers to act on behalf of the Company, in all circumstances. He exercises these powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and the Board of Directors, and (ii) internal limits on executive powers (see section 1.2.2 of this report);
- the Management Committee, an advisory and decision-making body that comprises the Chief Executive Officer, the three Executive Vice-Presidents in charge of Water, Waste and International activities, the Director of Human Resources, the Chief Financial Officer, the General Secretary and the Director of Communications and Public Policy, is to examine the Group's principal decisions and strategic objectives and to set the operational and performance objectives of the Business Units at two business reviews during the year;
- the role of the Executive Committee, which consists of the Management Committee and the Business Unit managers, is to coordinate management actions;
- the role of the Operations Committee, chaired by a member of the Management Committee assisted by a representative of some of the functional departments, is to evaluate major development or divestment plans for commitment decisions and to analyze the performance of specific projects in progress;
- the Treasury Committee, chaired by the Chief Financial Officer, is the management body for financial risks;

- the Group is organized according to three main sectors (Water Europe, Waste Europe and International); these are in turn divided into nine Business Units to which the Group's operating subsidiaries are linked.
- The Business Unit managers and the management teams of the operating subsidiaries are responsible, within their area of responsibility, for conducting business within the framework of the strategic objectives set by the Board of Directors and the Management Committee.
- After setting the operational and performance objectives of the Business Units (see above) their progress is monitored at monthly business reviews, in which a representative of the Management Committee, the Business Unit managers and the functional departments involved all take part;
- the functional departments assist the Management Committee with controlling and managing operations and act in support of the Business Units according to principles and procedures applicable across the entire Group.

The functional departments mainly include the Human Resources Department, the Finance Department, the Office of the General Secretary (which includes the Legal Department, Internal Audit Department, Investment and Risk Department, Water and Waste Projects Department and Information Systems Department), the Communications and Public Policy Department and the Research, Innovation and Performance Department.

2.2.2 RISK ASSESSMENT AND MANAGEMENT

The main risks relating to Group operations are described in section 4 of the Reference Document. Coordination of this integrated approach to risk management is the responsibility of the Chief Risk Officer, reporting to the General Secretary. The Chief Risk Officer is supported by a network of risk officers, who are responsible for seamlessly and consistently rolling out risk assessment and management processes within the different subsidiaries. A risk mapping process for the entire Group has been in place for several years. Risks are identified, classified by category (strategic, financial and operational), assessed (by significance and frequency), and quantified when possible. The method for dealing with them is then reviewed, which provides information for action plans at different levels of the Company. An action plan may consist of reinforcing internal control procedures. This process includes the selection of significant individual risks and, if applicable, seamless risk aggregation, which allows an annual summary of the Group's major risks to be drawn up. This summary is approved by the Management Committee and presented to the Audit and Financial Statements Committee.

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain cross-divisional risks are directly managed or closely coordinated by the functional departments involved:

- within the Office of the General Secretary,
  - the Legal Department analyzes and manages the Group's legal risks, based on periodic reporting from the network of in-house legal counsels within the subsidiaries and SUEZ ENVIRONNEMENT;
  - the Investments and Risks Department, jointly with the Planning and Control Department and the Legal Department, takes part in an analysis of the main projects of the Group and its subsidiaries in terms of investments, acquisitions, disposals, etc.;
  - the Information Systems Department analyzes the risks inherent in the information systems to ensure the availability, integrity and confidentiality of the information they contain;
  - the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs for industrial and environmental damage, business interruption, and liability (third-party, professional, etc.). Specifically, it monitors risks of fire and machinery breakdown by implementing an annual prevention and protection program for the Group's key sites.
- within the Finance Department,
  - the Treasury and Capital Markets Department analyzes, in conjunction with the subsidiaries, the Group's main financial risks (interest rates, currencies, commodities, liquidity and banking counterparties) and implements measures for controlling such risks. The department reports twice a year to the Audit and Financial Statements Committee;
  - the Planning and Control Department performs a critical analysis of the subsidiaries' financial performance and forecasts through the monthly review of operating and financial indicators. It also prepares the Group's short- and medium-range financial forecasts and participates in the analysis of development projects involving the Group and its subsidiaries;
  - the role of the Tax Department is to identify, analyze and manage the Group's tax risks;
  - the Consolidation and Accounting Department ensures that accounting principles are followed.
- the Research, Innovation and Performance Department:
  - studies and monitors the environmental risks and coordinates the actions needed to tighten control of those risks and compliance with environmental requirements. To do so, it implements a schedule of environmental audits and operates a network of environmental officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary;

- studies the operating risks associated with the Group's production systems and assists the subsidiaries in resolving operational issues at their sites, establishes and distributes best practices and operational benchmarks to the subsidiaries and prepares solutions for a certain number of emerging risks by developing suitable research programs.
- the Human Resources Department analyzes the main labor risks and needs in terms of skills and develops action plans to recruit local talent and develop skills.
- Within the Human Resources Department, the Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The crisis management process is also coordinated by the Health and Safety Department, which implements early warning and crisis management procedures in the different subsidiaries and within SUEZ ENVIRONNEMENT.
- the Communications and Public Policy Department analyzes and manages image and reputational risks, among others, and prepares and implements appropriate crisis communications plans, in conjunction with the subsidiaries. The Best Practices Charter of the SUEZ ENVIRONNEMENT communications network reminds employees of the confidential nature of the information held by some employees and the internal obligations relating to the circulation of information.

2.2.3 MONITORING AND ASSESSMENT OF INTERNAL CONTROL

The Group's internal control monitoring is organized around the following principles:

- The role of the Audit and Financial Statements Committee (as provided for in the Board of Directors' Internal Regulations) is to assess the effectiveness of the Group's internal control systems and examine the procedures applied to assess and manage the Group's significant risks (pursuant to the Decree of December 8, 2008, which transposes the Eighth European Directive into French law);
- The SUEZ ENVIRONNEMENT Management Committee is responsible for implementation of the internal control systems; that responsibility is rolled out to the Business Unit managers and the management teams of the operating subsidiaries. The Group's operational model and procedures for conducting business are set out in the Management Book disseminated by the Management Committee to each entity controlled by the Group. The Chief Executive Officers and Chief Finance Officers of the main operating subsidiaries confirm, *via* an annual letter of affirmation, their responsibility for implementing an efficient internal control system within their organization;
- The internal control system is implemented in a manner consistent with the risks identified in the Group's activities through a risk-mapping process managed by the Group's Chief Risk Officer.
- The Internal Control Department, which is attached to the Finance Department, manages the Group's internal control program; its mission is to analyze and improve the internal control system, in collaboration with the Group's main subsidiaries and functional departments. Its actions are supported by a network of internal control officers and process managers identified within the main subsidiaries of the Group, who are trained in the Group's internal control principles and methods.

Within the framework of the Group's internal control program, a matrix of the main processes has been drawn up, covering, notably, the general control environment, corporate governance, compliance with laws and regulations, setting and monitoring of objectives, managing commitments, assessing and managing risks, producing and communicating accounting and financial information, managing information systems, legal management, financial management, tax management, external communication and managing operating processes: sales management, purchases management, asset management and contract management.

For each process, in line with the risk matrix prepared by the Chief Risk Officer, the standard risks and control objectives considered necessary for maintaining an efficient internal control system have been identified. Internal control procedures (and control operations) implemented to meet these risks and control objectives are generally specific to the business and organization of each of the entities.

The Group's internal control program is based on dedicated communication and training tools, including an intranet system which enables:

- the circulation of the standard control objectives,
- the description, updating and annual self-assessment of control activities by the process owners for each key process identified within the main subsidiaries.

- The role of the Internal Audit Department, which is attached to the Office of the General Secretary, is specifically to ensure that the Group has an efficient internal control system and manages its risks properly. To that end, when preparing its annual audit plan, it specifically consults the Group's Internal Control Department, the Chief Risk Officer and the statutory auditors. The audit plan is then validated by the Management Committee, and presented for approval to the Audit and Financial Statements Committee.

In developing an opinion on the reliability of the internal control system (level of control and adequacy), the Internal Audit Department performs audits aimed at evaluating the design and operating effectiveness of internal control procedures within the Group, particularly by reviewing processes and testing key control activities in each of the main subsidiaries. In addition, at the end of each audit the department makes recommendations that it includes in a report listing the Group's risk and internal control objectives, monitors their implementation and reports regularly to the Management Committee and the Audit and Financial Statements Committee. This Department comprises several teams of auditors, including a central team based at SUEZ ENVIRONNEMENT head office, whose remit covers the Group's entire scope of consolidation.

- External audit: assessment and analysis of internal controls within the Group are performed in close coordination with SUEZ ENVIRONNEMENT's statutory auditors. The latter are specifically informed of the results of the internal audit tests.

2.2.4 COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations is the responsibility of the Business Unit managers, the management of the operating subsidiaries and the functional departments in their respective areas of competence. For example, certain cross-divisional compliance objectives are managed by the functional departments concerned:

- the General Secretary, acting as the Group's ethics officer, is responsible for ensuring compliance with the Ethics Program, which aims to prevent or detect any behaviors contrary to the Group's ethical rules. The SUEZ ENVIRONNEMENT Charter of Ethics (updated in March 2010 and approved by the Board of Directors and the Ethics and Sustainable Development Committee) was circulated within the Group, together with its practical guide. The Group's ethics officer is supported by a network of ethics officers appointed within each of the major subsidiaries; these ethics officers are responsible for ensuring the roll-out and effectiveness of the Ethics Program within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention which may potentially be in breach of the Group's Ethics rules. Each year, the ethics officers and Chief Executive Officers of the main subsidiaries send a letter of compliance and a report on their activities to the Group General Secretary within the framework of the Ethics Program. The Group General Secretary reports on the activities of the Ethics Program to the Board's Ethics and Sustainable Development Committee.

The General Secretary oversees implementation of the procedures circulated within the Group to ensure compliance with its obligations on inside information and insiders;

- The Finance Department ensures that SUEZ ENVIRONNEMENT is compliant in accounting, financial and tax matters. It is responsible for producing the financial reports required by law;
- The Human Resources Department ensures adherence with the labor legislation and regulations in force and produces the labor reports required by law. It implements SUEZ ENVIRONNEMENT's labor policies, particularly those relating to health and safety;
- The Research, Innovation and Performance Department oversees SUEZ ENVIRONNEMENT's compliance in environmental matters and produces the necessary environmental reports within the context of non-financial communication. An annual representation letter regarding environmental compliance, signed by the subsidiaries' Chief Executive Officers, confirms their commitment in this regard.

2.2.5 INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION, TREATMENT AND CIRCULATION OF ACCOUNTING AND FINANCIAL INFORMATION

(i) Accounting standards and procedures

The main procedures put in place for drawing up the separate and consolidated financial statements are based on:

- the GDF SUEZ accounting policies manual, issued by the Center for Expertise in Accounting Standards (Centre d'Expertise Normes Comptables, or CENC) and applied within SUEZ ENVIRONNEMENT Group, which is accessible *via* the intranet to all Group finance professionals. It is updated regularly based on changes in IFRS standards; and
- the Group closing instructions circulated before every phase of the consolidation process by the Consolidation and Accounting Department. These instructions cover the closing assumptions (exchange rates, discount rates and tax rates, etc.), processes for specific issues (e.g., pensions, impairment tests and off-balance sheet items), the scope of consolidation, the timetable for submitting information, items relating to closing that require particular attention, changes in the chart of accounts and significant new standards introduced.

(ii) Preparation of accounting and financial information

Responsibilities for preparing accounting and financial information are assigned at every organizational level of the Group. They include setting up and maintaining efficient internal control systems. Within the Finance Department:

- the Consolidation and Accounting Department steers the Group financial statements production process, which includes producing and controlling the separate and consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY as well as producing forecasts and monthly consolidated financial reports. This work is carried out with the input of the accounting and management control teams of each of the consolidated subsidiaries. Each party involved performs checks to enable the circulation, assimilation and correct application of Group accounting standards and procedures in their area of responsibility. These responsibilities are confirmed by the Chief Executive Officers and Chief Finance Officers of each subsidiary or each consolidation level *via* an annual representation letter.

The Consolidation and Accounting Department is responsible for relations with the AMF Accounting Department;

- the Planning and Control Department is responsible for analyzing the consolidated financial statements, forecasts and monthly consolidated financial reports, as well as for producing the Medium-Term Plan.

(iii) Management of accounting and financial information systems

The Group and its subsidiaries use a single, standardized consolidation software application, managed by GDF SUEZ, to secure and standardize the preparation process for forecasts, monthly reports, year-end accounts and the medium-term plan.

Each of the Group's subsidiaries is responsible for and manages its own information system used to prepare accounting and financial information, including their financial statements.

(iv) Setting objectives and steering

Within the Finance Department, the Planning and Control Department steers the process for preparing financial forecasts and writes the budget instruction letters sent to each Business Unit, relaying the macroeconomic assumptions to be applied and the financial and non-financial indicators to be measured the following year through the various forecast reviews.

The Planning and Control Department steers the monthly Business Review process. The purpose of these meetings is:

- twice a year, to set financial targets and produce financial forecasts;
- each time, to analyze the operational and financial performance of each Business Unit, how their business is going and significant events, as well as monitor their operational risk management;

via management reports based on the Group's consolidated monthly financial reports.

The consolidated Group budget is presented to the Board of Directors for approval.

The Chief Executive Officer of SUEZ ENVIRONNEMENT sends each Business Unit a budget letter outlining its annual quantitative and qualitative objectives.

(v) Financial communication

(a) Preparation and approval of the Interim and Annual Reports

Within the Finance Department, the Consolidation and Accounting Department is in charge of preparing the Reference Document filed with the AMF as well as the interim financial report, and, jointly with the Office of the General Secretary, heads a dedicated Steering Committee whose role is:

- to coordinate the process for submission and validation by all relevant functional departments of the information contained in the Reference Document and in the interim financial report;
- to ensure that regulations and the AMF recommendations on financial communication are applied.

(b) Preparation and approval of press releases

The Communications and Public Policy Department and the Financial Communication Department within the Finance Department are responsible for communicating all information likely to have an impact on the SUEZ ENVIRONNEMENT COMPANY share price.

Since the Group was listed on the stock exchange, the Communications and Public Policy Department and Financial Communication Department have implemented procedures aimed at ensuring the reliability of the regulatory information communicated to the market.

(c) Relationships with rating agencies

Within the Financial Department, the Corporate Finance and Projects Department maintains relationships with rating agencies in cooperation with the Financial Communication Department and the Treasury and Capital Markets Department.

2.3 Changes in 2012 and outlook

The Group continues to develop its internal control system every year. This continuous improvement process relies, in particular, on defining and operating an internal control plan that is specific to each of its main subsidiaries. The progress of these plans is presented twice a year to the Audit and Financial Statements Committee.

In 2012, internal control actions mainly included:

- the evaluation of the organization and management of internal control systems in the major operating subsidiaries;
- adaptation of internal control measures to changes in organization and processes (procedural changes following the implementation of accounting systems, etc.);
- adaptation of control mechanisms to information systems currently in development (automatic controls, segregation of duties, etc.).

The main internal control development areas for 2013 are:

- strengthening the contribution of internal control to operational issues, particularly in Waste recovery;
- further adapting internal control systems as part of the implementation of new information systems.

Adapting the Company's governance will likely mean reviewing the criteria applicable to the internal control program. These reviews are not likely to have an impact in 2013 on the internal control and risk management procedures in place at the Company.

Gérard Mestrallet

Chairman of the Board of Directors

16.5 STATUTORY AUDITOR'S REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as statutory auditors of SUEZ ENVIRONNEMENT COMPANY and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of the Board of Directors of your company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

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Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Courbevoie and Paris-La Défense, February 14, 2013

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

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17.1 HUMAN RESOURCES

17.1.1 Key human resources (HR) principles

SUEZ ENVIRONNEMENT respects three fundamental HR principles:

- act as a socially responsible player, ensuring that our employees can continually adapt to changing employability requirements;
- build our future based on promoting internal talent and the development of each employee;
- maintain a constructive and transparent dialogue with our employees and their representatives.

17.1.2 Values and ethics

Employee development and mutual respect are central to the values and ethics promoted by SUEZ ENVIRONNEMENT.

The agreement on "Fundamental rights, social dialogue and sustainable development", signed in 2010, reinforces this commitment.

This agreement promotes two essential ideas:

- support for sustainable employment;
- eco-responsibility in support of sustainable performance.

The stability and sustainability of employment is based on a range of commitments that includes respect for trade union rights, the right to professional training and personal development and respect for the individual as a human being, including his or her physical safety. In terms of eco-responsibility, this commitment involves the notion of sustainable long-term performance.

We share with GDF SUEZ the same four values:

- drive: for a sustainable long-term performance;
- commitment: reconciling economic development with respect for the environment;
- daring: experiencing the present with optimism and building the future with creativity;
- cohesion: between energy and environment, sustainable sources of progress for everyone.

SUEZ ENVIRONNEMENT's Ethics Charter asserts the following four principles:

- strict respect for laws and regulations;
- a culture of integrity;
- loyalty and honesty;
- respect for others.

Values, Ethics and Fundamental Rights are cornerstones of the Group's HR policy.

17.1.3 Corporate commitments

Hiring

Faced with a sluggish economy, tough decisions were made in 2012 to curb hiring at SUEZ ENVIRONNEMENT, including a freeze on the external hiring of executives in all French subsidiaries and, in some subsidiaries, a freeze on all external hiring, including of non-executives.

As a result, the number of external hires of executives in France fell sharply, from 547 in 2011 to 354 in 2012 (-35%).

Of these 354 hires, 60% took place in the first half and 40% in the second half, with a significant slowdown from September.

Part-time learning and apprenticeships

The development of part-time learning is one of the five pillars of the "Equal opportunities, Social Progress and Commitment" program (see section 17.1.4).

At the end of 2012, the Group had 969 part-time learning contracts, 920 of them in France. In addition, in 2011, 27% of trainees working in France were hired at the end of their contract.

Mobility policy

Given the current economic climate, commitments have been made to facilitate and better organize internal mobility and to optimize the career management of our employees.

Internal mobility has become vital, leading to stepped-up efforts by HR to improve processes, transparency and cooperation between subsidiaries. A specific action plan has been implemented with the following main points:

- change in format of SUEZ ENVIRONNEMENT Mobility Committee meetings: every two weeks (formerly once a month)

  These meetings allow HR managers in the subsidiaries to share information on employee mobility and open positions, improve their mutual understanding of the various business activities and identify bridges between them.

- development of a mobility brochure and a handbook for all employees of SUEZ ENVIRONNEMENT (executives and non-executives)

  The aim is to explain how mobility is organized within the Group, its benefits, rules, tools, contacts, steps to take, etc.

- launch of an intranet page (Btwin) dedicated to mobility and career management

  This page includes:

  - Communication brochures and the handbook
  - Video testimonials from employees who have participated in the program
  - Access to internal job openings
  - Access to the job application space
  - Guides to SUEZ ENVIRONNEMENT's business activities.

These communication tools have been designed to educate employees and to increase the appeal of mobility by showing that it is real, accessible and a factor in career development.

In 2012, 633 managers were part of the mobility program in France, nearly 33% more than in 2011.

Excluding positions offered to young graduates, 71% of jobs were filled through the mobility program (executive population in France).

Training

SUEZ ENVIRONNEMENT considers employee training to be an essential part of its Human Resources policy and one that contributes to its overall performance. Skills development is a responsibility shared locally between each employee and his or her manager. Coordination of training managers by SUEZ ENVIRONNEMENT's HR Department allows the sharing of best practices and rationalization of resources. It relies on two major tools: the corporate social network for coordinating staff and the Training Catalogue for illustrating each entity's training opportunities. The value added through training relies on this twofold approach.

The decentralized training organization requires the coordination of training managers and the clear communication of the training offered by the entities in order to optimize the value added in boosting individual and team performance. The SUEZ ENVIRONNEMENT Training Catalogue meets this need, allowing everyone involved in training to view and share over 1,500 training opportunities.

Training is above all a tool for employee development. SUEZ ENVIRONNEMENT offers its skills development and training organization expertise to its customers. The Group markets its internal know-how in a sales brochure, "Selling Skills Development and Training", which it includes in its commercial offerings.

Traditionally, the reporting data have been gathered from face-to-face training sessions. In line with studies on the effectiveness of the different modes of learning (model 70 20 10), SUEZ ENVIRONNEMENT is able to track the informal learning methods used by its entities: e-learning, professional simulations, working groups, part-time learning, etc. The 2012 survey identified more than 450,000 cumulative hours of such informal learning.

Career paths

Identifying employee potential is a local management process. Whether identifying future top executives or the best experts for tomorrow, the use by managers of the tools available to them guarantees progress and success. This approach is supplemented by cascaded "people reviews" that allow us to provide every person at every level (local and central) with individual support.

Skills development remains a key element of our career management policy. Factors that contribute to this objective mainly include the clear positioning of functions up to the highest organizational levels, specific methods of recognition and dedicated training programs.

Social relations

The following bodies are specific forums for dialogue between Group management, Group entities and employee representatives.

THE EUROPEAN WORKS COUNCIL (COMITÉ D'ENTREPRISE EUROPÉEN – CEE)

A joint initiative set up on March 6, 2009 by GDF SUEZ and all the European trade unions, it aims to develop and reinforce social dialogue, and ensure balanced representation of the Group's structures and business lines.

Working groups have been set up in each business line, allowing SUEZ ENVIRONNEMENT to address, together with all of its European representatives, such corporate issues as jobs, training, mobility, gender equality, health, safety and social guarantees. Composed of 25 members representing 10 nationalities, the Environment Working Group met twice in 2012.

THE FRANCE GROUP COMMITTEE

Formed on June 2, 2009, it specifically represents French entities.

Elected or appointed committees within all SUEZ ENVIRONNEMENT entities in France and abroad make decisions in accordance with local regulations on topics that concern them directly and are essential to the Group's present and future operations. This committee met twice in 2012.

The main agreements concluded since 2009 in all SUEZ ENVIRONNEMENT companies and at GDF SUEZ level are as follows:

- Within France:
  - implementation of the Group Retirement Savings Plan (PERCO);
  - agreement on seniors' jobs and careers, signed December 8, 2009;
  - agreement on prevention of psycho-social risks by improving the quality of life in the workplace, signed February 18, 2010.
- Within Europe:
  - agreement on predictive management for jobs and skills, signed February 23, 2010.
- Worldwide:
  - agreement on fundamental health and safety principles, signed February 23, 2010;
  - agreement on fundamental rights, social dialogue and sustainable development, signed November 16, 2010.

In this respect, the 2012 highlights included:

- the signing of the European agreement on gender equality (improving equality in hiring, career development, work, salary and work-life balance);
- the establishment of a national consultative body at Sita France, allowing significant progress in the social dialogue of this business unit, which includes dozens of companies;
- the signing of an agreement on employment and social responsibility at Lyonnaise des Eaux.

17.1.4 Diversity and equal opportunities

In accordance with the strong belief that equal opportunities are a driving force for the business and have a positive effect on performance, SUEZ ENVIRONNEMENT treats diversity as a priority in its HR policy.

Launched in 2010, the first Diversity program, "Equal opportunities, Social progress and Commitment", frames the Group's ambitions in this area in France and abroad.

It is structured around several major themes:

- youth employment: part-time learning and integration;
- increasing the proportion of women among staff and in executive roles;
- careers for seniors;
- integration and career development for people with disabilities;
- employee commitment and quality of life in the workplace.

The results of this program at the end of 2012 are very encouraging and attest to the motivation and involvement of the management, the Diversity Sponsors and the human resources teams.

Youth employment and apprenticeships: depending on local situations (full employment in Australia or high unemployment in several European countries) and the needs of Group companies (shortages in certain vocational skills), apprenticeship and training programs for future employees, often supervised by internal mentors, have been developed in virtually all organizations: school presentations, internships, work-linked training, gateways between sensitive populations and businesses, developing a career path (Maison pour Rebondir – a French social integration program), etc.

Recruitment of women and career management: considered a priority in most companies, many agreements, policies and action plans have been implemented concerning recruitment for technical and line management positions and, at upper hierarchical levels, concerning maternity leave, career management and training, equal pay and access to networks. Several organizations have also launched mentoring programs.

On **disability**, efforts and obligations vary greatly from one country to another, but many initiatives are receiving support, particularly in France, Morocco, the Netherlands and Spain, including on training, internships, recruitment and working with the sheltered employment sector.

On **careers for seniors**, the approach taken also depends on the laws on retirement age in each country. Initiatives focus mainly on the transmission of know-how, youth mentoring, healthcare and prevention programs and retirement planning.

Organizations now have programs dedicated to **quality of life in the workplace**, including manager awareness and education, counseling services, ergonomics and prevention, with special attention to stress (Sita) and work/life balance.

Finally, each business unit now conducts regular **employee commitment surveys** to measure the influence and quality of the organization, management, policies, governance and ethics deployed in the Group.

The second survey will be launched in April 2013 and will cover the same topics, with new targets for 2016.

17.1.5 Health – safety – quality of life in the workplace

SUEZ ENVIRONNEMENT's health and safety policy supports ambitious targets for reducing occupational accidents. We aim to cut the accident frequency rate by 30% over 5 years from 2011 to 2016, results which should confirm our place among the industry's best-performing companies in this area.

We are also implementing a three-year plan designed to prevent fatal accidents involving anyone affected by our activities.

These targets, reviewed annually, are defined during the annual management review and approved by the Ethics and Sustainable Development Committee (ESDC).

These targets are supported by an action plan to ensure that they are achieved. This plan is prepared by the Health and Safety Department, reviewed and approved by management and the ESDC, and then cascaded throughout the Group's operating subsidiaries. A "safety contract" is agreed upon with the management of each subsidiary at the beginning of the year, and is the subject of a special review at the end of the year to ensure that actions have been implemented and targets achieved. The degree of success in carrying out the terms of this contract affects the bonuses of subsidiaries' executives.

The details of the safety contracts, for each year and at each subsidiary, are based on the history and maturity of the subsidiary's safety management record and on a framework (the Group's internal rules) established over the course of some ten years' continuous effort. This framework naturally takes local regulations into account, as well as the operational experience acquired by analyzing accidents and sharing best practices.

The effectiveness of this policy, which has reduced the frequency rate by a factor of 2.5 since SUEZ ENVIRONNEMENT was formed, would not be possible without the personal commitment of management at all levels: Group, business units and regions. This commitment is evidenced by executives' training efforts, site visits and Business Reviews. Operational managers and operators are supported at every level of the organization by a network of approximately 300 health and safety experts.

In this way we are steadily building a culture of safety at the Group, shared by all our businesses and in every country where we operate.

17.2 SOCIAL INFORMATION

17.2.1 Breakdown of employees

As of December 31, 2012, the Group had 79,549 employees, a reduction of 861 which is -1.1% over year-end 2011. This change may be broken down as follows:

- a reduction of 621 employees due to the following scope effects:
  - exit from the scope of consolidation of 1,617 people (mainly due to disposals of Eurawasser and Altiservice);
  - entry into the scope of consolidation of 996 people, mainly corresponding to local acquisitions;
- organic decrease (240 employees, which is -0.3%).

Breakdown of workforce by geographical area

	2010 number	2011 number	2012 number	2012 %
France (metropolitan and overseas territories)	34,948	35,654	34,776	43.7%
Europe (excluding France)	32,347	31,141	29,974	37.7%
North America	3,347	3,362	3,367	4.2%
South America	252	238	240	0.3%
Africa/Middle East	4,377	5,137	6,165	7.8%
Asia/Oceania	4,283	4,878	5,027	6.3%
TOTAL (XXX)*	**79,554**	**80,410**	**79,549**	**100.0%**

* *See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

In France, the reduction of the workforce in 2012 (by 878 people) is mainly attributable to the disposal of Altiservice (622 employees at the end of 2011).

In other European countries, the reduced workforce (by 1,167 people) is linked to the disposal of Eurawasser (911 employees at the end of 2011).

The Africa/Middle East area saw its workforce grow significantly in connection with business development and the policy of hiring temporary workers adopted by Sita El Beida (Morocco).

France has the largest workforce (34,776 employees, which is 43.7% of the total), followed by Spain (10,088 employees, which is 12.7%), the United Kingdom (5,891 employees, which is 7.4%) and Morocco (5,727 employees, which is 7.2%).

Breakdown of workforce by socio-economic category

	2010 number	2011 number	2012 number	2012 %
Executives (XXX) *	10,665	11,181	11,261	14.2%
Senior technicians and supervisors (XXX) *	15,089	15,829	16,162	20.3%
Manual and non-manual workers and technicians (XXX) *	53,800	53,400	52,126	65.5%
TOTAL	**79,554**	**80,410**	**79,549**	**100.0%**

* *See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

The proportion of executives has been increasing for several years, and represented 14.2% at the end of 2012.

The 34,776 employees in France can be broken down as follows: 5,785 executives (16.6%), 6,739 senior technicians and supervisors (19.4%), and 22,252 manual and non-manual workers and technicians (64.0%).

Percentage of women in the Group

	2010	2011	2012
Proportion of women in the total workforce (XXX)*	19.4%	19.8%	19.7%
Proportion of women in management (XXX)*	25.6%	26.5%	27.0%

* *See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

After several years of continuous progress, the percentage of women in the overall workforce fell slightly in 2012. The disposal of Eurawasser (nearly 29% women at the end of 2011) partly explains this trend: excluding Eurawasser, the percentage of women was stable between 2011 and 2012.

In management, however, the percentage of women continues to rise, attaining 27.0% at the end of 2012.

In France, women made up 21.9% of the total workforce and 29.7% of executives. These ratios were respectively 21.7% and 28.9% in 2011.

Distribution of workforce by contract type

	2010	2011	2012
Permanent contracts	91.3%	91.4%	93.0%
Fixed-term contracts	7.3%	6.9%	5.4%
Part-time learning and social insertion contracts	1.4%	1.7%	1.6%

The proportion of employees on permanent contracts was 93%, which demonstrates the Group's desire to retain its staff for the long term. Note that in 2012, the disposal of Altiservice, with its seasonal activity, led to an automatic increase in the proportion of permanent contracts of 0.5%.

The proportion of fixed-term contracts was 5.4% at the end of December, relatively unchanged throughout the year.

Part-time learning and social insertion contracts (1.6% of the total workforce) break down as follows:

- 1.2% linked to part-time learning contracts (apprenticeships and professionalization contracts in France, and similar types of contracts in other countries, if they exist). At the end of 2012, there were 969 part-time learning contracts, unchanged after a sharp increase of 20.6% in 2011;
- 0.4% linked to social insertion contracts through dedicated Sita France initiatives (mainly Sita Rebond). At the end of 2012, this involved 334 employees, down 10.2% versus 2011.

In France, 93.2% of employees were on permanent contracts, 3.2% on fixed-term contracts, and 3.6% were on part-time learning or social insertion contracts.

Breakdown of workforce by age group (permanent employees only)

	2010	2011	2012
Under 25	3.1%	3.0%	2.8%
25-29	9.4%	9.1%	8.8%
30-34	12.3%	12.7%	12.7%
35-39	15.0%	14.6%	14.2%
40-44	16.7%	16.3%	16.4%
45-49	16.6%	16.8%	16.7%
50-54	13.7%	13.9%	14.3%
55-59	9.5%	9.9%	10.1%
60-64	3.2%	3.2%	3.4%
65 and over	0.5%	0.5%	0.6%

The average age is 43. The proportion of the workforce under the age of 30 was 11.6%, and employees aged 55 and over represented 14.1% of the workforce.

In France, the average age was 42, the proportion of the workforce under the age of 30 was 12.1%, and employees aged 55 and over represented 12.0% of the workforce.

17.2.2 Employment and working conditions

Hiring

	2010	2011	2012
Number of external permanent contract hires	5,906	6,773	6,743
Number of external fixed-term contract hires	10,316	10,601	8,137
Hiring rate*	20.6%	21.6%	18.6%
Hiring rate under permanent contracts**	36.4%	39.0%	45.3%

** Hiring rate: number of people hired under permanent and fixed-term contracts/average workforce.*

*** Hiring rate under permanent contracts: number of people hired under permanent contracts/number of people hired under permanent and fixed-term contracts.*

The number of external hires under permanent contracts was stable in 2012. However, changes by geographical region were mixed:

- in Europe, the number of hires was down 17.5% (-937), mainly related to the slowdown in activity in the Waste Europe segment;
- outside Europe, the number of new hires rose 63.7% (+907), with this growth coming mainly from Sita El Beida (market gains and hiring of temporary workers).

The 6,743 permanent hires in 2012 break down as follows:

- by socio-economic category: 886 executives (13.1%), 1,133 senior technicians and supervisors (16.8%) and 4,724 manual and non-manual workers and technicians (70.1%);
- by gender: 1,252 women (18.6%) and 5,491 men (81.4%). Among executives: 264 women (29.8%) and 622 men (70.2%);
- by age group: 987 employees under the age of 25 (14.6%) and 775 employees aged 50 and over (11.5%).

In France, the Group hired 4,684 personnel in 2012, consisting of 1,679 on permanent contracts and 3,005 on fixed-term contracts. The overall hiring rate was 13.3% and the hiring rate on permanent contracts was 35.8%. The number of hires on permanent contracts decreased by -28.7% compared to 2011.

Employee turnover

	2010	2011	2012
Number of layoffs	2,698	2,488	2,470
Number of resignations	2,389	2,868	2,666
Number of retirements	931	823	751
Turnover*	6.5%	6.7%	6.4%
Voluntary turnover** (XXX)***	3.0%	3.6%	3.3%

** Turnover: number of layoffs and resignations/average workforce.*

*** Voluntary turnover: number of resignations/average workforce.*

****See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

Turnover fell -0.3% from 2011, in line with the decline in the number of resignations (-202, which is -7.0%).

In France, overall turnover was 4.8% and voluntary turnover was 1.8%. The figures were: 1,077 layoffs, 617 resignations and 319 retirements.

In the Group's database of indicators, contract terminations are counted as layoffs; these represent about 37% of layoffs in France.

Working hours

	2010	2011	2012
Average weekly number of hours worked per employee	ND	33.2	33.4
Overtime rate*	4.4%	4.3%	4.3%
Proportion of part-time workers among total workforce	4.6%	4.4%	4.4%

* *Overtime rate: number of overtime hours/number of hours worked.*

In France, overtime represented 2.9% of the total number of hours worked, and 4.3% of its workforce were part-time workers.

Absenteeism

	2010	2011	2012
Absenteeism rate (days absent/person)	12.2	12.0	11.6
Of which sick leave (days absent/person)	ND	8.1	7.8

Based on a theoretical eight-hour working day, average absenteeism per employee was 11.6 days in 2012, down on previous years.

The Group generally believes that the absenteeism rate is insignificant because it includes absences of all kinds, including suspended contracts. This rate is also dependent on the social systems and local situations (especially climate) in the countries where the Group operates.

In France, the average length of absence per employee was 12.1 days, of which 7.4 days involved sick leave.

Employees with disabilities

	2010	2011	2012
Percentage of employees with disabilities/workforce at end of period	1.5%	1.7%	1.8%
of which France	*2.3%*	*2.6%*	*2.9%*
of which Germany	*4.2%*	*4.2%*	*4.7%*

The number of disabled workers is a difficult indicator to track at the Group level, insofar as the notion of disabled worker is not clearly defined in every country where the Group is active.

At the end of 2012, the Group had 1,451 disabled workers, 100 of whom had been hired that year. Most (80%) of the disabled employees counted work in France or Germany, two countries where the Group's presence is significant and where specific laws on this subject have long been applied.

In France, a specific reporting system introduced in 2012 was used to measure the overall insertion rate, including amounts of invoiced contracts in the protected sector, under the terms defined in the mandatory disclosure on disability employment (Déclaration Obligatoire à l'Emploi des Travailleurs Handicapés). In 2011 this rate was 3.8%.

Wages and salaries

In thousands of euros	2011	2012
Gross payroll	2,542,650	2,592,608
Average gross compensation per employee	31.6	32.5
Executives	65.8	66.9
Non-executives	26.2	26.8
Men	32.2	32.9
Women	29.4	30.7
Average rate of employer's contributions	35.0%	36.3%

The amounts and changes in compensation evidently reflect the Group's compensation policies, but other factors also have a significant influence on the average data: country mix, foreign exchange rates, distribution by socio-economic category, the proportion of part-time employees, the "Noria effect".

In France, gross payroll was €1,228.5 million, and the average gross compensation per employee was €34,900, of which €35,400 for men and €33,100 for women.

Temporary workers

	2010	2011	2012
Average temporary workforce (FTE)	7,322	7,912	6,184
As a % of average contractual workforce expressed in FTE	*9.6%*	*10.2%*	*8.0%*

The main reasons for employing temporary workers are temporary hiring difficulties and replacement of absent employees. Temporary workers are hired primarily in the Waste segment. The change from 2011 to 2012 is mainly attributable to Sita El Beida (Morocco), where the number of temporary workers fell due to the hiring policy implemented, and Palyja (Indonesia), where the system of accounting for temporary workers was revised.

In France, Group entities employed a total of 3,263 temporary workers, representing 9.5% of the contractual workforce.

Workplace safety

	2010	2011	2012
Number of fatal accidents (employees)	5	4	5
Frequency rate* (XXX)***	16.28	14.06	13.32
Severity rate**	0.68	0.66	0.60

* *Frequency rate: number of accidents with sick leaves x 1,000,000/number of hours worked.*

** *Severity rate: number of compensated sick leaves × 1,000/number of hours worked.*

****See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

The results of our actions in health and safety for fiscal year 2012 show a continuous improvement in our performance: the Group-wide frequency rate of 13.32 reflects a significant gain in the waste sector, with a frequency rate of 18 (19.3 in 2011), while the water sector continues to make progress with a frequency rate of 5.1 (5.3 in 2011).

Managing road risk remains a constant concern with 12,000 waste collection vehicles on the road daily, and has been the subject of several noteworthy initiatives (educational events in schools, use of driving simulators specific to our activities, better signage on vehicles, mirror adjustment mechanisms, etc.).

In 2012, on the issue of health, a number of initiatives on the quality of life at work were developed in our business units: performance of diagnostics, specific action plans with appropriate Training and Steering Committees.

Our subsidiary Agbar was included this year in the Group's overall health and safety management system, with very convincing results in terms of accident reduction, both in Spain and South America. (Note that Agbar's frequency rate and severity rate results will only be included in those of SUEZ ENVIRONNEMENT in mid-2013, following a three-year period under the rule applied to companies joining the Group concerning their safety performance.)

To achieve the Group's objectives, adapted consistently in each business unit, an ambitious health and safety training program for managers was set up which brought 650 people together across several continents in 2012, helping to establish a culture of safety at SUEZ ENVIRONNEMENT, which continues to be our medium-term goal.

Feedback was also enhanced in 2012 by sending out "Safety News Flash" reports on major accidents, swiftly translated and commented on, to teams across the Group.

Concerning occupational illnesses, there were 42 new cases identified in France in 2012.

17.2.3 Training

	2010	2011	2012
Number of training hours *(in thousands)*	**1,180**	**1,364**	**1,341**
Of which number of training hours via e-learning (in thousands)	ND	ND	*115*
Number of training hours per person trained *(hrs/person)* **(XXX)***	**26**	**24**	**24**
Number of training hours per woman trained *(hr/person)*	25	26	24
Percentage of workforce trained (XXX)*	**61.2%**	**69.4%**	**68.4%**
Distribution of trained workforce by gender			
Women	19.1%	18.0%	20.4%
Men	80.9%	82.0%	79.6%
Distribution of trained workforce by category			
Executives	15.0%	15.1%	15.1%
Senior technicians and supervisors + Manual and non-manual workers and technicians	85.0%	84.9%	84.9%
Training expenses per person trained (€/pe*rson)*	532	550	537
Distribution of training hours by topic			
Operational technical training	28.4%	24.5%	27.2%
Quality, Environment and Safety	36.6%	40.4%	36.8%
Languages	5.2%	5.4%	7.7%
Other	29.8%	29.7%	28.3%

* *See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.*

In 2012, the training effort remained significant, with indicators in line with 2011 results: 1.34 million training hours, 24 training hours per person trained, 68.4% of employees trained.

For the first time, social reporting has differentiated between the number of training hours *via* e-learning, which accounts for almost 9% of total training hours during the year.

The distribution of workforce trained by gender and category is close to the distribution of total headcount according to these same criteria.

In France, 62.7% of employees received training in 2012 (64.9% in 2011), training expenditure per person trained came to €776 (€787 in 2011), and the number of training hours per employee trained was 25 hours (26 hours in 2011).

Finally, as mentioned in the 2011 Reference Document, analytical work related to modes of informal learning was carried out in 2012. An initial survey noted over 450,000 hours of informal learning (mainly mentoring, tutoring and technical seminars) for fiscal year 2012, a significant amount compared with the number of "formal" training hours reported above. Nearly 85% of the hours of informal learning concerned part-time learning contracts (including time spent by apprentices at the company).

17.2.4 Employee relations

	2011	2012
Number of agreements with social partners	405	444
Proportion of employees with a representative body	88%	88%

More than one-quarter of the agreements relate to compensation.

17.2.5 Methodology factors of the 2012 social report

SCOPE

The employment analyses carried out in this report correspond solely to fully consolidated (FC) entities, companies that SUEZ ENVIRONNEMENT COMPANY controls in terms of share capital and management. When a company is fully consolidated in the financial statements of SUEZ ENVIRONNEMENT COMPANY, 100% of its social data are included, regardless of the percentage of share capital held. Except as noted below, the reporting scope in 2012 (reporting of the indicator as a percentage of the Group's workforce) is 100% for all indicators.

TOOLS AND METHODS

Social reporting is based on:

- a network of 220 individuals around the world who collect and monitor their own entities' indicators at each quarterly HR reporting campaign. This provides feedback through approximately 250 (FC) reporting packages every quarter, corresponding to data from over 400 companies. This network is managed through quarterly meetings (physical meetings for correspondents at French entities and web conferences for international correspondents). These meetings provide an opportunity for top-down communication, for clarifying the definition of some indicators, sharing best practices and reviewing major points of concern. A collaborative space is also available to all correspondents;
- the "User Guide" which consolidates all definitions and procedures comprising the Group's common reference system, i.e. some 50 primary indicators with various collection criteria (age, gender, etc.) producing approximately 250 social criteria. This guide is translated into seven languages – German, English, Spanish, Italian, Dutch, Polish and Portuguese – and is distributed to all contributors;
- Magnitude, a financial consolidation software application based on a dedicated social indicators package, enables the collection, processing, and reporting of data entered by the local legal entities subsidiaries of the Group. Each of these entities, including in the HR phase, is allocated the appropriate financial consolidation method: full consolidation (FC), proportional consolidation (PC), or the equity method (EM). An online self-training tool for Magnitude is available to contributors.

CONSOLIDATION AND INTERNAL CONTROL

Once collected, the data are consolidated by the subsidiaries and the Group Human Resources Department (HRD), in accordance with clearly defined procedures and criteria. These data are controlled internally during the following stages:

- automated controls: the Magnitude packages incorporate a certain number of automated controls that allow contributors to ensure the reliability of the information entered at the most detailed level. Contributors also have access to the comments sections where they can explain significant changes or circumstances specific to their entity;
- subsidiary-level controls: the main subsidiaries also check the consistency of the data from their entities;
- controls at Group HRD level: Group HRD applies consistency controls to the data of all the entities. These controls consist specifically of analyzing changes in indicators from one period to another. In the event of a significant change, the contributor in question is asked to provide a more in-depth analysis, which may result in a correction.

METHODOLOGY DEFINITIONS AND LIMITS

We would like to highlight the following points in relation to the data published in this report:

- unlike social reporting, Health and Safety reports take into account operational control criteria. This leads to a slight difference in the scope of the workforce covered by the two reporting systems, calculated at -15%. This is because the Health and Safety results of entities joining the Group are not included in the reporting group for three years;
- the breakdown of workforce by geographical area is in line with the reporting segments used in the IFRS financial statements. Accordingly, some Agbar companies located outside Europe are assigned to Spain. This concerns 2,185 employees;
- the notion of executives ("cadres") is sometimes difficult to understand in countries other than France, where the Group operates. This may lead to a slight underestimation of the number of exectuives;

- due to the reporting deadlines, the data related to training and hours worked are not always finalized and therefore relate only to the most recent situation;
- as regards training, while retrieving the number of training hours *via* e-learning is relatively easy in the entities, it is not always as easy to reconcile the number of trainees who received in-person training with the number of trainees who received e-learning training. The risk lies in overestimating the total number of trainees due to double-counting of employees who have received training both in-person and *via* e-learning. Therefore, only two entities (Agbar and United Water) count "e-learning" trainees in their trained workforce, because their internal tracking systems enable them to avoid the risk of double-counting;
- Note that the figures on occupational illness are for France only. In fact, the concept of the employer recognition of occupational illness which applies in France is not found in most countries worldwide, which complicates the collection of this indicator at the international level. The Group is working to improve its reporting organization so as to expand the reporting scope of this indicator in the coming years.

EXTERNAL AUDIT

As in previous years up to 2007, the SUEZ Group and its BUs engaged the specialized services of the statutory auditors to verify four social indicators for 2008. Since 2009, the Group has renewed this request and increased the number of certified indicators to 14, including nine with reasonable assurance (indicated by the symbol "XXX"). The nature of the work and findings of the statutory auditors can be found in section 6.8.4 of this Reference Document.

17.3 STOCK OPTION AND BONUS SHARE ALLOCATION PLANS

PERFORMANCE SHARE PLAN OF MARCH 15, 2012

At its meeting of March 15, 2012 the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, at the proposal of the Nominations and Compensation Committee, decided to set up a Performance Bonus Share Plan and set out its main characteristics, the purpose of which is to associate top executives, executives, high-potential managers and experts with the Company's future growth and value creation ("A Beneficiaries"), as well as to award performance shares to employees who demonstrate outstanding performance but do not fall within the first set of categories above ("B Beneficiaries").

At the proposal of the General Management, the Board decided that the Chief Executive Officer and the members of the Group's Executive Committee would not benefit from this plan, which will concern 1,995 employees and which represents a total amount of 828,710 performance shares, with a vesting period of two to four years depending on the country and beneficiary. In France the shares are also subject to a two-year lock-in period.

These performance share allocations are also subject to a service condition and to certain performance conditions which vary depending on the profile of the beneficiary, and for the Group's 'top executives' (91 beneficiaries) are more demanding as the following two cumulative conditions need to be met:

- a market performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period March 14, 2012 to March 13, 2015;
- an internal performance condition based on the consolidated Group's cumulative net recurring result between 2012 and 2014 inclusive.

For the 1,116 "B Beneficiaries," all allocated shares are subject to an internal performance condition, specifically the Group's EBITDA between 2012 and 2013 inclusive.

For non-top executive "A Beneficiaries" (788 beneficiaries), allocations are subject to the two internal performance conditions mentioned, for 50% each.

The provisions corresponding to the various plans prior to 2012 are described in previous SUEZ, GDF SUEZ, and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

PERFORMANCE SHARE PLAN OF MARCH 27, 2013

At its meeting of March 27, 2013 the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, at the proposal of the Nominations and Compensation Committee, decided to set up a Performance Bonus Share Plan and set out its main characteristics, the purpose of which is, as for previous plans, to associate top executives, executives, high-potential managers and experts with the Company's future growth and value creation ("A Beneficiaries"), as well as to award performance shares to employees who demonstrate outstanding performance but do not fall within the first set of categories above ("B Beneficiaries").

This Plan concerns 1,773 beneficiaries, for a total number of performance shares of 1,315,100. Moreover, in order to encourage over-performance, this total number of performance shares may be raised to a maximum of 1,518,120, provided the thresholds set for the internal conditions described below are crossed. This Plan provides for a vesting period of two to four years depending on the country and beneficiary, and, when applicable, a minimum two-year lock-in period.

These performance share allocations are also subject to a service condition and to certain performance conditions which vary depending on the profile of the beneficiary. For the members of the Executive Committee, of the Management Committed, the corporate officer, and the Group's 'top executives' (that is 123 beneficiaries), these conditions are more demanding as the following two cumulative conditions need to be met:

- a market performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period January 1, 2013 to February 27, 2015;
- an internal performance condition based on the consolidated Group's cumulative net recurring result between 2013 and 2014 inclusive.

The Board of Directors decided to allocate 60,000 performance shares to the Chief Executive Officer on account of this Plan (no stock options nor performance shares were granted to Mr. Jean-Louis Chaussade in 2011 and 2012). All the performance shares granted to the Chief Executive Officer are subject to the two cumulative performance conditions described above. Moreover, the Board of Directors confirmed that the Chief Executive Officer was required, during his term, to keep 25% of the performance shares and shares coming from stock options granted under the various performance shares and stock options plans, until reaching 150% of his annual fixed compensation.

For the 939 "B Beneficiaries", all allocated shares are subject to an internal performance condition, specifically the Group's cumulated EBITDA between 2013 and 2014 inclusive.

For non-top executive "A Beneficiaries" (711 beneficiaries), allocations are subject to the two internal performance conditions mentioned, for 50% each.

Since the Plan was set up on March 27, 2013, more details will be given in the 2013 Reference Document.

17.4 EMPLOYEE INCENTIVES AND PROFIT SHARING (FRANCE)

Each subsidiary of the Group in France has implemented profit-sharing agreements (pursuant to the mandatory provisions of French law). Incentive agreements (optional in France) have also been implemented within the following companies: SUEZ ENVIRONNEMENT SAS, Degrémont, Lyonnaise des Eaux France, Eau et Force, and approximately 30% of the French subsidiaries of Sita France.

These arrangements for 2011 produced the following results in 2012:

- €20.4 million was paid out under profit-sharing agreements, benefiting 24,464 employees at an average of approximately €840 per beneficiary;
- at the same time, €20.0 million was paid out under incentive agreements, benefiting 24,012 employees at an average of €830 per beneficiary.

In total, incentive and profit-sharing agreements represented €40.4 million, i.e., 4.2% of the gross payroll of the companies concerned, or a decline of 9.6% compared to the €44.7 million paid out in 2011.

17.5 EMPLOYEE SHAREHOLDING

Since its IPO, the Company has prioritized employee shareholding both as a way to involve the Group's employees over the long term in its business development plans and to increase the share of equity held by employees, with a target of 5% by 2015.

GROUP SAVINGS PLAN

In 2011, SUEZ ENVIRONNEMENT set up a Group savings plan aimed at all employees of the Group's companies in France and around the world.

The plan was created to serve as a mechanism for acquiring SUEZ ENVIRONNEMENT shares *via* a company mutual fund and the allocation of free bonus shares. It also offers the option of investing in a diverse range of savings vehicles. These funds, invested in SUEZ ENVIRONNEMENT COMPANY shares within the Group savings plan, are administered by supervisory boards 50% composed of representatives of employee unitholders and 50% of management representatives. The supervisory board exercises the voting rights attached to shares held by the company mutual fund.

In France, the Group savings plan comes as a complement to the existing enterprise savings plans in the Group's subsidiaries.

EMPLOYEE SHAREHOLDING PROGRAMS IN PLACE

SUEZ ENVIRONNEMENT has set up several programs to encourage employee shareholding:

- in 2009, the first worldwide bonus share allocation plan for employees of the company and its controlled or fully consolidated subsidiaries, which covered approximately 68,000 employees in over 40 countries;
- in 2011, a share issue reserved for employees, called "Sharing", subscribed by 18,679 employees in 19 countries.

This policy continued in early 2013 with a second worldwide bonus share allocation plan for SUEZ ENVIRONNEMENT COMPANY.

SECOND WORLDWIDE BONUS SHARE PLAN

After deciding the implementation of this plan at its meeting of October 24, 2012, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY established the final procedures on January 17, 2013. All employees of the Company and its controlled or fully consolidated subsidiaries as of September 30, 2012, were granted rights for the allocation of bonus shares, subject to meeting a service condition at the end of the vesting period of between three and four years depending on the country. The number of shares allocated per SUEZ ENVIRONNEMENT employee was set at 38 shares. This plan covers more than 79,000 beneficiaries in 32 countries.

GDF SUEZ 2012 BONUS SHARE PLAN

On October 30, 2012, the GDF SUEZ Board of Directors decided to set up a worldwide bonus share allocation plan. All employees of GDF SUEZ and its subsidiaries (in France and around the world), controlled or fully consolidated as of September 30, 2012, were granted the right to free bonus shares, subject to meeting a service condition at the end of the vesting period, which varies between three and four years depending on the country. The number of shares granted under this plan was adapted to SUEZ ENVIRONNEMENT's specific situation, and the number of shares allocated per SUEZ ENVIRONNEMENT employee was set at 15.

PARTICIPATION OF EMPLOYEE SHAREHOLDERS

As of December 31, 2012, the total number of shares held by Group employees within the meaning of Article L. 225-102 of the French Commercial Code, directly in individual registered accounts or through Group savings plans, totaled 1.99% of the share capital.

17.6 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

A description of the pensions and other employee benefit obligations appears in Note 16 to the consolidated annual financial statements in section 20.1 of this Reference Document.

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18.1 BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2012

As of December 31, 2012, the Company's total share capital was €2,040,935,316. It consisted of 510,233,829 shares with a nominal value of €4 each, representing 510,233,829 voting rights.

As of December 31, 2012, the number of shares without voting rights (shares held by the Company under the share buyback program described in section 21.1.3 of this Reference Document) totaled 1,143,389 shares, hence a total number of exercisable voting rights of 509,090,440.

On June 5, 2008, GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (which since November 18, 2011 was replaced by its subsidiary, Areva NC), and CNP Assurances, along with the Company, entered into a shareholders' agreement covering their shareholding in the Company (for more details on this agreement, see section 18.3 of this Reference Document). As of December 31, 2012, shareholder signatories to this agreement held 48.36% of the Company's share capital.

The voting rights of the major shareholders of the Company are no different from those of other shareholders.

The following table shows the number of shares and percentages of capital and voting rights held by the Company's principal shareholders based on information available on the date this Reference Document was prepared.

	As of December 31, 2012			As of December 31, 2011			As of December 31, 2010		
	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of shares held	% of exercisable voting rights
GDF SUEZ	182,057,361	35.68%	35.76%	182,057,361	35.68%	35.91%	173,406,974	35.41%	35.57%
Groupe Bruxelles Lambert	36,746,488	7.20%	7.22%	36,746,488	7.20%	7.25%	35,001,610	7.15%	7.18%
Caisse des Dépôts et Consignations	10,078,220	1.98%	1.98%	10,078,220	1.98%	1.99%	9,599,359	1.96%	1.97%
Areva (Areva NC from 11/18/2011)	7,251,292	1.42%	1.42%	7,251,292	1.42%	1.43%	6,906,750	1.41%	1.42%
CNP Assurances	6,500,390	1.27%	1.28%	6,500,390	1.27%	1.28%	6,191,630	1.26%	1.27%
Sofina	4,125,000	0.81%	0.81%	4,125,000	0.81%	0.81%	4,125,000	0.84%	0.84%
TOTAL HELD BY SHAREHOLDERS PARTY TO THE SHAREHOLDERS' AGREEMENT*	**246,758,751**	**48.36%**	**48.47%**	**246,758,751**	**48.36%**	**48.68%**	**235,231,223**	**48.04%**	**48.25%**
Treasury shares	1,143,389	0.22%	–	3,294,721	0.65%	–	2,164,492	0.44%	–
Public float and employee shareholding	**262,331,689** (a)	**51.41%** (b)	**51.53%** (b)	**260,180,357** (c)	**50.99%** (d)	**51.32%** (d)	**252,303,245** (e)	**51.52%** (f)	**51.75%** (f)
TOTAL	**510,233,829**	**100%**	**100%**	**510,233,829**	**100%**	**100%**	**489,699,060**	**100%**	**100%**

(a) Of which 10,173,904 shares were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see section 17.5 of this Reference Document).

(b) Of which 1.99% of the share capital and 2% of the voting rights were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see section 17.5 of this Reference Document).

(c) Of which 25,410,925 were held by Capital Research and Management (See threshold crossing declaration to the AMF No. 211C1585 dated August 26, 2011).

(d) Of which 4.99% of the share capital and 5.01% of the (exercisable) voting rights were held by Capital Research and Management.

(e) Of which 53,118,508 were held by Capital Research and Management.

(f) Of which 10.85% of the share capital and 10.89% of the (exercisable) voting rights were held by Capital Research and Management.

* *See Shareholders' Agreement filed with the AMF on June 6, 2008 (D&I 208C1189 of June 20, 2008) and explained in detail in section 18.3 below.*

It is also to be noted that Groupe Bruxelles Lambert issued, on September 7, 2012, bonds that are exchangeable into shares of the Company, for an amount of €400 million maturing on September 21, 2015, bearing a coupon of 0.125%, and thus showing a 20% premium on the Company share price.

No crossing of legal thresholds – above or below – was reported to the Company in 2012.

Pursuant to Article L. 233-13 of the French Commercial Code and to the knowledge of SUEZ ENVIRONNEMENT COMPANY, as of December 31, 2012 there were no shareholders other than those mentioned above holding 5% or more of the share capital or voting rights directly, indirectly or together.

18.2 MAJOR SHAREHOLDERS' VOTING RIGHTS

Each Company share entitles the holder to one voting right.

18.3 COMPANY CONTROL – SHAREHOLDERS' AGREEMENT

18.3.1 Shareholders' Agreement

Description

On June 5, 2008, GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (as of November 18, 2011 replaced by its subsidiary Areva NC), CNP Assurances, and the Company entered into a Shareholders' Agreement with regard to their interest in the capital of the Company, for a renewable five-year term, and which specifically provides for:

- the composition of the Board of Directors, with nine Directors appointed at the proposal of GDF SUEZ, four independent directors appointed by mutual agreement of the parties at the proposal of the Chairman of the Board of Directors (reduced to three in the event of the appointment of a Director representing employee shareholders), two Directors appointed at the proposal of Groupe Bruxelles Lambert, one Director appointed at the proposal of Areva, one Director appointed at the proposal of CNP Assurances and one Director appointed at the proposal of Sofina;
- the appointment of the Chairman of the Company by the Board of Directors, at the proposal of GDF SUEZ, and the appointment of the Company Chief Executive Officer by the Board of Directors at the proposal of the Chairman;
- the creation and composition of four committees of the Board of Directors (Audit and Financial Statements Committee, Nominations and Compensation Committee, Ethics and Sustainable Development Committee and Strategy Committee);
- passing decisions of the Board of Directors by a simple majority of its members, with the Chairman having the casting vote in cases of a tie vote, and with the exception, in particular, of decisions affecting the share capital or amending the bylaws or relating to any extraordinary payment of dividend, which are to be passed by a qualified majority of two thirds of the members of the Board of Directors;
- an obligation of consultation among the shareholders that are parties to the Shareholders' Agreement prior to any meeting of the Board of Directors or a Shareholders' Meeting called to make an important decision;
- a reciprocal right of first refusal between the parties to the agreement applicable to any sale of shares in the Company (with the exception of free disposals, specifically including sales by a shareholder involving less than 10% of its stake on the last day of the month preceding the sale in question, calculated over a period of 12 months), based on the following terms and conditions and order of priority:
  - in the event of a contemplated sale of shares by GDF SUEZ, a first-rank right of first refusal in favor of each of the other parties to the agreement, as well as a second-rank right of first refusal in favor of the Company;
  - in the event of a contemplated sale of shares by one of the other parties to the Agreement, a first-rank right of first refusal in favor of each of the other parties (excluding GDF SUEZ), a second-rank right of first refusal in favor of GDF SUEZ, and a third-rank right of first refusal in favor of the Company;
- the obligation for each party to provide notification of any contemplated acquisition of shares in the Company to GDF SUEZ, which acts as administrator of the Agreement;

- the prohibition imposed on the parties to the Agreement from purchasing shares that could result in an obligation, for the shareholders acting in concert, to submit a takeover bid or a share price guarantee for the Company; and
- a tag-along right in favor of the other parties to the agreement in the event GDF SUEZ were to sell the majority of its interest in the Company.

The agreement shall be terminated early in the event that (i) all the shares held by the parties to the agreement represent less than 20% of the Company's share capital, or (ii) GDF SUEZ is no longer the leading shareholder following a divestment of shares under the provisions relating to the right of first refusal. Furthermore, in the event that a party should come to hold less than a third of its initial stake, then the agreement will be terminated as far as it is concerned but will remain in force and effect for the other parties.

The shareholders' agreement constitutes a joint control as defined by Article L. 233-10 of the French Commercial Code within which GDF SUEZ plays a leading role. The provisions of the agreement, and specifically GDF SUEZ's right to appoint half the members of the Board of Directors, in which the Chairman has a casting vote, as well as the appointment of the Company's Chief Executive Officer at the Chairman's recommendation, grant GDF SUEZ control of the Company.

The shareholders' agreement was submitted to the AMF on June 6, 2008 and published in a notice by the latter on June 20, 2008 (see D&I 208C1189 of June 20, 2008 on the AMF website).

An amendment to the Shareholders' Agreement was enacted on December 18, 2008. According to Article 7 of this Agreement, the composition of the Boards of Directors of the Company and of SUEZ ENVIRONNEMENT (a wholly-owned subsidiary of the Company) must be identical at all times, with a view to a potential merger between these two companies. In order to simplify the operational functioning of the Group, on December 18, 2008 SUEZ ENVIRONNEMENT was transformed into a simplified joint stock company (*société par actions simplifiée*), whose Chairman is SUEZ ENVIRONNEMENT COMPANY. The parties to the Shareholders' Agreement agreed, under the terms of an amendment signed on that same date, to eliminate the obligation to replicate the composition of the Company's governing bodies within the governing bodies of SUEZ ENVIRONNEMENT.

Non-renewal

On December 5, 2012, the Company's Board of Directors recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement, with the exception of the Company, not to renew the Agreement which will expire on July 22, 2013. Consequently, upon expiration of the Agreement, GDF SUEZ will relinquish control of SUEZ ENVIRONNEMENT and the Company will from that time on be consolidated by GDF SUEZ by the equity method. GDF SUEZ has also expressed its intention to remain the Company's main shareholder and long-term strategic partner. GDF SUEZ thus affirmed its commitment not to reduce its stake in the Company and to support its development strategy. The Company's governance will be modified to reflect these changes. In particular, a plan will be considered to reduce the number of Directors representing GDF SUEZ, with Gérard Mestrallet continuing on as Chairman, along with the conditions under which SUEZ ENVIRONNEMENT Group's employees might be represented on the Board of Directors.

The AMF also indicated, by Notice No. 213C0087, dated January 22, 2013, that it had been informed by GDF SUEZ that the parties to the Shareholders' Agreement, namely GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Groupe Bruxelles Lambert and Sofina, had proceeded with its termination in accordance with its provisions and that as a result, the provisions of the Shareholders' Agreement will expire on July 22, 2013, the date on which the parties will no longer act in concert.

18.3.2 Framework of GDF SUEZ's control over the Company

GDF SUEZ's control over the Company takes the form of independent directors on the Board of Directors and committees, pursuant to the provisions of the Shareholders' Agreement entered into at the time of the Company's stock market listing (see sections 16 and 18.3.1 of this Reference Document), implementation of the recommendations of the AFEP-MEDEF Corporate Governance Code (see section 16.4 of this Reference Document), and various agreements formalizing GDF SUEZ's relations with the Company (see section 19 of this Reference Document). These various measures have been designed to prevent abuse of control of the Company.

To classify a Director as independent, the Nominations and Compensation Committee refers to the definition of the AFEP-MEDEF Code which considers that "a Director is independent when (s) he has no relationship of any kind with the Company, its Group or its management that could compromise his or her freedom of judgment" and takes into account all the criteria of that Code. Beyond these criteria, it considers the personal situation of each Director, particularly with regard to the Company's capital structure and the shareholders' agreement, to formulate their recommendations.

On December 5, 2012, GDF SUEZ indicated that upon termination of the Agreement on July 22, 2013, the Company would from that point on be consolidated by GDF SUEZ by the equity method (see section 18.3.1 of this Reference Document).

18.3.3 Factors likely to have an impact in the event of a takeover bid

The information below is provided in compliance with the provisions of Article L. 225-100-3 of the French Commercial Code, which transposed the Takeover Directive:

- the Company's ownership structure is described in sections 18.1 and 18.3 of this Reference Document;
- there are no restrictions in the bylaws on the exercise of voting rights or the transfer of shares or clauses of agreements notified to the Company pursuant to Article L. 233-11 of the French Commercial Code, other than those mentioned in section 18.3.1 of this Reference Document relating to the Shareholders' Agreement;
- direct or indirect shareholdings in the Company of which it is aware by virtue of Articles L. 233-7 (threshold crossing declaration) and L. 233-12 of the French Commercial Code are described in section 18.1 of this Reference Document;
- there are no holders of shares with special control rights other than those arising from the Shareholder's Agreement, as described in section 18.3.1 of this Reference Document;
- control mechanisms built into the Company's employee shareholding program are described in section 17.5 of this Reference Document;
- to the Company's knowledge, there are no agreements between shareholders that could result in restrictions on the transfer of shares or the exercise of voting rights in the Company, other than those mentioned in section 18.3.1 of this Reference Document relating to the Shareholders' Agreement;
- the rules applicable to the appointment and replacement of members of the Board of Directors are set out in sections 14.1 and 18.3.1 of this Reference Document;
- the powers of the Board of Directors for the issuance or redemption of shares are presented in section 21.1 of this Reference Document;
- The Company may enter into agreements containing clauses which could, under certain conditions, lead to their early termination in the event of a change of control of the Company, some of which could, according to the Company, have an impact in a takeover bid. These include:
  - certain agreements with GDF SUEZ described in section 19 of this Reference Document; and
  - certain financing agreements, as mentioned in Note 12 to the consolidated financial statements for the year ended December 31, 2012, including bonds issued under the EMTN program implemented by the Company, undated deeply subordinated notes ("hybrids") issued in 2010, and the €1.5 billion syndicated loan taken out in February 2010, renegotiated in 2011 and maturing in 2016, provided that the change of control is accompanied by a downgrade of the Company's credit rating below a certain threshold. It is nevertheless specified that the non-renewal of the Shareholders' Agreement expiring on July 22, 2013 and the equity accounting of the Company by GDF SUEZ from that date does not constitute a change of control with respect to this financing.
- information relating to the Chief Executive Officer's severance pay is set out in section 15.1 of this Reference Document.

18.4 AGREEMENT THAT MAY RESULT IN A CHANGE OF CONTROL

None.

18.5 SUMMARY OF TRANSACTIONS MADE BY PERSONS INDICATED IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE DURING THE YEAR ENDED DECEMBER 31, 2012

Transactions in 2012 by the persons indicated in Article L. 621-18-2 of the French Monetary and Financial Code

Name of shareholder	Date of transaction	Nature of transaction	Quantity of shares	Price/share
Isabelle Kocher	03/19/2012	Securities lending	2,000	€12.07

The above table is based on information provided to the Company by the Board members and Directors concerned.

Number of shares held by members of the Board of Directors at December 31, 2012

	Number of shares held at December 31, 2012
Gérard MESTRALLET	15,266 [(a)] shares
Jean-Louis CHAUSSADE	5,500 shares and 760.6 mutual fund units [(b)]
Gérald ARBOLA	2,000 shares
Nicolas BAZIRE	2,000 shares
Gilles BENOIST	3,000 [(c)] shares
Valérie BERNIS	2,087 [(a)] shares
Harold BOËL	5,555 [(d)] shares
Alain CHAIGNEAU	2,000 [(a)] shares
Penelope CHALMERS SMALL	2,000 [(a)] shares
Jean-François CIRELLI	2,000 [(a)] shares
Lorenz d'ESTE	2,139 shares
Amaury DE SÈZE	2,000 shares
Delphine ERNOTTE CUNCI	2,000 shares
Isabelle KOCHER	2,000 [(a)] shares
Patrick OUART	4,000 shares
Guillaume PEPY	2,087 shares
Olivier PIROTTE	2,085 shares
Jérôme TOLOT	35,634 [(a)] shares

(a) Of which 2,000 shares as a loan granted by GDF SUEZ.
(b) "Classic" and "multiple" formulae as part of the Sharing 2011 employee shareholding plan.
(c) Of which 2,000 shares as a loan granted by CNP Assurances.
(d) Of which 3,555 shares received in the context of an inheritance.

This table is based on information provided to the Company by the Directors.

19 RELATED-PARTY TRANSACTIONS

Parties related to the Company include, among others, the Company's major shareholders, its non-consolidated subsidiaries, companies under joint control (proportionately consolidated companies), associates (equity affiliates) and entities on which various Company officers exercise at least a significant influence.

A breakdown of transactions with these related parties for fiscal years 2012 and 2011, particularly GDF SUEZ and its subsidiaries, appears in section 20.1, Note 22 of this document. The transactions are not significant at the level of the SUEZ ENVIRONNEMENT Group.

The report of the statutory auditors on the related-party agreements and commitments appearing in section 26.3 of this Reference Document describes the notified transactions.

Cooperation and shared services agreement

On June 5, 2008, SUEZ and the Company entered into a cooperation and shared services framework agreement for a renewable term of five years.

This contract defines the detailed arrangements for cooperation between GDF SUEZ and the Company. In particular, it sets out the conditions under which GDF SUEZ and the Company, in compliance with their respective corporate interests, principles of good governance, principle of shareholder equality and the mandate of their governing bodies, intend to continue their close relationships and develop existing synergies between the two companies, with the objective that SUEZ ENVIRONNEMENT COMPANY and its subsidiaries maintain their attachment to GDF SUEZ "group" policies and continue to benefit from centralized services provided by GDF SUEZ and some of its subsidiaries.

The main specifications of this cooperation and shared services agreement are summarized below.

COOPERATION

GDF SUEZ and the Company mutually agree to continue their cooperation, mainly in the areas of strategy, accounting, internal control, audit and risk, finance, tax policy, IT services and communication.

In terms of strategy, GDF SUEZ and the Company will together identify and analyze the strategic issues for the Company, and GDF SUEZ will also maintain and develop with the Company, monitoring and analytical tools. GDF SUEZ and the Company will develop a global research policy and will support the development of joint industrial and commercial projects.

In the field of accounting, internal control, audit and risk, the Company will continue to comply with the accounting standards framework, as well as the reporting, analysis and audit policies and principles of the GDF SUEZ Group. A comprehensive and integrated process of planning preparation, resource allocation and reporting will also be maintained.

Each of the two entities will remain responsible for its own financial and tax policy.

In terms of IT, the Company will comply with Group IT governance principles and will take part in Group Steering Committees.

In terms of financial communications, GDF SUEZ and the Company will coordinate their financial communications and sustainable development program as well as their internal communications.

The agreement also contains provisions for cooperation between GDF SUEZ and the Company in the fields of insurance, logistics, procurement, real estate and legal services, and in their relations with public authorities.

HUMAN RESOURCES

The Company and GDF SUEZ have reaffirmed their commitment to the GDF SUEZ Group "Social Pact" and to the continued application of the charters and agreements signed within the Group and the policies pursued by the Group in respect of internal mobility. The employees of the Company and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share plans, as well as for future employee shareholding plans. In accordance with their respective interests, GDF SUEZ and the Company will carry out global and integrated management of the careers of current executives and their potential future successors within the group.

SHARED SERVICES

The Company and GDF SUEZ have agreed that the Company will continue to benefit from the centralized services provided by GDF SUEZ, and especially the GDF SUEZ expertise centers. Therefore, the Company will be able to use (i) existing shared services (in the fields of IT, consolidation, procurement policy, etc.) and (ii) the tools GDF SUEZ has put in place to manage retirement, employee insurance and benefit systems, and reporting and internal control systems.

SUBSIDIARIES

The cooperation and shared services agreement is also designed to apply to subsidiaries of the Company and GDF SUEZ, so that the subsidiaries may benefit directly from the rights granted to their parent companies.

CONDITIONS

Services provided under the cooperation and shared services agreement will be invoiced between SUEZ ENVIRONNEMENT COMPANY (and/or its subsidiaries) and GDF SUEZ on an arm's length basis.

EARLY TERMINATION

The cooperation and shared services agreement will be automatically terminated should GDF SUEZ lose control over the Company, subject, where applicable, to transitional periods to be determined between the parties on a case-by-case basis.

This contract will thus be terminated when the Shareholders' Agreement (see section 18.3.1 of this Reference Document) expires on July 22, 2013, after which GDF SUEZ will consolidate the Company by the equity method.

Brand name licensing agreement

On June 5, 2008, SUEZ and SUEZ ENVIRONNEMENT entered into a brand-name licensing agreement under which SUEZ authorizes SUEZ ENVIRONNEMENT to use the brand name "SUEZ."

Under this agreement, GDF SUEZ grants SUEZ ENVIRONNEMENT, for a tacitly renewable term of five years, the non-exclusive right to use, at no cost, the brand name "SUEZ" in its company name and in some other brand names. SUEZ ENVIRONNEMENT is also granted the right to award licenses for the use of the brand name "SUEZ" to other Group companies, including SUEZ ENVIRONNEMENT COMPANY.

GDF SUEZ does however retain the right to examine communication and promotional campaigns proposed by SUEZ ENVIRONNEMENT.

This contract is automatically renewable for another five-year term, commencing on July 22, 2013.

Financing framework agreement

On June 5, 2008, SUEZ, SUEZ Finance, the Company and SUEZ ENVIRONNEMENT entered into a framework agreement setting out the main arrangements for the financing of the Group for the period 2008-2010.

Under this contract, financing was provided by SUEZ Finance or by any other entity of the GDF SUEZ Group designated by GDF SUEZ. Financing was to be granted to any Group entity on the understanding that the Company or SUEZ ENVIRONNEMENT guaranteed repayment if financing was granted to one of its subsidiaries. The aggregated amount of financing granted was limited to the aggregated amount of the Group's financing needs as agreed annually between GDF SUEZ and the Company.

Aside from the granting of financing to the Group, the contract stipulated that SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT must undertake, for the whole term of the contract and subject to certain exceptions, not to transfer all or part of their assets without the prior agreement of the GDF SUEZ group or to grant any security on their assets for the purposes of obtaining financing.

This framework contract expired on December 31, 2010. The Company and GDF SUEZ signed a new agreement under the terms of which GDF SUEZ will provide a €350 million credit facility with effect from January 1, 2011, expiring in July 2013. This credit facility will be utilized at the prevailing market conditions at the time of any drawdown and its main provisions are identical to those of the master agreement of June 5, 2008. The transaction was approved by the Boards of Directors of the two entities on October 27, 2010 and September 15, 2010, respectively.

Guarantees and counter-guarantees

The Company and GDF SUEZ agreed that all commitments involving guarantees, bonds, comfort letters, surety and any other similar commitments granted by GDF SUEZ in respect of commitments made by Company subsidiaries to third parties have been transferred to the Company or any subsidiary acceptable by GDF SUEZ. For any commitment unable to be transferred on this date, the Company, or a subsidiary acceptable to GDF SUEZ, must provide GDF SUEZ with a counter-guarantee.

Shareholders' Agreement

The Company is party to a Shareholders' Agreement entered into by GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (replaced by Areva NC on November 18, 2011) and CNP Assurances, the main provisions of which are described in section 18.3 of this Reference Document.

The Shareholders' Agreement was amended on December 18, 2008, as described in section 18.3.1 of this Reference Document. The signing of this amendment was authorized in advance by the Company's Board of Directors on October 28, 2008.

On December 5, 2012, the Company's Board of Directors recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement not to renew the Agreement, set to expire on July 22, 2013. Consequently, upon expiration of the Agreement, GDF SUEZ will relinquish control of SUEZ ENVIRONNEMENT and the Company will from that time on be consolidated by GDF SUEZ under the equity method.

Industrial and commercial cooperation framework agreement

On January 17, 2013, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY signed a three-year agreement outlining the guidelines and strategy for industrial and commercial cooperation. The agreement comes into effect on July 22, 2013, the date of expiration of the Shareholders' Agreement. This agreement followed the procedure for related-party agreements and was thus subject to prior authorization by the Company's Board of Directors on December 12, 2012. This agreement will also be subject to the approval of the Shareholders' Meeting on May 23, 2013.

With this agreement, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY sought to establish guiding principles to serve as a framework for their future relations on industrial and commercial matters after the expiration of the Shareholders' Agreement. The shared intention is that, notwithstanding the assertion of their independence in matters of strategy and decision-making, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY will continue to maintain close trade and industrial relations that are mutually beneficial in the pursuit of their respective corporate interests, in compliance with applicable laws and regulations, particularly those governing competition and the markets.

This agreement covers in particular the following areas:

- reciprocal preference for purchases/sales;
- development of synergies in industrial activities;
- development of joint commercial offerings;
- in addition, the Company is the preferred partner of GDF SUEZ for its sustainable development policy;
- coordination in sales, marketing, innovation and R&D.

CONDITIONS

Industrial and commercial relations between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY will be on an arm's length basis according to the principles of fairness and reciprocity, payment for services at market price and shareholders' equality.

TERM AND TERMINATION

The agreement is concluded for an initial term of three (3) years with effect from July 22, 2013.

Either party may terminate any of these agreements at any time, subject to six (6) months' prior notice.

20 FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

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20.1 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1 Consolidated statements of financial position

In millions of euros	Note	December 31, 2012	December 31, 2011 [(a)]
Non-current assets			
Intangible assets, net	10	4,060.8	4,045.9
Goodwill	9	3,256.9	3,264.7
Property, plant and equipment net	11	8,882.0	8,782.6
Available-for-sale securities	12	395.9	410.9
Loans and receivables carried at amortized cost	12	700.7	662.3
Derivative financial instruments	12	259.1	193.5
Investments in associates		490.9	498.2
Other assets		80.0	87.3
Deferred tax assets	7	755.1	754.7
TOTAL NON-CURRENT ASSETS		**18,881.4**	**18,700.1**
Current assets			
Loans and receivables carried at amortized cost	12	266.6	196.8
Derivative financial instruments	12	5.5	34.4
Trade and other receivables	12	3,805.3	4,118.0
Inventories		290.1	331.0
Other assets		1,116.8	1,172.9
Financial assets measured at fair value through income	12	23.5	14.7
Cash and cash equivalents	12	2,247.3	2,493.5
TOTAL CURRENT ASSETS		**7,755.1**	**8,361.3**
TOTAL ASSETS		**26,636.5**	**27,061.4**

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

(a) Restated data at December 31, 2011. See Note 1.3.

In millions of euros	Note	December 31, 2012	December 31, 2011 [a]
Shareholders' equity, Group share		4,863.9	4,946.1
Non-controlling interests		1,995.3	1,871.1
TOTAL SHAREHOLDERS' EQUITY	**14**	**6,859.2**	**6,817.2**
Non-current liabilities			
Provisions	15	1,431.5	1,289.0
Long-term borrowings	12	8,554.8	8,035.6
Derivative financial instruments	12	90.7	156.4
Other financial liabilities	12	2.7	3.1
Other liabilities		645.3	602.1
Deferred tax liabilities	7	573.9	583.9
TOTAL NON-CURRENT LIABILITIES		**11,298.9**	**10,670.1**
Current liabilities			
Provisions	15	563.7	545.6
Short-term borrowings	12	1,363.6	2,035.2
Derivative financial instruments	12	11.3	32.8
Trade and other payables	12	2,871.0	2,752.5
Other liabilities		3,668.8	4,208.0
TOTAL CURRENT LIABILITIES		**8,478.4**	**9,574.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,636.5**	**27,061.4**

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

(a) Restated data at December 31, 2011. See Note 1.3.

20.1.2 Consolidated income statements

In millions of euros	Note	December 31, 2012	December 31, 2011
Revenues	3	15,101.6	14,829.6
Purchases		(3,486.9)	(3,439.5)
Personnel costs		(3,764.4)	(3,663.3)
Depreciation, amortization and provisions		(1,036.0)	(1,178.8)
Other operating expenses		(5,925.2)	(5,757.6)
Other operating income		256.7	249.0
CURRENT OPERATING INCOME	**4**	**1,145.8**	**1,039.4**
Mark-to-market on operating financial instruments		3.5	(4.5)
Impairment on property, plant and equipment, intangible and financial assets		(87.5)	(69.0)
Restructuring costs		(78.4)	(39.9)
Scope effects		63.5	122.4
Other gains and losses on disposals and non-recurring items		5.2	43.4
INCOME FROM OPERATING ACTIVITIES	**5**	**1,052.1**	**1,091.8**
Financial expenses		(563.5)	(557.4)
Financial income		144.3	152.6
Net financial income (loss)	**6**	**(419.2)**	**(404.8)**
Income tax expense	7	(185.7)	(174.2)
Share in net income of associates		22.4	37.4
NET INCOME		**469.6**	**550.2**
of which: Group share		251.4	322.8
Non-controlling interests		218.2	227.4
Net income (Group share) per share *(in euros)*	**8**	**0.45**	**0.60**

20.1.3 Statements of changes in consolidated shareholders' equity

In millions of euros	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2010	**489,699,060**	**1,958.8**	**4,002.9**	**(1,881.4)**	**(43.4)**	**21.1**	**(30.2)**	**744.8**	**4,772.6**	**1,854.2**	**6,626.8**
Net income				322.8					322.8	227.4	550.2
Other comprehensive income items				(51.9)	(109.1)	115.7	-		(45.3)	(80.4)	(125.7)
Comprehensive income				**270.9**	**(109.1)**	**115.7**	**-**	**-**	**277.5**	**147.0**	**424.5**
Employee share issues [(a)]	9,896,038	39.6	46.1						85.7		85.7
Share-based payment				29.0					29.0		29.0
Dividends distributed in cash [(b)]				(68.8)					(68.8)	(172.7)	(241.5)
Scrip dividends [(b)]	19,008,731	76.0	171.7	(247.7)					-		-
Interests of undated deeply subordinated notes issue								(23.7)	(23.7)		(23.7)
Purchase/sale of treasury shares				(16.4)			(6.2)		(22.6)		(22.6)
Capital increase/reduction [(c)]	(8,370,000)	(33.5)	(65.3)						(98.8)	34.9	(63.9)
Allocation to legal reserves			(8.2)	8.2							
Transactions between shareholders				(12.6)					(12.6)	29.6 [(d)]	17.0
Business combinations				4.2					4.2	(22.2)	(18.0)
Other changes				3.6					3.6	0.3	3.9
Shareholders' equity at December 31, 2011	**510,233,829**	**2,040.9**	**4,147.2**	**(1,911.0)**	**(152.5)**	**136.8**	**(36.4)**	**721.1**	**4,946.1**	**1,871.1**	**6,817.2**
Shareholders' equity at December 31, 2011	**510,233,829**	**2,040.9**	**4,147.2**	**(1,911.0)**	**(152.5)**	**136.8**	**(36.4)**	**721.1**	**4,946.1**	**1,871.1**	**6,817.2**
Net Income				251.4					251.4	218.2	469.6
Other comprehensive income items		-	-	(80.5)	35.4	13.2			(31.9)	99.1	67.2
Comprehensive income		**-**	**-**	**170.9**	**35.4**	**13.2**	**-**	**-**	**219.5**	**317.3**	**536.8**
Share-based payment				23.1					23.1		23.1
Dividends distributed in cash [(e)]				(330.8)					(330.8)	(231.2)	(562.0)
Interests of undated deeply subordinated notes issue								(23.7)	(23.7)		(23.7)
Purchase/sale of treasury shares				(4.5)			26.4		21.9		21.9
Capital increase/ reduction									-	0.7	0.7
Transactions between shareholders				0.6					0.6	22.2 [(f)]	22.8
Business combinations				0.6					0.6	14.8	15.4
Other changes				6.6					6.6	0.4	7.0
Shareholders' equity at December 31, 2012	**510,233,829**	**2,040.9**	**4,147.2**	**(2,044.5)**	**(117.1)**	**150.0**	**(10.0)**	**697.4**	**4,863.9**	**1,995.3**	**6,859.2**

(a) *As a result of the SHARING 2011 global employee shareholding plan, share capital increased by 9.9 million shares or €85.7 million after expenses.*

(b) *The Shareholders' Meeting of May 19, 2011 gave shareholders the option to receive the €0.65 per share dividend either in cash or as a scrip dividend. This dividend was paid out on June 27, 2011 in the form of €68.8 million in cash and €247.7 million in shares, increasing the number of shares by 19,008,731.*

(c) *At its meeting of December 8, 2011, the Board of Directors decided to reduce capital by cancelling 8,370,000 shares.*

(d) *Change mainly due to the impact of the dilution of Sita France, without loss of control, in the company Boone Comenor, following a capital increase subscribed exclusively by Renault, cutting the holding of Sita France to 76.31%.*

(e) *The Shareholders' Meeting of May 24, 2012 decided to distribute a dividend of €0.65 per share for the financial year 2011, this means a total dividend distribution of €330.8 million.*

(f) *Change mainly due to the impact of the dilution of Sita France, without loss of control, in Boone Comenor, following a sale of shares to Renault and a capital increase subscribed exclusively by Renault, cutting the holding of Sita France to 66.97%.*

20.1.4 Consolidated statements of comprehensive income

In millions of euros	Note	December 31, 2012	December 31, 2012 of which group shares	December 31, 2012 of which non controlling interests	December 31, 2011	December 31, 2011 of which group shares	December 31, 2011 of which non controlling interests
Net income		**469.6**	**251.4**	**218.2**	**550.2**	**322.8**	**227.4**
Available-for-sale securities	12	57.0 [(a)]	57.0	-	(57.0)	(56.8)	(0.2)
Net investment hedges		(14.2)	(11.4)	(2.8)	(37.5)	(39.2)	1.7
Cash flow hedges (excluding commodities)	13	(1.9)	0.9	(2.8)	(6.0)	(2.7)	(3.3)
Commodity cash-flow hedges	13	(1.2)	(1.0)	(0.2)	1.1	2.0	(0.9)
Deferred taxes on items above	7	0.1	(0.5)	0.6	15.9	15.4	0.5
Share of associates in reclassifiable items, net of taxes		(9.6)	(9.6)	-	(27.8)	(27.8)	-
Translation adjustments		118.2 [(b)]	13.2	105.0	38.8	115.7	(76.9)
Total reclassifiable items		**148.4**	**48.6**	**99.8**	**(72.5)**	**6.6**	**(79.1)**
Actuarial gains and losses		(111.3)	(110.5)	(0.8)	(81.1)	(79.3)	(1.8)
Deferred taxes on actuarial gains and losses	7	30.1	30.0	0.1	27.9	27.4	0.5
Total non-reclassifiable items		**(81.2)**	**(80.5)**	**(0.7)**	**(53.2)**	**(51.9)**	**(1.3)**
COMPREHENSIVE INCOME		**536.8**	**219.5**	**317.3**	**424.5**	**277.5**	**147.0**

(a) Change linked mainly to the reversal of the negative change in fair value of Acea shares. This impairment is henceforth recorded in the income statement (see Notes 5 and 12).

(b) This change mainly arises as a result of the appreciation of the chilean peso.

20.1.5 Consolidated statements of cash flows

In millions of euros	December 31, 2012	December 31, 2011
Net income	**469.6**	**550.2**
- Share in net income of associates	(22.4)	(37.4)
+ Dividends received from associates	39.4	32.3
- Net depreciation, amortization and provisions	1,117.5	1,142.8
- Scope effects, other gains and losses on disposal and non-recurring items	(67.9)	(165.9)
- Other items with no cash impact	23.6	29.4
- Income tax expense	185.7	174.2
- Financial income	419.2	404.8
Cash flows from operations before financial income/(expense) and income tax	**2,164.7**	**2,130.4**
+ Tax paid	(112.9)	(163.2)
Change in working capital requirements	**305.3**	**(65.3)**
Cash flows from operating activities	**2,357.1**	**1,901.9**
Investments in property, plant and equipment and intangible assets	(1,222.4)	(1,409.7)
Takeover of subsidiaries net of cash and cash equivalents acquired	(6.4)	(186.5)
Acquisitions of interests in associates and joint ventures	(65.2)	(51.1)
Acquisitions of available-for-sale securities	(20.1)	(22.0)
Disposals of property, plant and equipment and intangible assets	33.8	69.0
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold	77.3	69.7
Disposals of interests in associates and joint ventures	2.6	3.5
Disposals of available-for-sale securities	31.0	14.9
Interest received on non-current financial assets	13.4	9.0
Dividends received on non-current financial assets	19.1	34.0
Change in loans and receivables issued by the Company and others	(146.4)	(92.2)
Cash flows from investing activities	**(1,283.3)**	**(1,561.4)**
Dividends paid (a)	(601.1)	(280.6)
Repayment of borrowings	(1,491.2)	(1,472.3)
Change in financial assets at fair value through income (b)	(9.0)	251.0
Financial interest paid	(432.1)	(379.2)
Financial interest received on cash and cash equivalents	48.1	46.0
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives (c)	(67.8)	6.4
Increase in financial debt	1,157.2	2,130.3
Increase in share capital	(0.1)	20.2
Purchase/sale of treasury shares	20.2	(24.3)
Change in share of interests in controlled entities	0.6	(0.5)
Cash flows from financing activities	**(1,375.2)**	**297.0**
Impact of changes in exchange rates and other	55.2	29.5
TOTAL CASH FLOWS FOR THE PERIOD	**(246.2)**	**667.0**
OPENING CASH AND CASH EQUIVALENTS	**2,493.5**	**1,826.5**
CLOSING CASH AND CASH EQUIVALENTS	**2,247.3**	**2,493.5**

(a) Including withholding tax.

The change in dividend distribution between the two fiscal years is the result of dividends partly paid in stock in 2011 and fully paid in cash in 2012.

(b) In 2011 SUEZ ENVIRONNEMENT COMPANY redeemed €229 million in money market mutual funds shares held-for-trading.

(c) The Group has applied a new definition of total "Net debt" (see Note 12.3).

In order to ensure consistency with this new definition and clearly present the non-recurring impact of compensation payments associated with the unwinding of financial derivatives, the cash flows related to net investment hedges and compensation payments made/received in connection with the unwinding of financial derivatives are presented in the statement of cash flows on the line entitled "Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives". Comparative information from 2011 has been restated in order to present the relevant cash flows in accordance with this new procedure.

20.1.6 Notes to the consolidated financial statements

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NOTE 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA., the Parent Company of the Group, is a French *société anonyme* subject to the provisions of Book II of the French Commercial Code, as well as to all other legal provisions applying to French commercial corporations. It was incorporated in November 2000. The Group's headquarter is in the CB21 tower – 16 place de l'Iris – 92040 Paris-La Défense – France.

The Group is a major international player in the water and waste industries. It came about as the result of the SUEZ Group's 2008 regrouping of all its subsidiaries and holdings in the environment sector, within SUEZ ENVIRONNEMENT COMPANY, as part of the merger between Gaz de France and SUEZ. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris market (Compartiment A) and Euronext Brussels market since July 22, 2008.

On February 13, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2012.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two fiscal years ended December 31, 2010 and 2011, and was prepared in accordance with European Regulation (EC) 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2012 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union[1].

The accounting standards applied in preparing the financial statements at December 31, 2012 are consistent with those applied in preparing the financial statements of December 31, 2011, with the exception of the items mentioned in Note 1.2.1 below.

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

1.2.1 Mandatory IFRS standards, amendments and IFRIC interpretations applicable to the 2012 annual financial statements

- Amendments to IAS 12 – *Deferred tax: Recovery of underlying assets*. The Group is not concerned by these amendments.
- Amendments to IFRS 7 – *Disclosures: Transfers of Financial Assets*. See Note 12.3.3 of the present chapter.

1.2.2 IFRS amendments applicable in 2013 that have been early adopted by the Group in 2011

- Amendment to IAS 1 – *Presentation of items of Other Comprehensive Income*.

1.2.3 IFRS standards and amendments applicable in 2013

- IFRS 13 – *Fair Value Measurement;*
- amendments to IAS 19 – *Employee Benefits;*
- amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities;*
- improvements to IFRS 2009-2011[(1)].

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

As concerns IAS 19's revision impact, the group has elected in 2006 to recognize the actuarial gains and losses in other comprehensive income, therefore this latter should be non significant. The preliminary analysis carried out confirm the minor significance of this impact.

1.2.4 IFRS standards and amendments effective in 2014

- IFRS 10 – *Consolidated financial statments*;
- IFRS 11 – *Joint Arrangements*;
- IFRS 12 – *Disclosure of Interests in Other Entities*;
- amendments to IAS 28 – *Investments in Associates and Joint Ventures*;
- amendments to IAS 32 – *Presentation – Offsetting financial assets and financial liabilities*.

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

1.2.5 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the consolidated financial statements are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves at January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.3 Restatement of the 2011 consolidated financial statements according to IAS 8

In the second half of 2012, it has been identified that the use of an incomplete model and some inappropriate calculation parameters produced erroneous margin calculations at Utility Service Group (USG), a fully consolidated group, which provides maintenance services for 4,500 water towers in the United States, whose functional currency is the US$.

Audits performed in 2012 showed that the cumulative impact of this error already existed by August 1, 2008 – the date of the takeover of Utility Service Group by SUEZ ENVIRONNEMENT – and thus affected the fair value of the assets acquired and liabilities assumed in this transaction and therefore the goodwill, the cost of the business combination remaining unchanged.

(1) *As these standards and interpretations have not yet been adopted by the European Union their exact terminology may change.*

The management systems in place at Utility Service Group helped to quantify the cumulative impact of this error. Accordingly, as of December 31, 2011 Other non-current liabilities and Deferred tax assets have been adjusted in the consolidated statement of financial position by +€32.8 million and +€13.4 million, respectively, and offset against goodwill for +€19.4 million. Insofar as this error had no impact on the consolidated income statement for fiscal year 2011, and since the impacts on the statement of financial position as at January 1 and December 31, 2011 were identical except for an insignificant foreign exchange effect, no adjusted consolidated statements of financial position as at January 1, 2011 have been disclosed.

Corrective measures were put in place in 2012 to strengthen the reliability of the model for determining the margins of USG and to adapt the internal control mechanisms accordingly.

Amounts billed to USG customers were in no way affected by these errors.

1.4 Measurement basis for preparation of the consolidated financial statements

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.5 Use of judgment and estimates

As a result of the financial crisis, the Group has strengthened its risk management procedures and now includes an assessment of risk – in particular counterparty risk – in the measurement of its financial instruments. The severe market volatility caused by the crisis has been taken into account by the Group in the estimates made such as for its business plans and in the various discount rates used in impairment testing and computing provisions.

1.5.1 Estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions to determine the value of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, as well as the revenues and expenses reported during the period.

Due to uncertainties inherent in the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates. The key estimates used by the Group in preparing the Consolidated Financial Statements relate mainly to:

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Notes 1.6.4.1 and 1.6.7);
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits (see Note 1.6.15);
- capital renewal and replacement liabilities;
- financial instruments (see Note 1.6.10);
- unmetered revenues (see Note 1.6.16);
- margin at termination relating to construction contracts;
- the measurement of capitalized tax-loss carry-forwards.

1.5.1.1 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

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

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

The recoverable amount of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets and the discount rate to apply. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses already booked.

1.5.1.3 Estimates of provisions

Parameters with a significant influence on the amount of provisions include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of expenditure. These parameters are based on information and estimates deemed to be appropriate by the Group at the current time.

To the Group's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Furthermore, the Group is not aware of any developments that are likely to have a material impact on the provisions booked.

1.5.1.4 Pensions and other employee benefit obligations

Pension obligations are measured on the basis of actuarial calculations. The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any change in these assumptions may have a material impact on the resulting calculations.

1.5.1.5 Capital renewal and replacement liabilities

This item includes concession operators' liabilities for renewing and replacing equipment and for restoring sites. The liabilities are determined by estimating the cost of renewing or replacing equipment and restoring the sites under concession (as defined by IFRIC 12), discounted each year at rates linked to inflation. The related expense is calculated on a contract-by-contract basis with probable capital renewal and site restoration costs allocated over the life of each contract.

1.5.1.6 Financial instruments

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a material impact on the resulting calculations.

1.5.1.7 Revenues

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that allow it to estimate revenues with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the resulting revenues can be considered as not material.

1.5.1.8 Margin at termination relating to construction contracts

The determination of total expected revenue and costs at termination involves significant estimates related to technical solutions, duration of project and contractual issues.

Management reassesses those estimates for the preparation of consolidated financial statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed.

1.5.1.9 Measurement of capitalized tax loss carry-forwards

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. The likelihood of future taxable profits is estimated taking into account the existence of temporary taxable differences from the same tax entity and is passed on to the same deadlines towards the tax authority as well as the estimates of future taxable profits. Estimates of taxable profit and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

1.5.2 Judgment

As well as relying on estimates, the Group management also makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue.

This particularly applies in relation to the recognition of concession arrangements, the classification of agreements that contain a lease, and the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

In accordance with IAS 1, the Group's current and non-current assets and current and non-current liabilities are shown separately on the consolidated statement of financial position. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the reporting date are classified as current, while all other items are classified as non-current.

1.6 Accounting policies

1.6.1 Scope and methods of consolidation

The consolidation methods used by the Group include the full consolidation method, the proportionate consolidation method and the equity method:

- subsidiaries over which the Group exercises exclusive control are fully consolidated;
- companies over which the Group exercises joint control are consolidated by the proportionate method, based on the Group's percentage of interest;
- the equity method is used for all associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognizes its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates."

The Group analyses what type of control exists on a case-by-case basis, taking into account the situations illustrated in IAS 27, 28 and 31.

The special purpose entities set up in connection with the Group's securitization programs that are controlled by the Group are consolidated in accordance with the provisions of IAS 27 concerning consolidated financial statements and the related interpretation SIC 12 concerning the consolidation of special purpose entities.

All intercompany balances and transactions are eliminated in the Consolidated Financial Statements.

A list of the main fully and proportionately consolidated companies, together with investments accounted for by the equity method, is presented in Note 26 – List of the main consolidated companies at December 31, 2012 and 2011.

1.6.2 Foreign currency translation methods

1.6.2.1 Presentation currency of the consolidated financial statements

The Group's Consolidated Financial Statements are presented in euros (€).

1.6.2.2 Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates. In most cases, the functional currency corresponds to the local currency. However, certain entities may have a different functional currency from the local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

1.6.2.3 Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the income statement for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical cost applicable at the date of the transaction.

1.6.2.4 Translation of the financial statements of consolidated companies with a functional currency other than the euro

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

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

1.6.3 Business combinations and changes in ownership interests

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

Since January 1, 2010, the Group applies the purchase method as defined in IFRS 3 Revised, which consists of recognizing at the acquisition date the identifiable assets acquired and liabilities assumed at their fair values, including any non-controlling interests in

the acquired company. Non-controlling interests are measured either at fair value or at proportionate interest in the net identifiable assets.

The Group determines on a case-by-case basis which measurement option is to be used to recognize non controlling interests.

1.6.4 Intangible assets

Intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses.

1.6.4.1 Goodwill

A. Recognition of goodwill

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

Business combinations carried out before January 1, 2010

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognized at the acquisition date (except if the business combination is achieved in stages).

For a business combination achieved in stages – i.e. where the Group acquires a subsidiary through successive share purchases – the amount of goodwill is determined separately for each exchange transaction based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction.

Business combinations carried out after January 1, 2010

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

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

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

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to associates is recorded under "Investments in associates."

B. Measurement of goodwill

Goodwill is not amortized but is tested for impairment each year, or more frequently when an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs), which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in Note 1.6.7 "Impairment of property, plant and equipment and intangible assets."

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

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

1.6.4.2 Other intangible assets

A. Development costs

Research costs are expensed as incurred.

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

B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

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

Intangible assets are amortized on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. If this cannot be reliably calculated, the straight-line method is used, as a function of the useful lives presented in the table below (in years).

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

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

1.6.5 Property, plant and equipment

1.6.5.1 Property, plant and equipment – initial measurement and subsequent measurement

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

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

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

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

Property, plant and equipment acquired under finance leases are carried in the consolidated statement of financial position at the lower of the market value and the present value of the related minimum lease payments. The corresponding liability is recognized under financial debt. These assets are also depreciated using the methods and useful lives set out below.

The Group applies IAS 23 Revised, which consists in capitalizing borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

1.6.5.2 Depreciation

In accordance with the components approach, the Group uses different depreciation terms for each significant component of a sole tangible asset when one of these significant components has a different useful life from that of the main tangible asset to which it relates.

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

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

Standard useful lives are as follows:

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

* *Including fittings.*

With respect to the assets accounted for as counterpart for the site restoration provisions, they are amortized according to the method set forth in Note 15.4.

1.6.6 Concessions arrangements

SIC 29 interpretation – Services Concession agreements – Disclosures – relates to concession contracts that should be disclosed in the Notes to the financial statements, while IFRIC 12 relates to the accounting treatment of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, together with specific capital renewal and replacement obligations;
- the grantor is contractually obliged to provide these services to the public (this criterion must be met for the arrangement to qualify as a concession);
- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor;
- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period;

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. The requirement is met when the following two conditions are satisfied:

- the grantor controls or regulates what services the operator must provide with the infrastructure and determines to whom it must provide them, and at what price, and
- the grantor controls the infrastructure, i.e. retains the right to take back the infrastructure at the end of the concession.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the party primarily responsible for payment. Thus:

- the "intangible asset model" is applied when the operator is entitled to bill the users of the public service and when the users have primary responsibility to pay for the concession services;
- and the "financial asset model" is applied when the operator has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of warranties given by the grantor for amounts receivable from the users of the public service (e.g. *via* a contractually guaranteed internal rate of return), i.e., the grantor has the primary responsibility to pay the operator.

"Primary responsibility" means that while the identity of the payer of the services is not an essential criterion, the person ultimately responsible for payment should be identified.

In cases where the local authority pays the Group but merely acts as an intermediary fee collector and does not guarantee the amounts receivable ("pass through arrangement"), the intangible asset model should be used to account for the concession since the users are, in substance, primarily responsible for payment.

However, where the users pay the Group, but the local authority guarantees the amounts that will be paid for the duration of the contract (e.g., *via* a guaranteed internal rate of return), the financial asset model should be used to account for the concession infrastructure, since the local authority is, in substance, primarily responsible for payment. In practice, the financial asset model is used to account for BOT (Build, Operate and Transfer) contracts entered into with local authorities for public services such as wastewater treatment and household waste incineration).

Pursuant to these principles:

- infrastructure to which the operator is given access by the grantor of the concession at no consideration is not recognized in the statement of financial position,
- start-up capital expenditure is recognized as follows:
  - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the acquisition cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,
  - under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,
  - when the grantor has a payment obligation for only part of the investment, the cost is recognized in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model").

Renewal costs consist of obligations under concession arrangements with potentially different terms and conditions (obligation to restore the site, renewal plan, tracking account, etc.).

Renewal costs are recognized as either (i) intangible or financial assets depending on the applicable model, when the costs are expected to generate future economic benefits (i.e. they bring about an improvement); or (ii) expenses, where no such benefits are expected to be generated (i.e. the infrastructure is restored to its original condition).

Costs incurred to restore the asset to its original condition are recognized as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realization.

The costs are calculated on a case-by-case basis based on the obligations associated with each arrangement.

1.6.7 Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on intangible assets and on property, plant and equipment whenever there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortized are tested for impairment annually.

Impairment indicators

This impairment test is only carried out for property, plant and equipment and intangible assets for the defined useful lives when they are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- External sources of information
  - Significant changes in the economic, technological, political or market environment in which the entity operates or to which the asset is dedicated;
  - Fall in demand,
- Internal sources of information
  - Evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule;
  - Worse-than-expected performance.

Impairment

Items of property, plant and equipment or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount – and possibly the useful life – of the asset concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are, where appropriate, grouped into cash-generating units (CGUs), and the carrying amount of each unit is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed inflation.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to the estimated market value less costs of disposal. When negotiations are ongoing, this is determined based on the best estimate of their outcome as of the reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

1.6.8 Leases

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

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

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

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

1.6.8.1 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.

1.6.8.2 Accounting for operating leases

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

1.6.8.3 Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchase contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a financial receivable should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

This interpretation applies to some contracts with industrial or public customers relating to assets financed by the Group.

1.6.9 Inventories

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

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

1.6.10 Financial instruments

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

1.6.10.1 Financial assets

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

A. Available-for-sale securities

Available-for-sale securities include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below).

These items are measured by using a weighted average cost formula. On initial recognition, they are measured at fair value which generally corresponds to the acquisition cost plus transaction costs.

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

Changes in fair value are recognized directly in Other Comprehensive Income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, loss is recognized in income under "Impairment." Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income (refer to Note 12.1.1.2).

B. Loans and receivables carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits as well as trade and other receivables.

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

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

C. Financial assets measured at fair value through income

These financial assets meet the qualification or designation criteria set out in IAS 39.

This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents (see Note 1.6.11). The financial assets are measured at fair value at the reporting date and changes in fair value are recorded in the consolidated income statement.

1.6.10.2 Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments, and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the reporting date;
- financial liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date;
- financial liabilities held primarily for trading purposes;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item;
- all derivative financial instruments not qualifying as hedges.

A. Measurement of borrowings and other financial liabilities

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate method.

On initial recognition, any issue premiums/discounts, redemption premiums/discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

As regards structured debt instruments that do not have an equity component, the Group may be required to separate an "embedded" derivative instrument from its host contract. The conditions under which these instruments must be separated are detailed below. When an embedded derivative is separated from its host contract, the initial carrying amount of the structured instrument is broken down into an embedded derivative component, corresponding to the fair value of the embedded derivative, and a financial liability component, corresponding to the difference between the amount of the issue and the fair value of the embedded derivative. The separation of components upon initial recognition does not give rise to any gains or losses. Subsequently, the debt is recorded at amortized cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value taken to income.

B. Put options on non-controlling interests granted before January 1, 2010

Other financial liabilities primarily include put options on non-controlling interests granted by the Group. As no specific guidance is provided by IFRS, the Group has adopted the following accounting treatment for these commitments:

- when the put option is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill,
- at each reporting date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill,
- payments of dividends to non-controlling interests result in an increase in goodwill,
- in the income statement, non-controlling interests are allocated their share in income. In the statement of financial position, the share in income allocated to non-controlling interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

1.6.10.3 Derivatives and hedge accounting

The Group uses financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates,

foreign currency exchange rates and commodity prices. Use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

Definition and scope of derivative financial instruments

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

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

Embedded derivatives

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

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

Embedded derivatives are separately recognized in the following cases:

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

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

Derivative hedging instruments: recognition and presentation

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in Other

Comprehensive Income are transferred to the consolidated income statement when the investment is sold or liquidated.

Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparts are considered eligible for hedge accounting.

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

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used by the Group.

Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been – or are no longer – documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under "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 expiring in less than 12 months are recognized in the consolidated statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Measurement of fair value

The fair value of listed instruments on an active market is determined based on the market price. In this case, these instruments are presented at Level 1 of the fair value measurement.

The fair value of non-listed financial instruments for which there is observable market data is determined by using valuation techniques such as the valuation models applied for options, or by using the discounted cash flows method.

The models used to value these instruments include assumptions based on market data:

- the fair value of interest rate swaps is calculated based on discounted future cash flows;
- the fair value of forward exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the differential of future cash flows (the difference between the forward price of the contract and the recalculated forward price based on new market conditions applied to the nominal amount);
- the fair value of currency or interest rate options is determined using valuation techniques for options;
- commodity derivatives are valued as a function of market quotes based on discounted future cash flows (firm contracts: commodity swaps or commodity forwards), and option valuation models (optional contracts) for which it may be necessary to observe market price volatility. For contracts with maturity exceeding the depth of transactions for which prices are observable, or that are particularly complex, valuations may be based on internal assumptions;
- for complex contracts entered into with independent financial institutions, the Group uses valuations carried out by counterparties, on an exceptional basis.

These instruments are presented in Level 2 of the fair value measurement hierarchy, unless their valuation depends significantly on non-observable parameters. In this case, they are presented at Level 3 of the fair value measurement hierarchy. These largely involve derivative financial instruments with maturities exceeding the observable horizon for the forward prices of the underlying asset, or for which certain parameters, such as underlying volatility, are not observable.

1.6.11 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".

1.6.12 Treasury shares

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

1.6.13 Construction contracts

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

In accordance with IAS 11, the Group applies the percentage of completion method as described in section 1.6.16 ("Revenues") to determine the contract revenue and costs to be recorded in the consolidated income statement for each period.

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

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

1.6.14 Share-based payments

Under IFRS 2, the Group is required to recognize an expense (personnel costs) corresponding to benefits granted to employees in the form of share-based payments, in consideration for services provided. These services are valued at the fair value of the instruments awarded.

This payment may take the form of instruments paid in shares or in cash.

EQUITY-SETTLED INSTRUMENTS

1.6.14.1 Stock option plans

Options granted to Group employees are measured at the grant date using a binomial pricing model for options with no performance conditions, or a Monte Carlo pricing model for those with external performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period and offset against equity.

1.6.14.2 Allotment of bonus shares

The fair value of bonus share plans is estimated based on the share price on the allotment date, taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group's performance. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For performance shares that are allotted on a discretionary basis and include external performance conditions, a Monte Carlo model is used.

1.6.14.3 Employee share purchase plans

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

CASH-SETTLED INSTRUMENTS

In specific cases where local legislation prohibits employee share purchase plans, share appreciation rights (SAR) are granted instead. When these instruments are settled in cash, their fair value is recognized in expenses over the vesting period, with an offsetting entry recorded in employee-related liabilities. Changes in the fair value of the liability are taken to income for each fiscal year.

1.6.15 Provisions

1.6.15.1 Provisions for post-employment benefit obligations and other long-term benefits

Depending on the laws and practices in force in the countries where SUEZ ENVIRONNEMENT COMPANY operates, Group companies have obligations in terms of pensions, early retirement payments, retirement bonuses and other benefit plans. Such obligations generally apply to all of the employees within the companies concerned.

The Group's obligations in relation to pensions and other employee benefits are recognized and measured in accordance with IAS 19. Accordingly:

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

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

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

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

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

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

1.6.15.2 Other provisions

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

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

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

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

1.6.16 Revenues

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

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

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

Revenues are measured at the fair value of the consideration received or receivable. Where deferred payment has a material impact on the measurement of the fair value of this consideration, this is taken into account by discounting future receipts.

1.6.16.1 Water services

Revenues generated by water distribution are recognized based on volumes delivered to customers, either specifically metered and invoiced or estimated based on the output of the supply networks.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice, or is sent in a separate invoice to the local municipality or industrial client.

Commission fees received from the grantors of concessions are recorded as revenues.

1.6.16.2 Waste services

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

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

1.6.16.3 Engineering, construction contracts and services rendered

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.6.13). Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the contract, or on the physical progress of the contract based on factors such as contractually defined stages.

Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.6.17 Current operating income (COI)

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (in accordance with CNC Recommendation 2009-R03 in the financial statements of companies applying IFRS). Current operating income is a subtotal which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, these elements relate to the marked-to-market (MtM) value of trading instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- MtM of trading instruments: This corresponds to changes in the fair value (marked-to-market) of financial instruments relating to commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions,
- Impairment: This includes impairment losses on non-current assets,
- Restructuring costs: These relate to costs of a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37,
- Scope effects

This line includes:

  - direct costs related to acquisitions of controlling interests;
  - in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interest at acquisition-date fair value;
  - subsequent changes in the fair value of contingent consideration;
  - gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.

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

1.6.18 Statement of cash flows

The Group consolidated statement of cash flows is prepared based on net income, using the indirect method.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs.

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

Cash flows related to payment of taxes are treated separately.

1.6.19 Income tax expense

The Group computes taxes in accordance with the prevailing tax legislation in the countries where income is taxable.

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the book values of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the reporting date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of the companies included within the consolidated tax group and the net position of each fiscal entity is recorded on the statement of financial position under assets or liabilities, as appropriate. Deferred taxes are reviewed at each reporting date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

1.6.20 Earnings per share

Earnings per share are calculated by dividing the adjusted net income Group share for the fiscal year attributable to ordinary shares by the weighted average number of shares outstanding during the fiscal year. The adjusted net income Group share takes into account the cost of the coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY. The average number of shares outstanding during the fiscal year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the course of the year.

NOTE 2 Major transactions in 2012

2.1 Sale of Eurawasser

On February 13, 2012, SUEZ ENVIRONNEMENT finalized the sale of its German subsidiary Eurawasser, which specializes in drinking-water distribution and wastewater services, to the Remondis group. Announced in December 2011, the transaction for a consideration of €95 million received the approval of the relevant antitrust authorities.

2.2 SUEZ ENVIRONNEMENT and RWE sign an agreement with the city of Budapest to purchase their interest in Budapest Water Works

In accordance with the preliminary agreement signed on April 16, 2012, SUEZ ENVIRONNEMENT and RWE sold their respective 25% stake in Budapest Water Works, acquired in 1997, to the city of Budapest on June 29, 2012.

This amicable agreement was an outcome of the city's wish to directly manage the water service operations and was signed in accordance with the terms of the contract.

2.3 Intermediated Tender Offer on the 2014 bond and new bond issue

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

On the same day, SUEZ ENVIRONNEMENT COMPANY further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 and bearing a fixed coupon of 4.125%.

The 2014 tranche was hedged by "fixed-to-floating" swaps, qualified as fair value hedges that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by "fixed-to-floating" swaps, also qualified as fair value hedges.

2.4 Melbourne desalination plant contract

An additional provision of €83 million was recognized at June 30, 2012 for the construction of the Melbourne desalination plant. This provision was mainly intended to cover the additional costs and various contingencies related to the complex local and contractual situation.

Construction of the plant was completed in the second half of 2012, which meant that all contractual milestones for the plant's progressive delivery were achieved:

- provisional commercial acceptance on September 29 and delivery of a volume of 150,000 m³/day;
- commercial acceptance on November 17, confirming the achievement of full production capacity (450,000 m³/day);
- Reliability Testing Finalization ("RTF") on December 17, following the success of reliability testing.

On this basis, and given the lifting of certain contingencies, the Group reversed a portion (€20 million) of the provision booked on June 30, 2012. For the full year, the impact on current operating income (EBIT) was a loss of €63 million. The plant's operation and maintenance will be handled by the joint venture between Degrémont (60%) and Thiess (Leighton Group) (40%) for the next 27 years.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe, however, that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them. A first compensation claim has been lodged on January 30, 2013, by Aquasure with the Victoria's State regarding the impacts of extraordinary climatic problems during the project completion.

2.5 Sale of United Water Connecticut (USA)

On September 4, 2012, United Water, a subsidiary of SUEZ ENVIRONNEMENT, completed the sale of its regulated water activities in Connecticut to the Aquarion Water Company for US$37.6 million.

2.6 Sale of Altiservice

SUEZ ENVIRONNEMENT, through its subsidiary Lyonnaise des Eaux France, sold 100% of its stake in Altiservice, a company that operates mechanical lifts at ski resorts in the French Pyrenees, to the COGAC company, a subsidiary of GDF SUEZ.

2.7 Agreement to sell PT PAM Lyonnaise Jaya

SUEZ ENVIRONNEMENT signed an agreement on October 18th to sell its 51% interest in PT PAM Lyonnaise Jaya to Manila Water Co.

The transaction remains subject to obtaining government approvals.

PT PAM Lyonnaise Jaya has been responsible for water management in West Jakarta since 1998 under a 25-year agreement with PAM Jaya, a company controlled by the Province of Jakarta.

2.8 Global GDF SUEZ bonus share allocation plan

On October 30, 2012, the GDF SUEZ Board of Directors decided to implement a new bonus share allocation plan to benefit its employees, including those of SUEZ ENVIRONNEMENT, who will thus eventually receive 15 GDF SUEZ shares each.

The terms of this plan are disclosed in Note 21 "Share-based payments".

NOTE 3 Operating segments information

In accordance with the provisions of IFRS 8 – Operating Segments, the segments used below to present segment information have been identified based on internal reporting, in particular those segments monitored by the Management Committee, comprised of the Group's key operational decision-makers.

As for the preceding years, the Group uses four operating segments:

- Water Europe;
- Waste Europe;
- International;
- Other.

A distinction is made between the water distribution and water treatment services and the waste collection and waste treatment services in Europe.

The activities conducted internationally are grouped together and separated from those conducted in the Europe region. This specific segmentation reflects the difference in development strategy implemented internationally compared to the strategy pursued in Europe and is consistent with the Group's internal organizational systems and management structure.

3.1 Operating segments

SUEZ ENVIRONNEMENT COMPANY's subsidiaries are divided into the following operating segments:

- Water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services are rendered to individuals, local authorities and industrial clients;
- Waste Europe: waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;
- International: the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

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

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

3.2 Key indicators by operating segment

Revenues

In millions of euros	December 31, 2012			December 31, 2011		
	Non-Group	Group	Total	Non-Group	Group	TOTAL
Water Europe	4,325.2	18.8	4,344.0	4,205.7	25.8	4,231.5
Waste Europe	6,542.3	41.9	6,584.2	6,416.6	45.8	6,462.4
International	4,219.7	32.9	4,252.6	4,197.2	38.2	4,235.4
Other	14.4	78.9	93.3	10.1	77.7	87.8
Intercompany eliminations		(172.5)	(172.5)		(187.5)	(187.5)
TOTAL REVENUES	**15,101.6**	**-**	**15,101.6**	**14,829.6**	**-**	**14,829.6**

EBITDA

In millions of euros	December 31, 2012	December 31, 2011
Water Europe	1,182.7	1,212.5
Waste Europe	799.8	880.7
International	504.1	470.9
Other	(36.6)	(51.2)
TOTAL EBITDA	**2,450.0**	**2,512.9**

Current operating income

In millions of euros	December 31, 2012	December 31, 2011
Water Europe	581.9	608.3
Waste Europe	309.4	387.7
International	323.1	130.8
Other	(68.6)	(87.4)
TOTAL CURRENT OPERATING INCOME	**1,145.8**	**1,039.4**

Depreciation and amortization

In millions of euros	December 31, 2012	December 31, 2011
Water Europe	(400.1)	(378.0)
Waste Europe	(480.3)	(469.2)
International	(215.8)	(187.1)
Other	(4.9)	(4.2)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,101.1)**	**(1,038.5)**

Capital employed

In millions of euros	December 31, 2012	December 31, 2011
Water Europe	6,883.3	6,435.7
Waste Europe	4,240.4	4,439.7
International	3,384.2	3,484.8
Other	(71.7)	33.5
TOTAL CAPITAL EMPLOYED	**14,436.2**	**14,393.7**

N.B.: The total of capital employed has been modified for 2011, to take into account the correction of USG amounting to €13.4 million detailed in Note 1.3.

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

In millions of euros	December 31, 2012	December 31, 2011
Water Europe	(465.6)	(613.8)
Waste Europe	(472.2)	(559.9)
International	(356.2)	(486.1)
Other	(19.5)	(10.0)
TOTAL INVESTMENTS	**(1,313.5)**	**(1,669.8)**

Financial investments include the acquisitions of additional interests in controlled entities which are accounted for in cash flows used in financing activities in the statement of cash flows.

3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

	Revenues		Capital Employed	
In millions of euros	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
France	5,446.5	5,344.7	2,589.3	2,673.3
Europe	5,038.2	5,183.1	8,461.2	8,239.4
International	4,616.9	4,301.8	3,385.7	3,481.0
TOTAL	**15,101.6**	**14,829.6**	**14,436.2**	**14,393.7**

3.4 Reconciliation of EBITDA with current operating income

In millions of euros	December 31, 2012	December 31, 2011
Current Operating Income	**1,145.8**	**1,039.4**
(-) Depreciation, amortization and provisions	1,036.0	1,178.8
(-) Share-based payments (IFRS 2)	23.6	29.3
(-) Disbursements under concession contracts	244.6	265.4
EBITDA	**2,450.0**	**2,512.9**

3.5 Reconciliation of capital employed with the statements of financial position

In millions of euros	December 31, 2012	December 31, 2011
(+) Tangible and intangible assets, net	12,942.8	12,828.5
(+) *Goodwill*, net	3,256.9	3,264.7
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	388.2	460.1
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	962.7	859.1
(+) Investments in associates	490.9	498.2
(+) Trade and other receivables	3,805.3	4,118.0
(+) Inventories	290.1	331.0
(+) Other current and non-current assets	1,196.8	1,260.2
(-) Provisions and actuarial losses/gains on pensions plans	(1,709.6)	(1,660.4)
(-) Trade and other payables	(2,871.0)	(2,752.5)
(-) Other current and non-current liabilities	(4,314.2)	(4,810.1)
(-) Other financial liabilities	(2.7)	(3.1)
CAPITAL EMPLOYED	**14,436.2**	**14,393.7**

N.B.: The total of capital employed has been modified for 2011, to take into account the correction of USG amounting to €13.4 million detailed in Note 1.3.

NOTE 4 Current operating income

In millions of euros	December 31, 2012	December 31, 2011
Revenues	15,101.6	14,829.6
Purchases	(3,486.9)	(3,439.5)
Personnel costs	(3,764.4)	(3,663.3)
Depreciation, amortization and provisions	(1,036.0)	(1,178.8)
Other operating income and expenses	(5,668.5)	(5,508.6)
CURRENT OPERATING INCOME	**1,145.8**	**1,039.4**

4.1 Revenues

The following table shows Group revenues per category:

In millions of euros	December 31, 2012	December 31, 2011
Sale, transport and distribution of electricity	494.6	432.9
Water and waste	13,113.2	12,722.2
Engineering and construction contracts and other services	1,493.8	1,674.5
TOTAL	**15,101.6**	**14,829.6**

4.2 Personnel costs

In millions of euros	December 31, 2012	December 31, 2011
Short-term benefits	(3,636.3)	(3,566.7)
Share-based payments	(23.6)	(28.8)
Post-employment benefit obligations and other long-term benefits	(104.5)	(67.8)
TOTAL	**(3,764.4)**	**(3,663.3)**

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

Share-based payments are broken down in Note 21.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 16. This amount corresponds to defined-benefit plan expenses (see Note 16.2.3) and to defined-contribution plan expenses (see Note 16.3).

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals.

In millions of euros	December 31, 2012	December 31, 2011
Depreciation and amortization	(1,101.1)	(1,038.5)
Depreciation of inventories and trade receivables	(24.4)	(42.1)
Net change in provisions	89.5	(98.2)
TOTAL	**(1,036.0)**	**(1,178.8)**

The depreciation breakdown is €772.0 million for property, plant and equipment and €329.1 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

The net change in provisions is mainly due to the reversal of the provision for loss-making contract for the seawater desalination plant in Melbourne following its commissioning in 2012.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

In millions of euros	December 31, 2012	December 31, 2011
Other operating income	**256.7**	**249.0**
Other operating expenses	**(5,925.2)**	**(5,757.6)**
Sub-contracting	(1,819.8)	(1,809.8)
Taxes excluding corporate income tax	(679.5)	(601.4)
Other expenses	(3,425.9)	(3,346.4)
TOTAL	**(5,668.5)**	**(5,508.6)**

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

NOTE 5 Income from operating activities

In millions of euros	December 31, 2012	December 31, 2011
CURRENT OPERATING INCOME	**1,145.8**	**1,039.4**
MtM on operating financial instruments	3.5	(4.5)
Impairment on property, plant and equipment, intangible and financial assets	(87.5)	(69.0)
Restructuring costs	(78.4)	(39.9)
Scope effects	63.5	122.4
Other gains and losses on disposals and non-recurring items	5.2	43.4
INCOME FROM OPERATING ACTIVITIES	**1,052.1**	**1,091.8**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a total gain of €3.5 million at December 31, 2012, resulting primarily from the following factors:

- to optimize their margins, certain Group entities implement economic hedging strategies through forward contracts traded on the wholesale markets, aimed at reducing the sensitivity of the Group's margins to commodity price fluctuations. However, to the extent that these strategies hedge net exposure to the price risk of the entities in question, they are not eligible for the recognition of hedging in accordance with the provisions of IAS 39 – Financial instruments – recognition and measurement. Consequently, all changes in the fair value of the forward contracts concerned must be reflected in the income statement;
- gains and losses are recorded in the income statement in respect of the ineffective portion of future cash flow hedging strategies on non-financial assets (cash flow hedges).

5.2 Impairments of property, plant and equipment, intangible assets and financial assets

In millions of euros	December 31, 2012	December 31, 2011
Impairments:		
Goodwill	(1.7)	-
Property, plant and equipment and other intangible assets	(29.2)	(17.8)
Financial assets	(65.3)	(57.4)
Total	**(96.2)**	**(75.2)**
Write-back of impairments:		
Property, plant and equipment and other intangible assets	4.9	3.6
Financial assets	3.8	2.6
Total	**8.7**	**6.2**
TOTAL	**(87.5)**	**(69.0)**

5.2.1 Impairments of goodwill

No significant impairment on goodwill was recognized in 2012 or 2011, pursuant to the procedure described in Note 9 – Goodwill.

5.2.2 Impairments of property, plant and equipment and intangible assets excluding goodwill

In 2012, this item mainly recognized impairment of property, plant and equipment in the Water Europe and Waste Europe operating segments.

In 2011, impairment of property, plant and equipment and intangible assets mainly related to problems arising in one plant of the plastics recycling business (Waste Europe).

5.2.3 Impairments of financial assets

In 2012, this item essentially consisted of an impairment of €60.0 million recorded by the Group on non-consolidated Acea shares, a company listed on the Milan Stock Exchange, based on the share price at December 31, 2012 (see Note 12.1.1).

In 2011, this item mainly reflected impairment of interest in the water business in Europe. It also included impairment of receivables relating to concession contracts outside France.

5.3 Restructuring costs

In 2012, this item mainly recognized the costs associated with restructuring plans decided by Agbar (in Spain) and by Degrémont (mainly in France), and the costs of adaptation plans for the Waste Europe segment related to the slowdown in activity.

In 2011, restructuring costs mainly related to decisions taken by Sita Australia as part of the takeover of WSN Environmental Solutions.

5.4 Scope effects

In 2012, this item mainly included:

- a gain of €34 million arising from the sale of Eurawasser shares, as described in Note 2;
- a gain of €18 million recorded on the sale by Lyonnaise des Eaux of its Altiservice shares, as described in Note 2;
- a gain of €6 million resulting from the sale of United Water's regulated water activities in Connecticut (USA) (see Note 2).

In 2011, this item mainly included a €57 million gain from Agbar's sale of 70% of the regulated activities of Bristol Water, as well as a €31 million gain from remeasurement at fair value of €65 million of the portion retained, pursuant to IAS 27 revised §34. The external costs related to this transaction were included in this item.

5.5 Other gains/losses on disposals and non-recurring items

In millions of euros	December 31, 2012	December 31, 2011
Disposals of property, plant and equipment and intangible assets	1.2	35.2
Disposals of shares	4.0	8.2
TOTAL	**5.2**	**43.4**

In 2012 this item shows only insignificant individual amounts.

In 2011, this item mainly included the capital gain made by Degrémont on the sale of its former head office in Rueil-Malmaison (Paris area), for €34 million.

NOTE 6 Net financial income/loss

In millions of euros	December 31, 2012 Expenses	Incomes	Total	December 31, 2011 Expenses	Incomes	Total
Cost of net debt	(466.2)	55.6	(410.6)	(446.3)	49.2	(397.1)
Other financial income and expenses	(97.3)	88.7	(8.6)	(111.1)	103.4	(7.7)
FINANCIAL INCOME/(LOSS)	**(563.5)**	**144.3**	**(419.2)**	**(557.4)**	**152.6**	**(404.8)**

Following the change in the definition of the aggregate "net debt" (see Note 12.3 "Net Debt"), reclassifications have been made between "cost of net debt" and "other financial income and expenses". In order to ensure comparability between the two periods, an income of €2.1 million has been reclassified in 2011 from "cost of net debt" to "other financial income and expenses".

6.1 Cost of net debt

This item primarily includes interest expenses related to gross borrowings (calculated using the effective interest rate – EIR), gains and losses arising from foreign currency and interest rate hedging transactions on gross borrowings, as well as interest income on cash investments and changes in the fair value of financial assets measured at fair value through profit or loss.

In millions of euros	Expenses	Income	Total Dec. 31, 2012	Expenses	Income	Total Dec. 31, 2011
Interest expense on gross borrowings	(428.8)	-	(428.8)	(404.4)	-	(404.4)
Exchange gain/(loss) on borrowings and hedges	(22.1)	-	(22.1)	(41.4)	-	(41.4)
Unrealized income/(expense) from economic hedges on borrowings	-	-	-	(0.5)	-	(0.5)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	45.7	45.7	-	46.0	46.0
Capitalized borrowing costs	-	6.7	6.7	-	2.5	2.5
Financial income (expense) relating to a financial debt or receivable restructuring	(15.3)	3.2	(12.1)	-	0.7	0.7
COST OF NET DEBT	**(466.2)**	**55.6**	**(410.6)**	**(446.3)**	**49.2**	**(397.1)**

As at December 31, 2012 the increase in debt cost by €13.5 million was largely caused by:

- the rise in interest-bearing bonds subsequent to the 2011 corporate bond issue and the impacts for €12.1 million of the new securitization program, which allows to derecognize the receivables (see Note 12.3.3 on securitization of receivables);
- debt cost was partially offset against the decrease in value of the net exchange losses on borrowings and hedges on borrowings, directly relating to exchange rate exposures.

6.2 Other financial income and expenses

In millions of euros	December 31, 2012	December 31, 2011
Other financial expenses		
Unwinding of discounting adjustments to provisions	(83.3)	(87.0)
Interest expense on trade and other payables	(7.2)	(12.2)
Losses on currency exchange	-	(1.1)
Other financial expenses	(6.8)	(10.8)
TOTAL	**(97.3)**	**(111.1)**
Other financial income		
Return on economic hedges for other financial items	1.9	3.3
Expected return on plan assets	26.9	32.4
Income from available-for-sale securities	25.1	30.8
Interest income on trade and other receivables	12.0	15.7
Interest income on loans and receivables carried at amortized cost	8.2	10.7
Other financial Income	14.6	10.6
TOTAL	**88.7**	**103.4**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(8.6)**	**(7.7)**

NOTE 7 Income tax

7.1 Income tax expense in the income statement

7.1.1 Breakdown of income tax expense in the income statement

Income tax expense for the fiscal year amounted to €185.7 million (compared to €174.2 million in 2011) and breaks down as follows:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Current income tax	(171.7)	(96.6)
Deferred taxes	(14.0)	(77.6)
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME	**(185.7)**	**(174.2)**

7.1.2 Theoretical income tax expense and actual income tax expense

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

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Net income	**469.6**	**550.2**
- Share in net income of associates	22.4	37.4
- Income tax expense	(185.7)	(174.2)
Income before income tax and share in net income of associates [(a)]	**632.9**	**687.0**
Of which French companies	*72.9*	*128.1*
Of which companies outside France	*560.0*	*558.9*
Statutory income tax rate of SUEZ ENVIRONNEMENT COMPANY [(b) (a)]	36.10%	36.10%
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	**(228.5)**	**(248.0)**
Actual income tax expense:		
Difference between the normal tax rate applicable to SUEZ ENVIRONNEMENT COMPANY and the normal tax rate applicable in jurisdictions in France and outside France	66.5	73.9
Permanent differences [(b)]	(45.2)	(10.3)
Income taxed at a reduced rate or tax-exempt [(c)]	17.0	5.8
Additional tax expense [(d)]	(23.2)	(23.4)
Effect of unrecognized deferred tax assets on tax-loss carryforwards and on other tax-deductible temporary differences [(e)]	(18.4)	(69.4)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	33.0	20.6
Impact of changes in tax rates [(f)]	(17.2)	14.1
Tax savings and credits [(g)]	11.7	65.7
Other	18.7	(3.2)
Actual income tax expense	**(185.7)**	**(174.2)**
EFFECTIVE TAX RATE (ACTUAL INCOME TAX EXPENSE DIVIDED BY INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES)	**29.3%**	**25.4%**

(a) In 2011, the overall rate of corporate income tax in France increased to 36.10% for companies with revenues in excess of €250 million. This rate results from the introduction of an exceptional 5% levy for fiscal years 2011 and 2012. This measure was extended in December 2012 for another two years, until 2014. For French companies, temporary differences which are scheduled to be repaid after 2014 continue to be measured at the rate of 34.43%.

(b) In 2012, the increase in permanent differences is mainly due to the impact of the non-deductibility of impairment losses on Acea shares and the effect of the limitation on the deductibility of net financial expenses for French companies.

(c) Includes the impact of reduced or zero tax rates on capital gains from the sales of Eurawasser in Germany and Altiservice in France.

(d) Mainly includes the French taxation on dividends.

(e) In 2011, this related mainly to the non-recognition of a part of the deferred tax assets on Degrémont subsidiaries in Australia.

(f) Mainly includes the impact of the revaluation of deferred tax liabilities at Agbar due to the increase in the tax rate (from 17% to 20%) of its Chilean subsidiary Aguas Andinas in 2012.

(g) Includes the impact of the venture capital deduction in Belgium, as well as the impact of tax credits and the tax regime in French overseas departments (DOM). In 2011, this item mainly included the effect of reversals of provisions for tax risks amounting to €53 million.

The increase in the effective rate of tax at December 31, 2012, compared to 2011, is mainly due to:

- the revaluation of deferred tax liabilities at Agbar, due to the increase in the tax rate in Chile (17% to 20%);
- the non-deductibility of impairment losses on Acea shares;
- the impact of new French tax rules limiting the deductibility of net financial expenses.

These factors are partly offset by:

- the increase in capital gains taxed at reduced or zero tax rates.

The low effective tax rate at December 31, 2012 is, as in 2011, mainly due to the Group's presence in countries with more favorable tax rates, such as Chile and the United Kingdom.

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

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Deferred tax assets		
Loss carry-forwards	73.4	49.8
Pension obligations	7.7	(8.5)
Concessions arrangements	(21.4)	2.8
Non-deductible provisions	2.1	(14.1)
Differences between the carrying amount of PPE and their tax bases	(2.2)	4.3
Measurement of financial instruments at fair value (IAS 32/39)	(6.5)	(11.8)
Other	(13.7)	(67.1)
TOTAL	**39.4**	**(44.6)**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(22.5)	(21.3)
Concessions arrangements	7.1	(2.9)
Tax-driven provisions	(2.8)	0.6
Measurement of assets and liabilities at fair value (IAS 32/39)	1.9	(2.2)
Other	(37.1)	(7.2)
TOTAL	**(53.4)**	**(33.0)**
NET DEFERRED TAX	**(14.0)**	**(77.6)**

In 2012, the amounts posted under "Loss carry-forwards" mainly reflect the recognition of deferred tax assets on loss carry-forwards in the Australian tax consolidation group.

In 2011, the amount shown as "Other" deferred tax assets mainly related to the use by Agbar of deferred tax assets for tax credit purposes on investments abroad.

7.2 Deferred tax income and expense recognized in "other comprehensive income"

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

In millions of euros	December 31, 2012	December 31, 2011
Available-for-sale securities	(0.7)	0.7
Actuarial gains and losses	30.1	27.8
Net investment hedges	1.0	15.2
Cash flow hedges	(0.2)	-
TOTAL EXCLUDING SHARE OF ASSOCIATES	**30.2**	**43.7**
Share of Associates	(1.4)	12.0
TOTAL	**28.8**	**55.7**

7.3 Deferred tax in the statement of financial position

7.3.1 Change in deferred taxes

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

In millions of euros	Assets	Liabilities	Net Balances
At December 31, 2011	**741.3**	**(583.9)**	**157.4**
Correction of prior-period error (see Note 1.3)	13.4	-	13.4
Restated balance at January 1st, 2012	**754.7**	**(583.9)**	**170.8**
From income statement	39.4	(53.4)	(14.0)
From other comprehensive income	30.3	(0.2)	30.2
Scope effects	(10.5)	11.3	0.8
Translation adjustments	2.3	(13.3)	(11.1)
Other impacts	(24.5)	29.0	4.5
Deferred tax netting off by tax entity	(36.6)	36.6	-
AT DECEMBER 31, 2012	**755.1**	**(573.9)**	**181.2**

7.3.2 Analysis of the net deferred tax position recognized on the statement of financial position (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Deferred tax assets		
Loss carry-forwards and tax credit	399.7	335.4
Pension obligations	241.2	200.1
Concessions arrangements	95.7	111.4
Non-deductible provisions	202.7	215.0
Differences between the carrying amount of PPE and their tax bases	122.8	124.0
Measurement of financial instruments at fair value (IAS 32/39)	27.5	22.5
Other	193.2	174.1
TOTAL	**1,282.7**	**1,182.5**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(951.1)	(861.3)
Concessions arrangements	(18.8)	(16.4)
Tax-driven provisions	(11.7)	(16.7)
Measurement of assets and liabilities at fair value (IAS 32/39)	(1.5)	(3.7)
Other	(118.4)	(113.6)
TOTAL	**(1,101.5)**	**(1,011.7)**
NET DEFERRED TAXES	**181.2**	**170.8**

The deferred tax assets recognized on loss carry-forwards amounted to €399.7 million as of December 31, 2012 (versus €335.4 million as of December 31, 2011).

As of December 31, 2012, net deferred tax assets within the French tax consolidation Group, including all temporary differences, totaled €334 million, unchanged from the opening amount.

Management considers that the French tax consolidation Group will be able to use up all of its deferred tax assets on loss carry-forwards over the medium-term plan (approximately 45% of them) or beyond.

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

7.4 Unrecognized deferred tax

7.4.1 Deductible temporary differences not recognized

Temporary differences on losses carried forward

As of December 31, 2012, unused tax losses carried forward and not recognized in the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €150.8 million for ordinary tax loss carry-forwards, versus €172.8 million as of December 31, 2011.

Other temporary differences not recognized

The amount of deferred tax assets on other unrecognized temporary differences amounted to €71.0 million as of December 31, 2012, compared to €76.6 million as of December 31, 2011.

7.4.2 Unrecognized deferred tax liabilities on taxable temporary differences relating to investments in subsidiaries, joint ventures and associates

No significant deferred tax liability has been recognized on temporary differences when the Group is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 8 Earnings per share

	Dec. 31, 2012	Dec. 31, 2011
Numerator *(in millions of euros)*		
Net income, Group share	**251.4**	**322.8**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in september 2010	(23.7)	(23.7)
ADJUSTED NET INCOME, GROUP SHARE	**227.7**	**299.1**
Denominator *(in millions)*		
Weighted average number of outstanding shares	508.7	489.1
- dividends paid in shares at June 27th 2011	-	9.8
ADJUSTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (A)	**508.7**	**498.9**
Earnings per share *(in euros)*		
NET INCOME GROUP SHARE PER SHARE	**0.45**	**0.60**
NET DILUTED INCOME GROUP SHARE PER SHARE	**0.45**	**0.60**

(a) The average number of shares outstanding in 2011 takes into account, on a prorata temporis basis, the impact of the scrip dividend payment on June 27, 2011.

The employee bonus share allocation plans, as well as the stock option plans reserved for employees, had no significant impact as of December 31, 2012 or 2011.

NOTE 9 Goodwill

9.1 Movements in the carrying amount of goodwill

In millions of euros	Gross amount	Impairment losses	Carrying amount
AT DECEMBER 31, 2010	**3,228.7**	**(100.7)**	**3,128.0**
Correction of prior period error (cf. Note 1.3)	19.4		19.4
Restated balance as at January 1st, 2011	3,248.1	(100.7)	3,147.4
Scope effects	81.8	-	81.8
Impairment losses	-	-	-
Translation adjustments	40.2	(1.5)	38.7
Other	(3.2)	-	(3.2)
AT DECEMBER 31, 2011	**3,366.9**	**(102.2)**	**3,264.7**
Scope effects	(11.8)	-	(11.8)
Impairment losses	-	(1.7)	(1.7)
Translation adjustments	6.0	(0.7)	5.3
Other	0.4	-	0.4
AT DECEMBER 31, 2012	**3,361.5**	**(104.6)**	**3,256.9**

In 2012, the net change in goodwill came to -€7.8 million. This is largely the result of:

- the sale of Eurawasser and the sale by United Water of its regulated water activities in Connecticut, as described in Note 2;
- the first-time consolidation of entities in the Waste Europe operating segment; and
- translation adjustments (mainly related to fluctuations in the US dollar, the Hong Kong dollar, the pound sterling, the Swedish krona and the Chilean peso).

The main changes break down as follows:

- sale of Eurawasser: -€26.2 million;
- sale by United Water of regulated water activities: -€2.3 million;
- consolidation of entities in the Waste Europe operating segment: +€10.7 million;
- translation adjustments: +€5.3 million.

In 2011, the net change in goodwill was €117.3 million. This stemmed mainly from:

- the recognition of new goodwill generated by the takeover of entities in the international segment (WSN Environmental Solutions in Australia) and the full consolidation of previously non-consolidated entities in the Water Europe segment;
- the impact of the measurement at fair value, on the transaction date, of the identifiable assets and liabilities involved in these transactions.

In the end, this change mainly broke down as follows:

- Sita Australia: +€39.5 million;
- consolidation of entities in the Water Europe operating segment: +€26.5 million;
- translation adjustments: +€38.7 million.

Translation adjustments related mainly to exchange rate fluctuations of the Australian dollar, the US dollar, and the pound sterling.

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

In millions of euros	Operating segment	Dec. 31, 2012	Dec. 31, 2011
Material CGUs			
Sita France	Waste Europe	540.2	529.3
Agbar [(a)]	Water Europe	518.9	391.1
Sita News	Waste Europe	514.5	515.4
United Water	International	396.4	410.0
Sita UK	Waste Europe	381.1	372.3
Lyonnaise des Eaux	Water Europe	312.0	304.5
Sita Australia	International	185.2	185.0
Sita Waste Services	International	179.5	182.6
Other CGUs (individual goodwill of less than €150 million or 5% of total amount)		229.1	374.5
TOTAL		**3,256.9**	**3,264.7**

(a) As of 2012, the Agbar CGU now includes the entity USG. The comparable amount in 2011 would have been €516.5 million.

9.3 Impairment test

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out based on actual results at the end of June, on the last forecast of the year taking into account the upcoming events in the second half of the year, and on the medium-term plan (MTP) for the rest of the business plan.

The recoverable value of goodwill CGUs is calculated by applying various methods, primarily the discounted cash flow (DCF) method, which is based on the following:

- cash flow projections prepared over the duration of the medium-term plan approved by the Group Management Committee. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in pricing regulations and future market outlooks;
- a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 2% and 3% depending on the activity, to normalized Free Cash Flow[(1)] (used specifically in impairment tests) in the final year of the projections;
- a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2012 range from 5.1% to 7.0%, the same as in 2011.

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

Valuations thus obtained are systematically compared with valuations obtained using the market multiples method or the stock exchange capitalization method, when applicable.

Based on events reasonably foreseeable at this time, the Group believes there is no reason to find material impairment on the goodwill shown in the statement of financial position, and that any changes affecting the key assumptions described below should not result in excess book value over recoverable amounts.

(1) The "normalized" Free Cash Flow used in impairment tests is different from Free Cash Flow in the following aspects: no financial interest, use of a normalized tax rate, taking into account all investment flows (maintenance capital expenditures and financial disposals, already committed development capital expenditures and financial acquisitions).

Main assumptions used for material goodwill

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

Cash-generating units	Measurement method	Discount rates
Sita France	DCF + confirmation by multiple *	5.61%
Sita News	DCF + confirmation by multiple *	5.83%
United Water – regulated activity	multiples * + DCF	5.08%
Agbar	DCF + confirmation by multiple *	5.91%
Sita UK	DCF + confirmation by multiple *	6.02%
Lyonnaise des Eaux	DCF + confirmation by multiple *	5.14%
Sita Waste Services	DCF + confirmation by multiple *	6.82%
Sita Australia	DCF + confirmation by multiple *	7.05%

** valuation multiples of comparable entities: market value of transactions*

A change of 50 basis points upward or downward in the discount rate or growth rate of normalized Free Cash Flow does not affect the recoverable amounts of goodwill CGUs, which remain higher than their book values.

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

Impact in % on excess of recoverable value over book value	Discount rates		Growth rate of "normalized" Free Cash Flow	
	-50 bp	+50 bp	-50 bp	+50 bp
Sita France	36%	-27%	-23%	30%
Sita News	36%	-27%	-23%	30%
United Water – regulated activity	119%	-73%	-25%	41%
Agbar	56%	-44%	-36%	47%
Sita UK	56%	-44%	-36%	46%
Lyonnaise des Eaux	30%	-21%	-18%	25%
Sita Waste Services	34%	-28%	-22%	27%
Sita Australia	15%	-13%	-10%	12%

Change in a CGU

The "Agbar" CGU now includes the entity USG (Utility Service Group), in accordance with the definition of CGUs under IAS 36.

Agbar has developed specific services and solutions, known collectively as "Aqualogy", through which it provides industrial solutions and technologies (construction, environmental technologies), and services (insurance, information systems, smart metering, customer management, knowledge management and R&D). Agbar now sells these services in the United States through USG.

This requires the complete integration of USG in Agbar's business development and sales plan for its technologies, and the setting of internal transfer prices on some patented technologies developed by Agbar in-house.

Therefore, the cash flows generated by USG are no longer treated as independent from those of Agbar.

In addition to this financial and operational convergence, a single management reporting structure has been implemented for these entities.

9.4 Segment information

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

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Water Europe	836.2	726.7
Waste Europe	1,536.8	1,513.6
International	883.9	1,024.4
Other	-	-
TOTAL	**3,256.9**	**3,264.7**

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

NOTE 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

In millions of euros	Softwares	Intangible rights arising on concession contracts	Other	Total
A. Gross amount at December 31, 2010	**320.9**	**3,845.8** [(a)]	**1,410.6**	**5,577.2**
Acquisitions	55.1	257.4	55.4	367.9
Disposals	(10.4)	(29.0)	(9.7)	(49.1)
Translation adjustments	(2.1)	74.0	(4.1)	67.8
Changes in scope of consolidation	(1.5) [(b)]	28.3 [(b)]	79.7 [(b)]	106.5
Other	9.8	29.8	(8.1)	31.5
at December 31, 2011	**371.8**	**4,206.3**	**1,523.8**	**6,101.8**
Acquisitions	58.6	274.9	50.4	383.9
Disposals	(9.4)	(61.3)	(4.8)	(75.5)
Translation adjustments	1.1	(6.1)	3.1	(1.9)
Changes in scope of consolidation	3.3	(54.4) [(c)]	14.4	(36.7)
Other	38.4	(155.1)	81.4	(35.3)
AT DECEMBER 31, 2012	**463.8**	**4,204.3**	**1,668.3**	**6,336.3**
B. Accumulated depreciation and impairment at December 31, 2010	**(227.5)**	**(1,181.8)** [(a)]	**(389.1)**	**(1,798.4)**
Depreciation	(34.1)	(204.6)	(54.9)	(293.6)
Impairment losses	(4.5)	0.2	(1.1)	(5.4)
Disposals	9.1	29.1	9.4	47.6
Translation adjustments	1.5	(9.5)	(0.2)	(8.2)
Changes in scope of consolidation	(0.1) [(b)]	5.2 [(b)]	(0.7) [(b)]	4.4
Other	(4.3)	(14.7)	16.7	(2.3)
at December 31, 2011	**(259.9)**	**(1,376.1)**	**(419.9)**	**(2,055.9)**
Depreciation	(52.6)	(223.6)	(52.9)	(329.1)
Impairment losses	(0.1)	(5.5)	(3.8)	(9.4)
Disposals	8.4	59.2	3.8	71.4
Translation adjustments	(0.2)	3.6	0.3	3.7
Changes in scope of consolidation	0.4	38.4 [(c)]	0.3	39.1
Other	0.1	(117.2)	121.7	4.6
AT DECEMBER 31, 2012	**(303.9)**	**(1,621.2)**	**(350.5)**	**(2,275.6)**
C. Carrying Amount at December 31, 2010	**93.3**	**2,663.9**	**1,021.6**	**3,778.8**
at December 31, 2011	**111.8**	**2,830.1**	**1,104.0**	**4,045.9**
AT DECEMBER 31, 2012	**159.8**	**2,583.0**	**1,317.8**	**4,060.8**

(a) Reclassification at Lyonnaise des Eaux following implementation of a tool for the tracking of concessions restatements: -€109.6 million on intangible rights gross value arising on concession contracts; +€109.6 million on related amortization.

(b) Changes in the scope of consolidation in 2011 were due to:

1. *Agbar's loss of control of Bristol Water's regulated activity in the United Kingdom, resulting in this activity being consolidated under the equity method.*
2. *Finalization of the opening statements of financial position of WSN Environmental Solutions on February 1, 2011, and in particular measurement at fair value of the permits and residual capacities of the landfill sites owned by WSN.*

(c) Changes in the scope of consolidation in 2012 were mainly due to the sale of Altiservice, a company that operates ski lifts in the French Pyrenees under public service contracts. "See Note 2 – Major transactions".

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Note 20) in the drinking water distribution, wastewater treatment, and waste management businesses. Infrastructure rights granted to the Group as concession operator, falling within the scope of application of IFRIC 12, and corresponding to the intangible model, are recognized under this category. These include the rights to charge users recognized under the intangible asset model in IFRIC 12.

10.1.2 Non-depreciable intangible assets

Non-depreciable intangible assets amounted to €326 million as of December 31, 2012, versus €223 million as of December 31, 2011, and were included in the "Other" column.

No significant impairment was posted in this asset category in 2012.

10.2 Information on Research and Development expenses

Research and Development activities relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection and service quality.

Research and Development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of €74 million, unchanged from 2011.

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

NOTE 11 Property, plant and equipment

11.1 Movements in the carrying amount of property, plant and equipment

In millions of euros	Land	Constructions	Plant and equipment	Transport equipment	Capitalized dismantling and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount at December 31, 2010	**1,767.6**	**3,197.8**	**6,720.3**	**1,438.2**	**522.3**	**825.0**	**370.9**	**14,842.1**
Acquisitions	38.0	56.2	301.9	89.7	1.5	498.2	37.8	1,023.3
Disposals	(24.6)	(50.0)	(139.5)	(66.7)	-	-	(22.7)	(303.5)
Translation adjustments	(8.2)	(64.7)	(89.1)	3.0	3.8	(10.0)	3.2	(162.0)
Changes in scope of consolidation	84.4	(38.3)	(237.2)	2.9	-	(14.9)	0.5	(202.6)
Other	42.8	43.7	349.3	35.4	2.5	(539.9)	17.2	(49.0)
at December 31, 2011	**1,900.0**	**3,144.7**	**6,905.7**	**1,502.5**	**530.1**	**758.4**	**406.9**	**15,148.3**
Acquisitions	67.0	53.6	239.1	78.6	-	294.7	69.3	802.3
Disposals	(21.0)	(33.0)	(103.0)	(112.9)	-	-	(12.9)	(282.8)
Translation adjustments	32.5	81.5	69.0	10.9	3.2	24.1	(1.8)	219.4
Changes in scope of consolidation	(12.4)	2.7	(71.7)	(1.1)	5.7	3.8	(4.5)	(77.5)
Other	(49.3)	162.9	266.5	50.1	4.3	(445.9)	(39.3)	(50.7)
AT DECEMBER 31, 2012	**1,916.8**	**3,412.4**	**7,305.6**	**1,528.1**	**543.3**	**635.1**	**417.7**	**15,759.0**
B. Accumulated depreciation and impairment at December 31, 2010	**(716.5)**	**(965.1)**	**(2,600.8)**	**(947.8)**	**(518.3)**	**(4.0)**	**(234.4)**	**(5,986.9)**
Depreciation	(67.8)	(130.9)	(370.1)	(113.7)	(1.7)	-	(60.7)	(744.9)
Impairment losses	(0.4)	(2.4)	(9.7)	-	-	-	-	(12.5)
Disposals	22.2	42.4	128.1	64.8	-	-	21.5	279.0
Translation adjustments	(14.1)	3.3	76.1	(0.9)	(3.8)	0.3	(0.2)	60.7
Changes in scope of consolidation	(0.8)	1.0	-	(0.3)	-	-	0.1	-
Other	3.0	1.9	0.5	4.5	(2.5)	(0.1)	31.6	38.9
at December 31, 2011	**(774.4)**	**(1,049.8)**	**(2,775.9)**	**(993.4)**	**(526.3)**	**(3.8)**	**(242.1)**	**(6,365.7)**
Depreciation	(78.0)	(141.4)	(370.0)	(128.5)	(0.2)	-	(53.9)	(772.0)
Impairment losses	(1.3)	(5.6)	(12.3)	-	-	(0.5)	(0.1)	(19.8)
Disposals	16.5	27.1	88.8	102.4	-	0.6	12.8	248.2
Translation adjustments	(7.4)	(6.7)	(2.7)	(7.0)	(3.2)	(0.2)	0.8	(26.4)
Changes in scope of consolidation	2.8	(4.6)	25.7	2.7	(5.7)	-	3.3	24.2
Other	(13.7)	0.7	29.2	(0.4)	(4.3)	0.5	22.5	34.5
AT DECEMBER 31, 2012	**(855.5)**	**(1,180.3)**	**(3,017.2)**	**(1,024.2)**	**(539.7)**	**(3.4)**	**(256.7)**	**(6,877.0)**
C. Carrying Amount at December 31, 2010	**1,051.1**	**2,232.7**	**4,119.5**	**490.4**	**4.0**	**821.0**	**136.5**	**8,855.2**
at December 31, 2011	**1,125.6**	**2,094.9**	**4,129.8**	**509.1**	**3.8**	**754.6**	**164.8**	**8,782.6**
AT DECEMBER 31, 2012	**1,061.3**	**2,232.1**	**4,288.4**	**503.9**	**3.6**	**631.7**	**161.0**	**8,882.0**

In 2012, changes in the scope of consolidation had a net impact on property, plant and equipment of -€53.3 million. They relate mainly to the sale of Eurawasser as described in Note 2, "Major transactions".

In 2011, changes in the scope of consolidation had a net impact on property, plant and equipment of -€202.6 million. This mainly reflected the takeover of WSN Environmental Solutions (+€143.8 million) by Sita Australia and the sale of 70% of the regulated activities of Bristol Water (-€379.7 million) by Agbar.

At December 31, 2012, the main translation adjustments on the gross value of property, plant and equipment concern the Chilean peso (+€205 million), the US dollar (-€33.6 million) and the British pound (+€10.3 million).

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to €157.4 million at December 31, 2012 against €123.7 million at December 31, 2011. This change mainly reflects SFWD assets (€33.5 million) pledged as collateral for bank debt.

11.3 Contractual commitments for the acquisition of property, plant and equipment

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

The Group's contractual commitments for capital expenditure amounted to €468.3 million at December 31, 2012, against €601.5 million at December 31, 2011. This change is mainly due to the €96.4 million reduction in Agbar's commitments for capital expenditure due to the completion of various projects.

NOTE 12 Financial instruments

12.1 Financial assets

The following table shows the various financial asset categories and their breakdown as "non-current" and "current":

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	395.9	-	395.9	410.9	-	410.9
Loans and receivables carried at amortized cost	700.7	4,071.9	4,772.6	662.3	4,314.8	4,977.1
Loans and receivables carried at amortized cost (excluding trade and other receivables)	700.7	266.6	967.3	662.3	196.8	859.1
Trade and other receivables	-	3,805.3	3,805.3	-	4,118.0	4,118.0
Financial assets measured at fair value through income	259.1	29.0	288.1	193.5	49.1	242.6
Derivative financial instruments	259.1	5.5	264.6	193.5	34.4	227.9
Financial assets at fair value through income excluding derivatives	-	23.5	23.5	-	14.7	14.7
Cash and cash equivalents	-	2,247.3	2,247.3	-	2,493.5	2,493.5
TOTAL	**1,355.7**	**6,348.2**	**7,703.9**	**1,266.7**	**6,857.4**	**8,124.1**

12.1.1 Available-for-sale securities

In millions of euros	
AT DECEMBER 31, 2011	**410.9**
Acquisitions	20.1
Net book value of disposals	(42.4)
Changes in fair value posted to equity as other comprehensive income	57.0 [a]
Changes in fair value posted to income statement	(65.1) [a]
Changes in scope, exchange rates and other	15.4
AT DECEMBER 31, 2012	**395.9**

(a) Mainly due to the re-measurement at fair value of Acea shares (see Note 12.1.1.2).

The value of available-for-sale securities held by the Group amounts to €395.9 million as of December 31, 2012, which is divided between €193.5 million for listed securities and €202.4 million for unlisted securities (versus €147.2 million and €263.7 million respectively in 2011).

Disposals for the period mainly include the sale by SUEZ ENVIRONNEMENT of its share in Budapest Water Works (see Note 2).

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

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

		Remeasurement			
In millions of euros	Dividends	Change in fair value	Impact of exchange rates	Impairment	Income/(loss) on disposals
Shareholders' equity [a]		57.0	-		
Income statement	25.1	-		(65.1)	4.9
TOTAL AT DECEMBER 31, 2012	**25.1**	**57.0**	**-**	**(65.1)**	**4.9**
Shareholders' equity [a]		(57.1)	-		
Income statement	30.8	-		(36.6)	8.1
TOTAL AT DECEMBER 31, 2011	**30.8**	**(57.1)**	**-**	**(36.6)**	**8.1**

(a) Excluding tax impact.

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

The Group examines the value of the various available-for-sale securities on a case-by-case basis and taking the market context into consideration, to determine whether it is necessary to recognize impairments.

Among the factors taken into consideration for listed securities, the Group believes that a decline in the share price of more than 50% below historical cost or a decline in the share price below historical cost for more than 12 months consecutively are indicators of impairment.

With regard to Acea, by applying its criteria and taking into account the prolonged nature of the decline in share price below historical cost and the future uncertainty regarding its recovery, the Group has decided to record an impairment of €60.0 million through income at December 31, 2012.

This €60.0 million loss, shown in "Impairment of property, plant and equipment and intangible and financial assets" on the income statement (see Note 5), includes the decline in the listed price between December 31, 2011 and December 31, 2012, as well as the effect of reclassifying in the income statement the loss relating to these securities, i.e. €54.2 million previously recorded in equity as "Other comprehensive income" at December 31, 2011.

12.1.2 Loans and receivables carried at amortized cost

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**700.7**	**266.6**	**967.3**	**662.3**	**196.8**	**859.1**
Loans granted to affiliated companies	216.2	84.5	300.7	182.1	104.3	286.4
Other receivables at amortized cost	89.0	20.6	109.6	70.0	12.1	82.1
Concession receivables	392.0	160.7	552.7	407.1	76.3	483.4
Finance lease receivables	3.5	0.8	4.3	3.1	4.1	7.2
Trade and other receivables	-	**3,805.3**	**3,805.3**	-	**4,118.0**	**4,118.0**
TOTAL	**700.7**	**4,071.9**	**4,772.6**	**662.3**	**4,314.8**	**4,977.1**

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

	December 31, 2012			December 31, 2011		
In millions of euros	Gross	Depreciation & Impairment	Net	Gross	Depreciation & Impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	1,083.2	(115.9)	967.3	979.4	(120.3)	859.1
Trade and other receivables	4,039.2	(233.9)	3,805.3	4,351.2	(233.2)	4,118.0
TOTAL	**5,122.4**	**(349.8)**	**4,772.6**	**5,330.6**	**(353.5)**	**4,977.1**

Information on the maturity of receivables that are past due but not impaired and on the monitoring of counterparty risk on loans and receivables at amortized cost (including trade and other receivables) is presented in Note 13.2, "Counterparty risk".

Net income and expenses on loans and receivables carried at amortized cost and recognized in the income statement break down as follows (including trade receivables):

		Remeasurement post-acquisition	
In millions of euros	Interests	Translation adjusment	Impairment
AT DECEMBER 31, 2011	63.3	(1.1)	(43.1)
AT DECEMBER 31, 2012	**60.6**	-	**(23.4)**

LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE RECEIVABLES)

"Loans granted to affiliated companies" primarily includes loans to associates accounted for by the equity method and to non-consolidated companies, and amounted to €246.4 million as of December 31, 2012, versus €245.6 million as of December 31, 2011.

The carrying amount of these loans was €300.7 million as of December 31, 2012, versus €286.4 million in 2011.

TRADE AND OTHER RECEIVABLES

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

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

12.1.3 Financial assets measured at fair value through income

This item comprises derivative financial instruments as well as financial assets measured measured at fair value through income or loss excluding derivatives, and can be analyzed as follows:

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	**259.1**	**5.5**	**264.6**	**193.5**	**34.4**	**227.9**
Debt-related derivatives [(a)] (see Note 12.3.1)	237.1	-	237.1	182.5	0.1	182.6
Derivative hedging commodities (see Note 13.1.1.2)	-	3.3	3.3	-	4.0	4.0
Derivative hedging other items [(b)]	22.0	2.2	24.2	11.0	30.3	41.3
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	**-**	**23.5**	**23.5**	**-**	**14.7**	**14.7**
Financial assets measured at fair value through income (see Note 12.3.1)	-	23.5	23.5	-	14.7	14.7
Financial assets designated at fair value through income	-	-	-	-	-	-
TOTAL	**259.1**	**29.0**	**288.1**	**193.5**	**49.1**	**242.5**

(a) Following the Group's review of the aggregate "net financial debt", debt-related derivatives now include qualifying or non-qualifying hedging instruments for which the underlying items are also recorded under "Net financial debt" (see Note 12.3 "Net debt").

(b) The interest rate component of derivatives (non-qualifying or qualifying as cash flow hedges) as well as the derivatives subscribed to in order to reduce the Group's exposure linked to its investments in companies in which the currency used is not the euro, are now classified as instruments relating to other items, and are thus excluded from the aggregate "net financial debt".

In both cases, the data for 2011 have been restated to ensure comparability.

Commodities derivatives, debt-related derivatives, and derivatives hedging other items are set up as part of the Group's risk management policy and are analyzed in Note 13.

Financial assets valued at fair value through income (excluding derivatives) are mainly UCITS held for trading purposes and are included in the calculation of the Group's net debt (see Note 12.3).

As part of its policy to boost its cash position, SUEZ ENVIRONMENT COMPANY issued €4.4 billion in bonds since 2009, including €59 million in bonds issued in 2012 (see Note 12.3.2). A portion of the funds has been invested in deposit certificates and term deposits.

Income recognized on all financial assets measured at fair value through income as of December 31, 2012 was €0.3 million.

12.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 13.

"Cash and cash equivalents" amounted to €2,247.3 million as of December 31, 2012 versus €2,493.5 million as of December 31, 2011.

This item mainly includes term deposits of less than three months in the amount of €513.4 million, versus €1,274.0 million as of December 31, 2011, and cash equivalent assets in the amount of €1,726.2 million versus €1,212.0 million as of December 31, 2011.

In addition, restricted cash amounted to €7.7 million as of December 31, 2012, unchanged from 2011, and related mainly to guarantees on the issuance of bank letters of credit.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2012 amounted to €45.4 million unchanged from 2011.

12.1.5 Pledged and mortgaged assets

In millions of euros	December 31, 2012	December 31, 2011
Pledged and mortgaged assets	148.3	147.7

12.2 Financial liabilities

Financial liabilities are accounted for:

- in "Liabilities at amortized cost" for borrowings and debt, trade and other payables, and other financial liabilities;
- or in "liabilities measured at fair value through income" for derivative financial instruments.

The following table shows the various financial liability categories as of December 31, 2012, as well as their breakdown as "non-current" and "current":

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,554.8	1,363.6	9,918.4	8,035.6	2,035.2	10,070.8
Derivative financial instruments	90.7	11.3	102.0	156.4	32.8	189.2
Trade and other payables	-	2,871.0	2,871.0	-	2,752.5	2,752.5
Other financial liabilities	2.7	-	2.7	3.1	-	3.1
TOTAL	**8,648.2**	**4,245.9**	**12,894.1**	**8,195.1**	**4,820.5**	**13,015.6**

12.2.1 Borrowings and debt

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	5,913.5	61.4	5,974.9	5,640.0	100.2	5,740.2
Draw downs on credit facilities	909.1	118.6	1,027.7	594.3	395.4	989.7
Borrowings under finance leases	390.7	51.5	442.2	451.3	55.3	506.6
Other bank borrowings	871.0	185.2	1,056.2	976.8	450.7	1,427.5
Other borrowings	321.9	102.4	424.3	292.0	314.5	606.5
BORROWINGS	**8,406.2**	**519.1**	**8,925.3**	**7,954.4**	**1,316.1**	**9,270.5**
Overdrafts and current cash accounts	-	758.4	758.4	-	626.5	626.5
OUTSTANDING FINANCIAL DEBT	**8,406.2**	**1,277.5**	**9,683.7**	**7,954.4**	**1,942.6**	**9,897.0**
Impact of measurement at amortized cost	(11.5)	86.1	74.6	(12.8)	92.6	79.8
Impact of fair value hedge	160.1	-	160.1	94.0	-	94.0
BORROWINGS AND DEBT	**8,554.8**	**1,363.6**	**9,918.4**	**8,035.6**	**2,035.2**	**10,070.8**

The fair value of gross financial debt as of December 31, 2012 was €10,865.8 million for a net book value of €9,918.4 million.

Gains and losses on borrowings and debt recognized in the income statement mainly comprise interest and are detailed in Note 6, "Financial income". Borrowings are analyzed in Note 12.3 "Net debt".

12.2.2 Derivative financial instruments (including commodities)

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

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives [(a)]	28.1	1.8	29.9	66.2	2.5	68.7
Derivatives hedging commodities (See Note 13.1.1.2)	-	0.5	0.5	-	-	-
Derivatives hedging other items [(b)]	62.6	9.0	71.6	90.2	30.3	120.5
TOTAL	**90.7**	**11.3**	**102.0**	**156.4**	**32.8**	**189.2**

(a) Following the Group's review of the aggregate "net financial debt", derivatives hedging borrowings now include qualifying or non-qualifying hedging instruments for which the underlying items are also recorded under "Borrowings and debt" (see Note 12.3 "Net debt").

(b) The interest rate component of derivatives (non-qualifying or qualifying as cash flow hedges) as well as the derivatives subscribed to in order to reduce the Group's exposure related to its investments in companies in which the currency used is not the euro, are henceforth classified as instruments relating to other elements and thus excluded from the aggregate "net financial debt".

In both cases, the data for 2011 have been restated to ensure comparability.

These instruments are set up according to the Group's risk management policy and are analyzed in Note 13.

12.2.3 Trade and other payables

In millions of euros	December 31, 2012	December 31, 2011
Trade payables	2,621.3	2,435.5
Payables on fixed assets	249.7	317.0
TOTAL	**2,871.0**	**2,752.5**

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

12.2.4 Other financial liabilities

Other financial liabilities are analyzed as follows:

In millions of euros	December 31, 2012	December 31, 2011
Liabilities on share purchases	2.7	3.1
TOTAL	**2.7**	**3.1**

12.3 Net debt

In 2012, the Group has reviewed its definition of net debt in order to gain economic coherence between the different elements included within the aggregate. Therefore, the derivative financial instruments subscribed to in order to reduce Group exposure related to its investments in consolidated companies with a currency other than the euro, as well as the interest rate component for derivative instruments (not qualifying as hedges or qualifying as cash flow hedges) are henceforth excluded for the definition of net debt.

Indeed, the elements that cause Group exposure (for which derivative instruments are subscribed to in order to reduce the exposure) are not included in this figure.

In addition, the financial assets relating to the debt instruments, essentially deposits pledged as part of project financing arrangements, will from now on be recognized in the deduction of gross borrowings.

The data at December 31, 2011 have been restated to ensure comparability between the two periods, which translates into a reduction in net debt for 2011 of €109 million compared with the previous definition.

The definition of the cost of net financial debt in the income statement has also been adjusted (see Note 6 "Financial Income") in order to ensure consistency with net debt as henceforth defined.

12.3.1 Analysis by type of debt

	December 31, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,406.2	1,277.5	9,683.7	7,954.4	1,942.6	9,897.0
Impact of measurement at amortized cost	(11.5)	86.1	74.6	(12.8)	92.6	79.8
Impact of fair value hedge [(a)]	160.1	-	160.1	94.0	-	94.0
Borrowings and debts	**8,554.8**	**1,363.6**	**9,918.4**	**8,035.6**	**2,035.2**	**10,070.8**
Debt-related derivatives under liabilities [(b)] (see Note 12.2.2)	28.1	1.8	29.9	66.2	2.5	68.7
Gross debt	**8,582.9**	**1,365.4**	**9,948.3**	**8,101.8**	**2,037.7**	**10,139.5**
Assets related to financing [(c)]	(4.6)	-	(4.6)	-	-	-
Assets related to financing	**(4.6)**	**-**	**(4.6)**	**-**	**-**	**-**
Financial assets at fair value through income excluding financial derivative instruments (see Note 12.1.3)	-	(23.5)	(23.5)	-	(14.7)	(14.7)
Cash and cash equivalents	-	(2,247.3)	(2,247.3)	-	(2,493.5)	(2,493.5)
Debt-related derivatives under assets [(b)] (see Note 12.1.3)	(237.1)	-	(237.1)	(182.5)	(0.1)	(182.6)
Net cash	**(237.1)**	**(2,270.8)**	**(2,507.9)**	**(182.5)**	**(2,508.3)**	**(2,690.8)**
Net debt	**8,341.2**	**(905.4)**	**7,435.8**	**7,919.2**	**(470.6)**	**7,448.6**
Outstanding borrowings	8,406.2	1,277.5	9,683.7	7,954.4	1,942.6	9,897.0
Assets related to financing [(c)]	(4.6)	-	(4.6)	-	-	-
Financial assets measured at fair value through income excluding financial derivative instruments (see Note 12.1.3)	-	(23.5)	(23.5)	-	(14.7)	(14.7)
Cash and cash equivalents	-	(2,247.3)	(2,247.3)	-	(2,493.5)	(2,493.5)
NET DEBT EXCLUDING AMORTIZED COST ANDIMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**8,401.6**	**(993.3)**	**7,408.3**	**7,954.4**	**(565.6)**	**7,388.8**

(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 regardless of whether or not they are designated as hedges according to the new definition of net financial debt.

(c) The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.

The 2011 data have been restated to allow comparability.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and currency risk is presented in Note 13 "Risks arising from financial instruments".

12.3.2 Bond issues

SUEZ ENVIRONNEMENT COMPANY conducted the following transactions on its bond debt during 2012:

- on June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed;
- on the same day, SUEZ ENVIRONNEMENT COMPANY further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 bearing a fixed coupon of 4.125%;
- the 2014 tranche was hedged by "fixed-to-floating" swaps, qualified as fair value hedges, that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by "fixed-to-floating" swaps, qualified as fair value hedges.

12.3.3 Securitization of receivables

Context

Since 2002, SUEZ ENVIRONNEMENT has implemented a program for the sales of commercial receivables to a special purpose vehicle (SPV) called "Fonds Commun de Créances". The receivables transferred related to invoices linked to the Waste Europe activity in France, Belgium and the Netherlands.

This program had a 5-year initial duration and was renewed in 2007 for 5 additional years that ended June 18, 2012.

The risks associated with securitized receivables, mainly credit risk and the risk of late payment, were retained by the Group. Consequently the receivables sold could not be derecognized in the sense of IAS 39 (Financial Instruments: Recognition and Measurement) and were maintained on the consolidated statement of financial position. Sums received for the sales were therefore entered against a debt on the Group's consolidated statement of financial position.

Description of the program

The program ending June 18, 2012 was renewed and modified in order to set up conditions allowing for derecognition of the receivables under IAS 39.

The main characteristics of the program are as follows:

(a) a new SPV was created, called "Fonds Commun de Titrisation" (or FCT) to replace the previous one;

(b) the preexisting securitization program was subject to a "simple" renewal;

(c) a compartment dedicated to the Group's receivables was created within the FCT;

(d) on the implementation date, part of receivables from the former securitization program were transferred to the new compartment; the other part continued to fund the former SPV compartment and switched in November 2012 (with the exception of Belgium, which continues to fund the former program);

(e) the FCT used in the program is financing the new compartment by issuing 3 types of instruments:

- shares known as "senior", issued on the markets through a dedicated channel;
- a deposit known as "mezzanine", underwritten by the Group;
- shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group.

(f) these shares are presented here in order of payment priority related to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last.

(g) the Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

The sales of receivables are made by Group subsidiaries at their nominal value, minus a discount that covers the cost of financing the receivables, the risk of late payment and the credit risk.

The main commitments of the Group towards the securitization fund are the following:

(h) set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above;

(i) set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At December 31, 2012, this security deposit had not yet been formed.

(j) existence of a mechanism known as "excess fee" through which, in certain cases, the FCT can give back part of the excess cash accumulated in the compartment when recovering receivables (transferred at discount prices). This mechanism corresponds to a part of the remuneration of Group subsidiaries for collecting receivables (see below);

(k) an option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term), or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date;

(l) issue of a guarantee for the risk of modification of tax rules;

(m) preservation by each Group subsidiary of the follow-up and collection of receivables that it has transferred to the compartment; to this effect, a follow-up and collection agreement was signed by each of the subsidiaries acting as collector and by the compartment, this service being remunerated by FCT.

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits. It also receives part of the benefits from the FCT *via* the collection of an excess fee in its role as servicer.

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favorable than those attributable to the Group, and the granting of the liquidation profit.

Accounting treatment

The new compartment of the FCT is not controlled by the Group and is therefore not consolidated.

According to IAS 39 and based on the terms of the new program and the quantitative analyses implemented, the Group transferred almost all the risks and rewards inherent to the ownership of the receivables sold. The receivables transferred within the scope of the new program are therefore fully derecognized from the Group's consolidated statement of financial position.

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 6).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated statement of financial position. Its remuneration is recorded in the income statement under financial income (see Note 6).

The remuneration of services provided by the group for follow-up and recovery of receivables transferred is shown in the income statement under financial income (see Note 6).

Figures at December 31, 2012

The new securitization program has been the object of the first monthly sale of receivables on June 26, 2012 for assignors within Sita France; on November 23, 2012, assignors within Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland also sold receivables to the new compartment for the first time.

The figures as of December 31, 2012 are presented below:

In millions of euros		
Total of receivables sold over the period	1,008.7	
Gain / (loss) arising from sale over the period	(15.3)	(b)
Remuneration for CC1	0.2	(c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	3.2	(d)
Outstanding receivables transferred as of December 31, 2012	317.4	(a)
Book value of CC1 as of December 31, 2012	18.9	(e)
Fair value of CC1	18.9	
Book value of CC2	*	
Residual maturity of CC1	53 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**286.6**	**(a) + (b) + (c) + (d) - (e)**

* *no security deposit known as "CC2" had been made as of December 31, 2012; payment of this deposit is subject to the conditions described above.*

As a reminder, the subsidiaries Sita Wallonie and Sita Flanders, not involved in the new program, have sold their eligible receivables on a monthly basis under the renewal of the former program.

These sales were given the same accounting treatment as before: the receivables were therefore not derecognized from the Group's consolidated statement of financial position and a liability was recorded ro offset the cash proceeds from the sales.

The outstanding receivables used by Sita Wallonie and Sita Flanders related to this former program was as of December 31, 2012 amount to €30.8 million.

Total receivables sold during the period under the old program by Sita Wallonie and Sita Flandres, as well as by subsidiaries that took part in this before switching to the new program (Sita France, Sita Spécialités, Sita Nederland) amounted to €1,027.2 million.

12.3.4 Change in net debt

Net debt fell by €12.8 million in 2012:

- the cash dividend payment to SUEZ ENVIRONNEMENT COMPANY's shareholders generated a €330.8 million increase in net debt;
- the cash dividend payment to the non-controlling interests of the subsidiaries generated a €231.2 million increase in net debt;
- the exchange rate variations contributed to an increase in net debt of €107.7 million;
- the sale of Eurawasser generated a decrease of €89.6 million in net debt, net of expenses and tax on the disposal;
- the impact of the sale of receivables derecognized under IAS 39 as part of the securitization program resulted in a decrease of €286.6 million in net debt;
- net cash generated by the Group's activities as well as other changes in the scope of consolidation explain the balance of the variation in net debt.

12.3.5 Debt/equity ratio

In millions of euros	December 31, 2012	December 31, 2011
Net debt	7,435.8	7,448.6
Total equity	6,859.2	6,817.2
Debt/equity ratio	**108.4%**	**109.3%**

12.4 Fair value of financial instruments by level

12.4.1 Financial assets

Financial assets excluding commodities recognized at fair value are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.6.10.3):

	December 31, 2012				December 31, 2011			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	**395.9**	**193.5**		**202.4**	**410.9**	**147.2**		**263.7**
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**967.3**		**967.3**		**859.1**		**859.1**	
Derivative financial instruments	**264.6**		**264.6**		**227.9**		**227.9**	
Debt-related derivatives	237.1		237.1		182.6		182.6	
Derivatives hedging commodities	3.3		3.3		4.0		4.0	
Derivatives hedging other items	24.2		24.2		41.3		41.3	
Financial assets measured at fair value through income excluding derivatives	**23.5**		**23.5**		**14.7**		**14.7**	
TOTAL	**1,651.3**	**193.5**	**1,255.4**	**202.4**	**1,512.6**	**147.2**	**1,101.7**	**263.7**

Available-for-sale securities:

Listed securities – valued at the stock market price on the closing date – are considered Level 1.

Unlisted securities – measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flow and net asset value, are considered Level 3.

As of December 31, 2012, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros	
AT DECEMBER 31, 2011	**263.7**
Acquisitions	7.0
Disposals	(42.4)
Gains and losses posted to equity	(3.1)
Gains and losses posted to income	(5.1)
Changes in scope, exchange rates and other	(17.7)
AT DECEMBER 31, 2012	**202.4**

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a €10.8 million decline in equity.

Loans and receivables carried at amortized cost (excluding trade and other receivables):

Loans and receivables carried at amortized cost (excluding trade and other receivables) contain elements that contribute to a fair value hedging relationship. These loans and receivables, for which fair value is determined based on observable interest and exchange rate data, are considered Level 2.

Derivative financial instruments:

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options, and currency swaps. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

Financial assets measured at fair value through profit or loss:

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

12.4.2 Financial liabilities

Financial instruments excluding commodities posted to liabilities are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.6.10.3):

In millions of euros	December 31, 2012				December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**9,918.4**		**9,918.4**		**10,070.8**		**10,070.8**	
Derivative financial instruments	**102.0**		**102.0**		**189.2**		**189.2**	
Debt-related derivatives	29.9		29.9		68.7		68.7	
Derivatives hedging commodities	0.5		0.5		-		-	
Derivatives hedging other items	71.6		71.6		120.5		120.5	
TOTAL	**10,020.4**	**-**	**10,020.4**	**-**	**10,260.0**	**-**	**10,260.0**	**-**

Bonds and borrowings:

Bonds debt involved in fair value hedging is shown in this table as Level 2. These borrowings are revalued only in terms of the interest rate components, the fair value of which is based on observable data.

Derivative financial instruments:

See Note 12.4.1.

NOTE 13 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to market risks. The management of financial risks is explained in chapter 4 – "Risk factors" of the Reference Document.

13.1 Market risks

13.1.1 Commodity market risks

13.1.1.1 Hedging operations

The Group sets up cash flow hedges on fuel and electricity as defined by IAS 39 by using the derivative instruments available on over-the-counter markets, whether they are firm commitments or options, but always settled in cash. The Group's aim is to protect itself against adverse changes in market prices, which may specifically affect its supply costs.

13.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities at December 31, 2012 and 2011 are presented in the table below:

In millions of euros	December 31, 2012				December 31, 2011			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-Current	Current	Non-Current
Cash flow hedges	3.3	-	0.5	-	4.0	-	-	-
TOTAL	**3.3**	**-**	**0.5**	**-**	**4.0**	**-**	**-**	**-**

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

	December 31, 2012				December 31, 2011			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-Current	Current	Non-Current
ELECTRICITY	**0.7**	**-**	**-**	**-**	**0.8**	**-**	**-**	**-**
Swaps	0.7	-	-	-	0.8	-	-	-
OIL	**2.6**	**-**	**0.5**	**-**	**3.2**	**-**	**-**	**-**
Swaps	2.6	-	0.5	-	3.2	-	-	-
TOTAL	**3.3**	**-**	**0.5**	**-**	**4.0**	**-**	**-**	**-**

13.1.2 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates when consolidating the financial statements of its non-eurozone foreign subsidiaries (translation risk). Translation risk is mainly concentrated on equity holdings in the United States, United Kingdom, Chile and Australia. The Group's hedging policy with regard to investments in non-eurozone currencies consists in contracting liabilities denominated in the same currency as the cash flows expected to derive from the hedged assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign currency derivatives (swaps), which allow for the creation of synthetic currency debts. Following the change in the definition of "net debt", the fair value measurement of foreign currency derivatives hedging translation risk is no longer included in the net debt. This change impacts the currency mix of outstanding borrowings and net debt, after taking hedging instruments into account.

Exposure to currency risk is reviewed monthly and the asset hedging coverage ratio (corresponding to the ratio between the carrying amount of an asset denominated in a foreign currency outside the eurozone, and the debt assumed for that asset) is periodically reviewed in the light of market conditions and whenever assets are acquired or sold. Any significant change in the hedging ratio is subject to prior approval by the Treasury Committee.

Taking financial instruments into account, 57% of net debt was denominated in euros, 15% in US dollars, 5% in pounds sterling, 16% in Chilean pesos and 2% in Australian dollars at the end of 2012, compared to 61% in euros, 15% in US dollars, 4% in pounds sterling, 14% in Chilean pesos and 3% in Australian dollars at the end of 2011 (taking into account the change in the definition of "net debt").

13.1.2.1 Analysis of financial instruments by currency

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

Outstanding borrowings

	December 31, 2012		December 31, 2011	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives [(a)]
Euro zone	67%	59%	69%	62%
US$ zone	8%	12%	8%	12%
£ zone	3%	5%	4%	6%
CLP (Chilean peso)	13%	13%	11%	10%
AUD (Australian dollar)	4%	4%	3%	3%
Other currencies	5%	7%	5%	7%
TOTAL	**100%**	**100%**	**100%**	**100%**

(a) Following the Group's review of 'net debt' the fair value measurement of foreign currency derivatives hedging translation risk is no longer included in this figure (see Note 13.1.2 'Currency risk'). Net investment hedge derivatives are now excluded from this table.

Net Debt

In %	December 31, 2012		December 31, 2011	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives [(a)]
Euro zone	67%	57%	68%	61%
US$ zone	10%	15%	10%	15%
£ zone	4%	5%	4%	4%
CLP (Chilean peso)	15%	16%	14%	14%
AUD (Australian dollar)	2%	2%	2%	3%
Other currencies	2%	5%	2%	3%
TOTAL	**100%**	**100%**	**100%**	**100%**

(a) Following the Group's review of 'net debt', the fair value measurement of foreign currency derivatives hedging translation risk is no longer included in this figure (see Note 13.1.2 'Currency risk'). Net investment hedge derivatives are now excluded from this table.

13.1.2.2 Analysis of currency risk sensitivity

The sensitivity analysis was based on the net debt position (including interest rate and currency derivatives), and derivatives designated as net investment hedges at the reporting date.

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

Impact on income:

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the reporting currency of the companies carrying the liabilities on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/- 10% change in exchange rates would generate a loss or a gain of €2.5 million.

Impact on equity:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform 10% change in exchange rates would have a positive or negative impact on equity of €134.3 million. This impact is offset by a counter-effect on the net investment in the hedged currency.

13.1.3 Interest rate risk

The Group aims to reduce its financing costs by limiting the impact of interest rate fluctuations on its income statement.

The Group's policy is to diversify net debt interest rate references between fixed and floating rates. The Group's aim is to achieve a balanced interest rate structure for its net debt in the medium term (5 to 15 years). The interest rate mix may change depending on market trends.

The Group therefore uses hedging instruments (particularly swaps) to protect itself from increases in interest rates in the currencies in which the debt is denominated.

The Group's exposure to interest rate risk is managed centrally and regularly reviewed (generally on a monthly basis) during meetings of the Treasury Committee. Any significant change in the interest rate mix is subject to prior approval by Management.

The cost of debt is sensitive to changes in interest rates on all floating-rate debt. The cost of debt is also affected by changes in market value of derivative instruments not classified as hedges under IAS 39.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euros, US dollars, pounds sterling, Chilean pesos and Australian dollars, which represented 95% of net debt as of December 31, 2012.

13.1.3.1 Financial instruments by rate type

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

Outstanding borrowings

	December 31, 2012		December 31, 2011	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	30%	40%	34%	42%
Fixed rate	70%	60%	66%	58%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net Debt

	December 31, 2012		December 31, 2011	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	6%	19%	9%	19%
Fixed rate	94%	81%	91%	81%
TOTAL	**100%**	**100%**	**100%**	**100%**

13.1.3.2 Analysis of interest rate risk sensitivity

The sensitivity analysis was based on the net debt position as at the reporting date (including interest rate and currency derivative instruments).

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

Impact on income:

A +/- 1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives would have a negative or positive impact of €13.9 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €1.5 million in the income statement due to the change in fair value of non qualified derivatives or derivatives designed as net investment hedges. Conversely, a 1% decrease in interest rates would generate a €1.5 million loss.

Impact on equity:

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €12.2 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of €15.1 million.

The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

13.1.4 Currency and interest rate risk hedges

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

Foreign currency derivatives

	December 31, 2012		December 31, 2011	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	0.9	219.6	27.8	421.4
Cash-flow hedges	0.3	50.3	(0.8)	19.1
Net investment hedges	3.6	964.5	(50.8)	1,025.2
Derivative instruments not qualifying for hedge accounting	1.5	820.3	(20.6)	1,161.6
TOTAL	**6.3**	**2,054.7**	**(44.4)**	**2,627.3**

Interest rate derivatives

	December 31, 2012		December 31, 2011	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	209.4	1,820.5	135.5	1,761.8
Cash-flow hedges	(55.5)	864.2	(51.1)	825.2
Derivative instruments not qualifying for hedge accounting	(0.4)	420.5	(6.9)	329.6
TOTAL	**153.5**	**3,105.2**	**77.5**	**2,916.6**

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

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

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

Net investment hedging instruments are mainly foreign exchange swaps.

Interest rate derivatives not designated as hedges consist of structured instruments, which because of their type and because they do not meet the effectiveness criteria defined in IAS 39, cannot be qualified as hedges for accounting purposes.

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

Fair-value hedges:

As of December 31, 2012, the net impact of fair value hedges recognized in the income statement was +€1.6 million.

Cash flow hedges:

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

At December 31, 2012 *In millions of euros*	Total	2013	2014	2015	2016	2017	> 5 years
Fair value of derivatives by maturity date	(55.3)	(28.4)	(5.2)	(4.2)	(3.2)	(2.3)	(12.0)

At December 31, 2011 *In millions of euros*	Total	2012	2013	2014	2015	2016	> 5 years
Fair value of derivatives by maturity date	(51.9)	(14.9)	(21.5)	(8.1)	(3.7)	(2.5)	(1.2)

As of December 31, 2012 unrealized gains and losses directly recognized in shareholders' equity, Group share over the period amounted to €-7.3 million (including impacts on associates).

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

Net investment hedges:

The ineffective portion of net investment hedges recognized in income amounted to a loss of €1.8 million.

13.2 Counterparty risk

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

13.2.1 Operating activities

Counterparty risk arising from trade and other receivables

The maturity of past-due trade and other receivables is broken down below:

	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
Trade and other receivables *In millions of euros*	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2012	220.2	29.0	47.2	296.4	363.7	3,379.1	4,039.2
At December 31, 2011	338.6	19.5	37.7	395.8	404.3	3,551.1	4,351.2

(a) This figure corresponds to the nominal value of trade and other receivables that are partially or fully depreciated.

The ageing of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group companies do business (private companies, individuals or public authorities). The Group decides whether to recognize impairment on a case-by-case basis according to the characteristics of the various types of customers. The Group does not consider that it is exposed to any material credit concentration risk in respect of receivables, taking into account the diversified nature of its portfolio.

Counterparty risk linked to other assets

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

13.2.2 Financial activities

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the carrying amount of financial assets excluding available-for-sale securities and the fair value of derivatives on the assets side of the statement of financial position (i.e. €7,308.0 million at December 31, 2012, and €7,713.2 million at December 31, 2011).

13.2.2.1 Counterparty risk arising from loans and receivables carried at amortized cost (excluding trade and other receivables)

The maturity of past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables) *In millions of euros*	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2012	-	1.3	4.2	5.5	137.0	943.3	1,085.8
At December 31, 2011	4.2	-	0.1	4.3	120.3	857.1	981.7

(a) This figure corresponds to the nominal value of loans and receivables carried at amortized cost (excluding trade and other receivables) that are partially or fully depreciated.

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€115.9 million as of December 31, 2012 and €120.3 million as of December 31, 2011) or amortized cost (€2.6 million as of December 31, 2012 and €2.3 million as of December 31, 2011). The change in these items is presented in Note 12.1.2, "Loans and receivables at amortized cost".

13.2.2.2 Counterparty risk arising from investment activities

The Group is exposed to counterparty risk on the investment of its cash surplus (cash and cash equivalents) and through its use of derivative financial instruments. Counterparty risk corresponds to the loss which the Group might incur in the event of counterparties failing to meet their contractual obligations. In the case of derivative instruments, that risk corresponds to positive fair value.

The Group invests the majority of its cash surplus in, and negotiates its financial hedging instruments with, leading counterparties. As part of its counterparty risk management policy, the Group has set up management and control procedures that focus on the counterparty's accreditation according to its credit ratings, its financial exposure, as well as objective market factors (Credit Default Swaps, market capitalization), plus an assessment of risk limits.

Counterparty risk arising from investing activities	December 31, 2012				December 31, 2011			
	Total	Investment Grade (a)	Unrated (b)	Non Investment Grade (b)	Total	Investment Grade (a)	Unrated (b)	Non Investment Grade (b)
% of exposure to counterparties	2,247.3	94%	2%	4%	2,493.5	91%	2%	7%

(a) Counterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.

(b) Most of the two latter types of exposure consisted of consolidated companies with non-controlling interests or Group companies operating in emerging countries where cash cannot be centralized and is therefore invested locally.

Moreover, at December 31, 2012, no counterparty outside the GDF SUEZ Group represented more than 15% of cash and cash equivalents (weighted by the estimated risk of each investment depending on type, currency and maturity).

13.3 Liquidity risk

As part of its operating and financial activities, the Group could be exposed to a risk of insufficient liquidity, preventing it from meeting its contractual commitments.

13.3.1 Available cash

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

- diversification of financing sources between the banking and capital markets;
- balanced repayment profile of borrowings.

As of December 31, 2012, the Group's total available cash stood at €2,507.9 million (including €237.1 million in derivative financial instruments). Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2012 the Group specifically had €3,372.3 million in confirmed credit facilities, including €1,027.7 million already drawn; unused credit facilities therefore totaled €2,344.6 million, €937.2 million of which will be maturing in 2013.

68% of total credit lines and 70% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

Bank loans accounted for 21% of gross financial debt as of December 31, 2012. Funding from capital markets (securitization without derecognition [see Note 12.3.3] accounting for 0.3% and bond borrowings for 60%) represented 60% of the total. The credit facilities at GDF SUEZ represented no more than 1% of resources. As a reminder, at December 31, 2011, bank loans and capital market funding accounted for 24% and 58% of gross debt, respectively.

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

13.3.2 Undiscounted contractual payments

In order to best reflect the current economic circumstances of operations, cash flows related to derivatives recognized as liabilities or assets shown below correspond to net positions. Moreover, the values shown in the table below are positive for a liability and negative for an asset.

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

At December 31, 2012 *In millions of euros*	**TOTAL**	**2013**	**2014**	**2015**	**2016**	**2017**	**Beyond 5 years**
Debt with GDF SUEZ	144.0	6.0	6.0	106.0	4.5	21.5	-
Bond or bank borrowings	9,539.7	1,271.5	1,247.2	395.2	928.9	682.1	5,014.8
TOTAL	**9,683.7**	**1,277.5**	**1,253.2**	**501.2**	**933.4**	**703.6**	**5,014.8**

Moreover, at December 31, 2012, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

At December 31, 2012 *In millions of euros*	TOTAL	2013	2014	2015	2016	2017	Beyond 5 years
Bonds issues	5,974.9	61.4	906.1	56.7	91.5	470.5	4,388.7
Draw downs on credit facilities	1,027.7	118.6	59.0	105.4	663.7	-	81.0
Borrowings under finance leases	442.2	51.5	49.5	48.4	46.3	46.0	200.5
Other bank borrowings	1,056.2	185.2	192.9	152.4	119.6	149.1	257.0
Other borrowings	424.3	102.4	45.7	138.3	12.3	38.0	87.6
Overdrafts and current accounts	758.4	758.4					
Outstanding borrowings	**9,683.7**	**1,277.5**	**1,253.2**	**501.2**	**933.4**	**703.6**	**5,014.8**
Financial assets relating to financing	(4.6)						(4.6)
Financial assets measured at fair value through income	(23.5)	(23.5)	-	-	-	-	-
Cash and cash equivalents	(2,247.3)	(2,247.3)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,408.3**	**(993.3)**	**1,253.2**	**501.2**	**933.4**	**703.6**	**5,010.2**

At December 31, 2011 *In millions of euros*	Total	2012	2013	2014	2015	2016	Beyond 5 years
Outstanding borrowings	**9,897.0**	**1,942.6**	**203.3**	**1,301.6**	**459.5**	**671.3**	**5,318.7**
Financial assets measured at fair value through income and Cash and cash equivalents	(2,508.2)	(2,508.2)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,388.8**	**(565.6)**	**203.3**	**1,301.6**	**459.5**	**671.3**	**5,318.7**

As of December 31, 2012, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2012 *In millions of euros*	Total	2013	2014	2015	2016	2017	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,384.0	392.4	367.7	319.0	308.9	297.8	1,698.4

At December 31, 2011 *In millions of euros*	Total	2012	2013	2014	2015	2016	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,458.4	389.2	363.6	360.2	343.4	290.2	1,711.8

At December 31, 2012 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

At December 31, 2012 *In millions of euros*	Total	2013	2014	2015	2016	2017	Beyond 5 years
Derivatives (excluding commodities)	(165.9)	(22.0)	(45.9)	(21.5)	(17.4)	(16.0)	(43.1)

At December 31, 2011 *In millions of euros*	Total	2012	2013	2014	2015	2016	Beyond 5 years
Derivatives (excluding commodities)	(12.8)	71.3	(9.4)	(45.3)	(5.1)	(3.8)	(20.5)

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

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
At December 31, 2012	2,344.6	937.2	200.0	142.3	1,036.3	-	28.8

	Total	2012	2013	2014	2015	2016	Beyond 5 years
At December 31, 2011	2,482.0	500.5	372.7	211.8	73.6	1,284.1	39.3

Confirmed but unused lines of credit include a €1.5 billion multi-currency club deal (maturing in 2016) renegotiated in March 2011.

As of December 31, 2012, excluding the €350 million line between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, no counterparty represented more than 14% of confirmed unused credit facilities.

13.4 Equity risk

As of December 31, 2012, available-for-sale securities held by the Group amounted to €395.9 million (see Note 12.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around €19.4 million on Group shareholders' equity.

The Group's portfolio of listed and unlisted equity investments is managed in accordance with a specific investment policy. Reports on the equity portfolio are submitted to Executive Management on a regular basis.

NOTE 14 Shareholders' equity

14.1 Share capital

	Number of shares			Value (*in millions of euros*)		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 2010	**489,699,060**	**2,164,492**	**487,534,568**	**1,958.8**	**4,002.9**	**30.2**
Allocation to legal reserves					(8.2)	
Purchase and disposal of treasury shares		9,500,229	(9,500,229)			39.7
Dividends paid in shares	19,008,731		19,008,731	76.0	171.7	
Capital decrease by cancellation of shares	(8,370,000)	(8,370,000)		(33.5)	(65.3)	(33.5)
Worldwide Employee share plan (Sharing)	9,896,038		9,896,038	39.6	46.1	
At December 31, 2011	**510,233,829**	**3,294,721**	**506,939,108**	**2,040.9**	**4,147.2**	**36.4**
Purchase and disposal of treasury shares		(2,151,332)	2,151,332			(26.4)
AT DECEMBER 31, 2012	**510,233,829**	**1,143,389**	**509,090,440**	**2,040.9**	**4,147.2**	**10.0**

At the date of listing, on July 22, 2008, the share capital of SUEZ ENVIRONNEMENT COMPANY was €1,958.8 million, comprising 489,699,060 shares (nominal value of €4 and issue premium of €8.6 per share).

Changes in the number of shares during fiscal year 2011 were due to:

- a dividend payment in shares: this option, ratified by SUEZ ENVIRONNEMENT COMPANY's Shareholders' Meeting of May 19, 2011, was taken up by 78.4% of shareholders and led to the creation of 19,008,731 shares;
- the Board of Directors' decision of December 8, 2011 to cancel 8,370,000 treasury shares;
- an employee share issue as part of the SHARING global employee shareholding plan: in total, 9,896,038 shares were issued, bringing the capital increase of December 8, 2011 to €85.7 million.

14.2 Treasury shares

A tacitly renewable €40 million liquidity contract is managed by Rothschild et Cie Banque. The aim of this contract is to reduce the volatility of the SUEZ ENVIRONNEMENT COMPANY's share price. This contract complies with the professional Ethics Charter drawn up by the *Association Française des Marchés Financiers* (French Financial Markets Association) and approved by the AMF.

There were 1,143,389 treasury shares (of which 1,007,000 are held under the liquidity contract and 136,389 are held for the bonus share allocation plan) as of December 31, 2012 with a value of €10 million, compared to 3,294,721 shares as of December 31, 2011 with a value of €36.4 million and 2,164,492 shares as of December 31, 2010 with a value of €30.2 million.

In order to partially hedge the stock option program approved by the Board of Directors on December 17, 2009, in May 2010 SUEZ ENVIRONNEMENT COMPANY acquired call options that replicate the conditions set on the stock options granted to employees ("mirror calls"). These represented a total of 1,833,348 shares. There was no equivalent transaction in 2011 or 2012.

14.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (€4,180 million as of December 31, 2012), incorporate the SUEZ ENVIRONNEMENT COMPANY legal reserve. In accordance with French law, SUEZ ENVIRONNEMENT COMPANY's legal reserve represents 10% of the share capital. This reserve may be distributed to shareholders only in the event of the liquidation of the company.

14.4 Dividend distribution

As it did for fiscal years 2010 and 2011, the board will propose a dividend, in this case €0.65 per share for a total of €330.9 million in cash based on the number of outstanding shares as of December 31, 2012, to the SUEZ ENVIRONNEMENT COMPANY's Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2012.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2013. This dividend is not recognized under liabilities in the financial statements at December 31, 2012 as these financial statements are presented before dividend allocation.

14.5 Total gains and losses recognized in equity (Group share)

In millions of euros	Dec. 31, 2012	Change	Dec. 31, 2011	Change	Dec. 31, 2010
Available-for-sale securities	7.9	57.0	(49.1)	(56.8)	7.7
Net investment hedges	(73.4)	(11.4)	(62.0)	(39.2)	(22.8)
Cash-flow hedges (excluding commodities)	(42.1)	0.9	(43.0)	(2.7)	(40.3)
Commodity cash-flow hedges	2.3	(1.0)	3.3	2.0	1.3
Deferred tax on available-for-sale securities and hedges	39.5	(0.5)	40.0	15.4	24.6
Share of associates on reclassifiable items, net of tax	(51.3)	(9.6)	(41.7)	(27.8)	(13.9)
Translation adjustments	150.0	13.2	136.8	115.7	21.1
Total reclassifiable items	**32.9**	**48.6**	**(15.7)**	**6.6**	**(22.3)**
Actuarial gains and losses	(284.4)	(110.5)	(173.9)	(79.3)	(94.6)
Deferred tax on actuarial gains and losses	88.6	30.0	58.6	27.4	31.2
Share of associates on non reclassifiable items, net of tax	-	-	-	-	-
Total non reclassifiable items	**(195.8)**	**(80.5)**	**(115.3)**	**(51.9)**	**(63.4)**
TOTAL	**(162.9)**	**(31.9)**	**(131.0)**	**(45.3)**	**(85.7)**

All the items in the table above are reclassifiable to profit or loss in future periods, with the exception of actuarial gains and losses and related deferred taxes, which are reported in consolidated reserves Group share.

14.6 Undated deeply subordinated notes

In 2010, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes (known as hybrids) in the amount of €750 million (before issuance costs). These notes are subordinated to any senior creditor and bear an initial fixed coupon of 4.82% for the first five years.

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

14.7 Equity management

SUEZ ENVIRONNEMENT COMPANY strives to optimize its financial structure on a continuous basis by achieving an optimal balance between net debt and equity as shown in the consolidated statement of financial position. The main aim of the Group in terms of managing its financial structure is to maximize value for shareholders, reduce the cost of capital, and maintain a strong rating while ensuring the desired financial flexibility in order to seize external growth opportunities which will create value. The Group manages its financial structure and makes adjustments in light of changes in economic conditions.

The management aims, policies and procedures have remained identical for several fiscal years.

(1) If there is no dividend distribution, the annual coupon remains due and will be paid on the next dividend payout. As the Shareholders' Meeting has not approved income allocation for 2012, no interest has been deducted from equity.

NOTE 15 Provisions

As of December 31, 2012:

In millions of euros	Dec. 31, 2011	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	Dec. 31, 2012
Post-employment benefit obligations and other long-term benefits	570.7	33.6	(48.2)	-	(0.1)	16.4	(3.3)	103.7	672.9
Sector-related risks	101.8	7.5	(21.3)	-	-	-	-	29.8	117.7
Warranties	28.8	2.8	(5.7)	-	1.5	-	(0.1)	0.2	27.5
Tax risks, other disputes and claims	211.3	26.4	(30.0)	(0.2)	0.6	-	-	0.8	208.8
Site restroration	567.0	31.4	(59.7)	(3.4)	5.7	17.4	3.4	0.1	561.8
Restructuring costs	21.5	48.3	(11.0)	(0.2)	(4.7)	-	-	(2.5)	51.5
Other contingencies	333.5	148.5 [(b)]	(200.9) [(b)]	(8.8)	(3.9)	9.7	(4.4)	81.2 [(b)]	355.0 [(c)]
TOTAL PROVISIONS	**1,834.6**	**298.7**	**(376.8)**	**(12.7)**	**(1.0)**	**43.5**	**(4.5)**	**213.5**	**1,995.2**

(a) *The discounting impact on post-employment and other long-term benefits relates to the interest expense on pension obligations, net of the expected return on plan assets.*

(b) *These amounts mostly relate to the provision for loss at termination of the construction contract for the Melbourne seawater desalination plant. The net reversal of the provision has been reclassified using the 'others' column to 'Other current liabilities' in accordance with the presentation used by the Group for losses at termination of construction contracts (See Note 17).*

(c) *Provisions for 'other risks' include a provision for the fair value of onerous contracts following the acquisition of WSN by Sita Australia. The provision amounted to €137.5 million in 2012 against €145.7 million in 2011.*

The increase in total provisions for liabilities and expenses in December 31, 2012 compared to December 31, 2011 is mainly due to the following:

- actuarial losses recognized for €108.7 million (See Note 16.2.1) in 2012 relate to post-employment benefits and other long-term benefits (posted in the "Other" column of the table above);
- discount unwinding amounts to €43.5 million over the period and mostly relates to provisions for site restoration and post-employment benefits;

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for 2012:

In millions of euros	Net Allowances / (Reversals)
Income from operating activities	(80.6)
Other financial income and expenses	43.5
Income tax expense	(10.2)
TOTAL	**(47.3)**

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

15.1 Post-employment benefits and other long-term benefits

See Note 16.

15.2 Sector-related risks

This item primarily includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

15.3 Tax risks, other disputes and claims

This item includes provisions for ongoing disputes involving employees or social security agencies (social security contribution relief, etc.), disputes arising in the ordinary course of business (customer claims, accounts payable disputes), tax adjustments and tax disputes.

15.4 Site restoration

The June 1998 European Directive on waste management introduced a number of obligations regarding the closure and long-term monitoring of landfills. These obligations lay down the rules and conditions incumbent upon the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage and collection and treatment of liquid (leachates) and gas (biogas) effluents. It also requires provisions for these facilities to be inspected over a 30-year period after closure.

These two types of provisions (rehabilitation and long-term monitoring) are calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are recorded over the period that the site is in operation, *pro rata* to the depletion of landfill capacity (void-space) (matching of income and expenses). Costs to be incurred at the time of a site's closure or during the long-term monitoring period (30 years after a site is shut down within the European Union) are discounted to present value. An asset is recorded as a counterparty against the provision. It is depreciated in line with the depletion of the landfill capacity or the need for capping, during the period.

The rehabilitation provision calculations (at the time the facility is shut down) depend on whether the capping used is: semi-permeable, semi-permeable with drainage, or impermeable. That choice has a considerable impact on future levels of leachate effluents and therefore on future costs of treating such effluents. Calculating the provision requires an evaluation of the cost of rehabilitating the area to be covered. The provision recorded in the statement of financial position at year-end must cover the costs of rehabilitating the untreated surface area (difference between the fill rate and the percentage of the site's area that has already been rehabilitated). The amount of the provision is reviewed each year based on work completed or still to be carried out.

The calculation of the provision for long-term monitoring depends on the costs linked to the production of leachate and biogas effluents on the one hand, and on the amount of biogas recycled on the other. Biogas recycling represents a source of revenue and is deducted from long-term monitoring expenses. The main expense items arising from long-term monitoring obligations relate to:

- construction of infrastructure (biogas recycling facility, installation of leachate treatment facility) and the demolition of installations used while the site was in operation;
- upkeep and maintenance of the protective capping and of the infrastructure (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells (piezometer wells);
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations that should be recorded in the statement of financial position at year-end depends on the fill rate of the facility at the end of the period, the estimated aggregate costs per year and per unit (based on standard or specific costs), the estimated closure date of the site and the discount rate applied to each site (depending on its residual life).

15.5 Other contingencies

"Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related litigations and for various business risks.

NOTE 16 Post-employment benefit obligations and other long-term benefits

16.1 Description of the main pension plans and related benefits

Most Group companies grant their employees post-employment benefits (pension plans, retirement bonuses, medical coverage, benefits in kind, etc.) as well as other long-term benefits, such as jubilee and other long-service awards.

16.1.1 Main pension plans

In France, employees have defined contribution retirement plans, such as the basic social security benefits, and supplementary pension schemes. Some employees also have voluntary retirement plans, some of which are defined benefit plans through which the employer agrees to pay its employees, or a category of its employees, retirement benefits based on a contractually agreed amount. Defined benefit plans have in particular been set up at Lyonnaise des Eaux, SUEZ ENVIRONNEMENT and Sita France. Employees also receive a retirement termination benefit in the form of a lump-sum payment on the date of the employee's effective departure. Such indemnities correspond to defined benefit plans.

Outside France, the main retirement plans and related benefits involve the companies in the US and the UK.

In the US, the defined benefit plans at United Water cover employees in the regulated sector. In addition, all US subsidiaries offer a 401(k)-type defined contribution plan to their employees. In the UK, Sita UK has several defined benefit retirement schemes, most of which are closed to new entrants. Employees hired after the closing date of these plans are covered by a defined contribution plan.

Defined benefit plans may be fully or partially pre-funded by contributions to a pension fund (as is the case in the US and the UK) or to a dedicated fund managed by an insurance company (France). These funds are fed by contributions made by the company and, in certain cases, by the employees.

16.1.2 Multi-employer pension plans

Employees of some Group companies are affiliated to multi-employer pension plans. This is especially the case in the Netherlands, where most of the Group's entities are in business activities that make it mandatory to join an industry-wide scheme. These plans spread risk so that financing is assured through payroll-based contributions, calculated uniformly across all affiliated companies. In the Netherlands, multi-employer plans are defined benefit plans. However, the Group recognizes them as defined contribution plans in accordance with IAS 19.

16.1.3 Other post-employment benefit obligations and long-term benefits

In addition to the supplementary pension schemes mentioned above, most Group companies grant their employees long-service awards – benefits corresponding to bonuses paid to employees while they are active, once they have met certain length of service conditions. Moreover, several Group companies agree to cover a portion of expenses incurred by their employees and/or retirees on the occurrence of specific events (illness, etc.), and in addition to amounts paid under defined contribution plans.

These obligations correspond to defined benefit plans. They are presented in the tables below, in "Other post-employment benefits" and "Other long-term benefits".

16.2 Defined benefit plans

16.2.1 Amounts presented in the statement of financial position and the statement of comprehensive income

In accordance with IAS 19, the information presented in the statement of financial position for post-employment and other long-term benefits corresponds to the difference between the present benefit obligation (gross liability), the fair value of the plan assets and the unrecognized past service cost, when applicable. If this difference is positive, a provision is posted (net liability). If the difference is negative, a net asset is posted provided it satisfies the conditions for recognizing a net asset.

Changes in provisions and assets for pensions and related obligations recognized in the statement of financial position can be broken down as follows:

In millions of euros	Asset	Liability	Total
BALANCE AT DECEMBER 31, 2010	**18.7**	**(490.7)**	**(472.0)**
Translation gains and losses	0.2	(5.3)	(5.1)
Actuarial gains and losses [(a)]	(2.8)	(70.7)	(73.5)
Changes in scope of consolidation and other	(15.9)	(20.2)	(36.1)
Expense of the period [(b)]	3.6	(24.4)	(20.8)
Contributions	2.2	40.6	42.8
BALANCE AT DECEMBER 31, 2011	**6.0**	**(570.7)**	**(564.7)**
Translation gains and losses	0.2	3.3	3.5
Actuarial gains and losses [(a)]	(4.1)	(104.6)	(108.7)
Changes in scope of consolidation and other		0.6	0.6
Expense of the period [(b)]	(1.7)	(49.7)	(51.4)
Contributions	0.9	48.2	49.1
BALANCE AT DECEMBER 31, 2012	**1.3**	**(672.9)**	**(671.6)**

(a) Actuarial gains and losses on employee benefits

(b) Including actuarial gains and losses on long-term benefits (particularly long-service awards).

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

Expenses for the year amounted to €51.4 million in 2012 versus €20.8 million in 2011. The components of annual expenses for defined benefit plans are explained in section 16.2.3.

Accumulated actuarial gains and losses recognized in shareholders' equity amounted to -€285.4 million at December 31, 2012 versus -€174.1 million at December 31, 2011. They are disclosed below, excluding translation gains and losses which are presented separately in the comprehensive income statement.

In millions of euros	Dec. 31, 2012,	Dec. 31, 2011
OPENING BALANCE	**(174.1)**	**(93.0)**
Actuarial gains and (losses) generated during the year	(108.7)	(73.5)
Scope effects	(2.6)	(7.6)
CLOSING BALANCE	**(285.4)**	**(174.1)**

The closing balance of actuarial gains and losses shown above includes actuarial gains and losses recognized within entities which are accounted for by the equity method (€1.8 million in 2012).

Scope effects recorded for 2011 correspond mainly to actuarial gains and losses being recycled to reserves on the date that Agbar lost control over Bristol Water, in accordance with IAS 1 – Presentation of financial statements.

16.2.2 Change in the amount of obligations and plan assets

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

		December 31, 2012				December 31, 2011			
In millions of euros		Pension benefit obligations [a]	Other post-employment benefits [b]	Other long term benefits [c]	Total	Pension benefit obligations [a]	Other post-employment benefits [b]	Other long term benefits [c]	Total
Change in projected benefit obligation									
Projected benefit obligation at January 1, 2012		**(771.7)**	**(205.6)**	**(20.9)**	**(998.2)**	**(855.6)**	**(186.7)**	**(17.8)**	**(1,060.1)**
Service cost		(28.5)	(6.3)	(1.2)	(36.0)	(25.3)	(5.2)	(1.2)	(31.7)
Interest cost		(33.7)	(9.4)	(0.8)	(43.9)	(38.3)	(8.5)	(0.9)	(47.7)
Contributions paid		(1.4)	-	-	(1.4)	(1.8)	-	-	(1.8)
Amendments		(0.1)	0.1	-	(0.0)	12.1	(1.2)	-	10.9
Acquisitions/Disposals of subsidiaries		0.5	-	(0.0)	0.5	141.9	-	(1.4)	140.5
Curtailments/settlements		5.2	0.3	1.6	7.1	14.7	-	0.2	14.9
Special terminations		(0.1)	(0.1)	-	(0.2)	-	(0.1)	-	(0.1)
Actuarial gains and losses		(92.8)	(26.7)	(2.6)	(122.1)	(39.9)	(7.9)	(2.1)	(49.9)
Benefits paid		29.6	6.9	1.6	38.1	33.6	7.1	1.9	42.6
Other		4.1	2.6	(0.3)	6.4	(13.1)	(3.1)	0.4	(15.8)
Projected benefit obligation at December 31 2012	**A**	**(888.9)**	**(238.2)**	**(22.6)**	**(1,149.7)**	**(771.7)**	**(205.6)**	**(20.9)**	**(998.2)**
Change in fair value of plan assets									
Fair value of plan assets at January 1, 2012		**389.7**	**42.0**	**-**	**431.7**	**544.3**	**46.3**	**-**	**590.6**
Expected return on plan assets		24.6	3.0	-	27.6	30.6	2.9	-	33.5
Contributions received		42.6	6.3	1.6	50.5	35.4	7.3	1.9	44.6
Acquisitions/Disposals of subsidiaries		-	-	-	-	(176.6)	-	-	(176.6)
Curtailments/settlements		(3.7)	(0.1)	-	(3.8)	(2.8)	-	-	(2.8)
Actuarial gains and losses		8.3	2.5	-	10.8	(16.9)	(8.7)	-	(25.6)
Benefits paid		(29.6)	(6.9)	(1.6)	(38.1)	(33.6)	(7.1)	(1.9)	(42.6)
Other		(2.1)	(0.8)	-	(2.9)	9.3	1.3	-	10.6
Fair value of plan assets at December 31, 2012	**B**	**429.8**	**46.0**	**-**	**475.8**	**389.7**	**42.0**	**-**	**431.7**
Funded status	**A+B**	**(459.1)**	**(192.2)**	**(22.6)**	**(673.9)**	**(382.0)**	**(163.6)**	**(20.9)**	**(566.5)**
Unrecognized past service cost		8.8	(6.5)	-	2.3	9.7	(7.9)	-	1.8
Limit on defined benefit assets (IAS 19 Sect. 58B)		-	-	-	-		-	-	-
Supplementary provision (IFRIC 14)		-	-	-	-		-	-	-
Net benefit obligation		**(450.3)**	**(198.7)**	**(22.6)**	**(671.6)**	**(372.3)**	**(171.5)**	**(20.9)**	**(564.7)**
TOTAL LIABILITIES		**(451.6)**	**(198.7)**	**(22.6)**	**(672.9)**	**(378.3)**	**(171.5)**	**(20.9)**	**(570.7)**
TOTAL ASSETS		**1.3**	**-**	**-**	**1.3**	**6.0**	**-**	**-**	**6.0**

(a) Pensions and retirement bonuses.

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

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

In 2012, the change in the net pension obligation was mainly explained by the increase in the net actuarial loss of €111.3 million. This actuarial loss (€108.7 million recognized in other comprehensive income and €2.6 million in the income statement) included a €112.4 million loss directly related to lower discount and inflation rates in 2012. Moreover, the experience adjustment, corresponding to the fair value measurement of plan assets at December 31, 2012, generated an actuarial gain of €10.8 million. The balance mainly reflected actuarial losses relative to experience adjustments on the benefit obligation.

In 2011, the €36.1 million net impact relating to acquisitions/disposals of subsidiaries was mainly due to the loss of control over entities managing the regulated activities of Bristol Water, a subsidiary of Agbar. The net pension obligation for Bristol Water was deconsolidated on September 30, 2011 (€143.2 million in benefit obligation and €176.6 million in plan assets).

The net actuarial loss of €75.5 million in 2011 (€73.4 million of which was recognized in other comprehensive income and €2.1 million in the income statement) included a €57.8 million loss linked to changes in the discount and inflation rates since December 31, 2010. In addition, pension and medical insurance obligations for United Water retirees were adjusted in 2011 to reflect a change in the mortality table. This change, treated as a change in assumptions, increased the obligation by €13.5 million, and was recognized in other comprehensive income.

16.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2012 and 2011 breaks down as follows:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Current service cost	(36.0)	(31.7)
Interest cost	(43.9)	(47.7)
Expected return on plan assets	27.6	33.5
Actuarial gains or losses	(2.6)	(2.1)
Past service cost	0.5	15.3
Gains or losses on pension plan curtailments, terminations and settlements	3.3	12.1
Special terminations	(0.3)	(0.1)
TOTAL	**(51.4)**	**(20.8)**
Of which recognized in current operating income	(35.1)	(6.6)
Of which recognized in financial income/(loss)	(16.3)	(14.2)

In 2011, the past service cost and gains or losses on pension plan curtailments, terminations and settlements reflected specific events such as:

- the change in the index used to determine the inflation rate in the UK;
- the setting of a maximum rate for annual salary increases at Sita UK;
- the setting of a maximum number of years for the vesting in some retirement plans at United Water.

16.2.4 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested through pension funds and/or with insurance companies, depending on the investment practices specific to the country concerned. The investment strategies underlying these defined benefit plans are aimed at striking the right balance between an optimum return on investment and an acceptable level of risk.

These strategies have a twofold objective:

- to maintain sufficient income streams and liquidity to cover pensions and other benefit payments; and
- in a controlled-risk environment, to achieve a long-term return on investment matching the discount rate or, as applicable, at least equal to the future returns required.

When plan assets are invested through pension funds, investment decisions and the allocation of plan assets are the responsibility of the fund manager concerned. For French companies, where plan assets are invested through an insurance company, the fund manager manages the investment portfolio in units of account or euros, and guarantees a rate of return on the related assets. Such diversified

funds are characterized by active management benchmarked to composite indices, adapted to the long-term horizon of the liabilities and taking into account the government's eurozone obligations and the shares of the largest companies in and outside the eurozone. In the case of euro funds, the insurer's sole obligation is to ensure a fixed minimum return on plan assets.

The funding of these obligations breaks down as follows:

In millions of euros	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past services	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(781.3)	382.2	5.1	-	(394.0)
Overfunded plans	(47.0)	49.5	-	-	2.5
Unfunded plans	(169.9)	-	(3.3)	-	(173.2)
Total December 31, 2011	**(998.2)**	**431.7**	**1.8**	**-**	**(564.7)**
Underfunded plans	(877.1)	446.3	4.3	-	(426.5)
Overfunded plans	(31.9)	29.5	-	-	(2.4)
Unfunded plans	(240.7)	-	(2.0)	-	(242.7)
TOTAL DECEMBER 31, 2012	**(1,149.7)**	**475.8**	**2.3**	**-**	**(671.6)**

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

	2012	2011
Equities	35%	35%
Bonds	47%	51%
Real Estate	1%	1%
Other (including money market securities)	17%	13%
TOTAL	**100%**	**100%**

16.2.5 Actuarial assumptions

Actuarial assumptions are determined individually per country and company, in association with independent actuaries. The weighted rates are presented below:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2012	2011	2012	2011	2012	2011	2012	2011
Discount rate	3.9%	4.4%	4.1%	4.5%	3.5%	3.7%	3.9%	4.4%
Estimated future increase in salaries	3.2%	3.2%	4.0%	3.7%	3.5%	3.1%	3.4%	3.3%
Expected return on plan assets	5.9%	6.2%	7.2%	7.7%	0.0%	-	6.1%	6.3%
Average remaining working lives of participating employees	12 years	12 years	13 years	14 years	19 years	19 years	12 years	13 years

Discount and salary increase rates are shown including inflation.

16.2.5.1 Discount rates

The discount rate used is determined by reference to the yield, at the measurement date, of AA corporate bonds with a maturity corresponding to the anticipated term of the obligation.

As of December 31, 2012, the rates were determined for each currency area (euro, U.S. dollar and pound sterling) from data on AA bond yields (according to Bloomberg and iBoxx) extrapolated to long-term maturities based on the performance of government bonds. As of December 31, 2011, only the methods of determining the rate

of the euro area were different (made exclusively from Bloomberg indices).

16.2.5.2 Expected return on plan assets

To calculate the expected return on plan assets, the asset portfolio is broken down into homogeneous sub-groups, by broad asset categories and geographical areas, based on the composition of the benchmark index and on the amounts in each of the funds as of December 31 of the preceding year. An expected yield for the year, published by a third party, is applied to each sub-group, and the global absolute performance is then established and applied to the value of the portfolio at the beginning of the year. The expected rates of return on assets have been calculated according to prevailing market conditions and are based on a risk premium, defined in accordance with the risk-free rate of return of government bonds, by major asset class and geographic region.

16.2.5.3 Other assumptions

The assumptions used for healthcare cost trend rates (including inflation) are 4.7% for 2013, 4.6% for 2014 and 4.4% for 2015. These assumptions are used for the valuation of other post-employment benefits.

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

In millions of euros	Increase by point	Decrease by point
Impact on expenses	2.8	(2.1)
Impact on other post-employment benefits	33.0	(26.1)

16.2.5.4 Experience adjustments

Experience adjustments represent the impact of the difference between actuarial assumptions previously used, and the actual outcome. Their share in actuarial gains and losses is presented below:

		December 31, 2012		December 31, 2011		December 31, 2010	
In millions of euros		Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Present benefit obligation	a	(888.9)	(260.8)	(771.7)	(226.5)	(855.6)	(204.5)
Fair value of plan assets	b	429.8	46.0	389.7	42.0	544.3	46.3
Funded Status	a+b	(459.1)	(214.8)	(382.0)	(184.5)	(311.3)	(158.2)
Experience adjustments to projected benefit obligations	c	6.1	2.5	6.4	8.2	10.1	0.1
Experience adjustments to fair value of plan assets	c	(8.3)	(2.5)	(16.9)	(8.7)	14.3	7.3
as a % of projected benefit obligation	*c/a*	*0%*	*0%*	*1%*	*0%*	*-3%*	*-4%*

		December 31, 2009		December 31, 2008	
In millions of euros		Pensions	Other benefit obligations	Retraites	Autres engagements
Present benefit obligation	a	(779.9)	(181.4)	(730.9)	(185.2)
Fair value of plan assets	b	495.4	34.9	470.5	31.0
Funded Status	a+b	(284.5)	(146.5)	(260.4)	(154.2)
Experience adjustments to projected benefit obligations	c	(14.4)	(3.1)	(0.5)	(1.4)
Experience adjustments to fair value of plan assets	c	19.5	2.4	(104.9)	(11.5)
as a % of projected benefit obligation	*c/a*	*-1%*	*0%*	*14%*	*7%*

For the experience adjustments presented above, gains are shown as positive values and losses as negative values. The sign convention is the same as in Note 16.2.2.

16.2.6 Geographical breakdown of obligations

In 2012, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

	Euro Zone		United Kingdom		United States		Rest of the world	
In millions of euros	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status (a)	(288.5)	(103.8)	(9.2)	-	(119.7)	(67.9)	(41.7)	(43.1)
Discount rate	2.8%	2.8%	4.1%	-	4.4%	4.5%	4.0%	4.5%
Estimated future increase in salaries	3.3%	4.5%	3.0%	-	3.1%	3.0%	3.3%	5.8%
Expected return on plan assets	3.9%	N/A	4.6%	-	8.5%	7.8%	4.5%	3.7%
Average remaining working lives of participating employees	15 years	15 years	10 years	-	12 years	16 years	13 years	9 years

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

Concerning "Rest of the world" category, the funded status relating to pension mainly concerns Sweden, while the funded status relating to the other benefit obligations stems largely from Morocco.

16.2.7 Payments due in 2013

The Group expects to contribute approximately €67.3 million to its defined benefit plans in 2013.

16.3 Defined contribution plans

In 2012, the Group SUEZ ENVIRONNEMENT recorded a €69.4 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

NOTE 17 Construction contracts

The "Amounts due from customers under construction contracts" and "Amounts due to customers under construction contracts" items are presented in the statement of financial position under "Other assets" and "Other liabilities" respectively.

In millions of euros	December 31, 2012	December 31, 2011
Amounts due from customers under construction contracts	127.3	101.1
Amounts due to customers under construction contracts	349.4	460.5
NET POSITION	**(222.1)**	**(359.4)**

According to the presentation method adopted by the Group, provisions for loss at termination of construction contracts have been transferred to the bottom of the statement of financial position under "Amounts due to customers under construction contracts." In 2012, the decrease in this liability is mainly explained by the reversal of a provision regarding the Melbourne desalination plant construction contract (see Note 15 "Provisions").

Contracts in progress at the closing date:

In millions of euros	December 31, 2012	December 31, 2011
Cumulated cost incurred and margins recognized	4,490.2	5,181.0
Advances received	27.4	50.7
Retentions	43.0	37.8

The significant change in costs incurred and margins recognized on construction contracts is due mainly to changes in the business portfolio of the Group Degrémont, which completed several major contracts in 2012.

For the design and construction contracts of Degrémont and OIS, the Group guarantees, by contract, its customers on the delivery of plants ready for operation. In this context, the Group is required to give guarantees which are contingent liabilities, for which the Group believes that the probability of cash out is low.

NOTE 18 Finance leases

The net amount of Property, plant and equipment assets owned under finance leases are broken down into various asset categories, depending on their type.

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

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

	Future minimum lease payments at Dec. 31, 2012		Future minimum lease payments at Dec. 31, 2011	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	66.4	63.9	77.6	73.9
During years 2 to 5 inclusive	244.0	214.1	276.4	233.3
Beyond year 5	228.3	164.3	299.3	199.4
TOTAL FUTURE MINIMUM LEASE PAYMENTS	**538.7**	**442.3**	**653.3**	**506.6**

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 12.2.1) with undiscounted future minimum lease payments by maturity:

In millions of euros	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease	442.2	51.5	190.2	200.5
Impact of discounting future repayments of principal and interest	96.5	14.9	53.8	27.8
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	**538.7**	**66.4**	**244.0**	**228.3**

NOTE 19 Operating leases

Operating lease income and expenses recognized for fiscal years 2012 and 2011 break down as follows:

In millions of euros	December 31, 2012	December 31, 2011
Minimum lease payments	(325.6)	(298.6)
Contingent lease payments	(18.6)	(27.4)
Sub-letting income	-	-
Sub-letting expense	(4.1)	(9.1)
Other operating lease expenses	(14.3)	(6.6)
TOTAL	**(362.6)**	**(341.7)**

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

In millions of euros	December 31, 2012	December 31, 2011
During year 1	191.1	178.8
During years 2 to 5 inclusive	388.3	384.9
Beyond year 5	320.3	299.3
TOTAL	**899.7**	**863.0**

This increase relates to new operating lease contracts entered by Agbar, Sita UK and Lyonnaise des Eaux.

NOTE 20 Service concession arrangements

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

IFRIC 12 – Service Concession Arrangements, published in November 2006 deals with the recognition of concession contracts which meet certain criteria according to which it is estimated that the concession-grantor controls the facilities (see Note 1.6.6).

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

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

(b) of the right, in certain cases, to use tangible and intangible assets and/or specified financial assets;

in exchange for the commitment made by the concession-holder,

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

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

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

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

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

In exchange for these obligations, the Group is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users for the services provided. That right gives rise either to an intangible asset, or to a receivable, or a tangible asset, depending on the accounting model applicable (see Note 1.6.6).

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

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.6.6), this obligation results in the recognition of a capital renewal and replacement liability. The replacement liability amounted to €288.7 million at December 31, 2012 versus €330.9 million at December 31, 2011 and is classified as « Other current liabilities ».

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts contain clauses providing for periodic price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions which were initially expected when the contracts were signed.

NOTE 21 Share-based payments

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

		(Expense) for the period	
	Note	2012	2011
Stock-option plans	21.1.	(7.3)	(11.3)
Performance share plans	21.2.	(5.1)	(0.7)
Worldwide financial incentive scheme	21.3.	(10.3)	(14.4)
Employees share issues [(a) (b)]	21.4.	(0.9)	(2.4)
TOTAL		**(23.6)**	**(28.8)**

(a) In 2011, the cost mainly corresponded to a SUEZ ENVIRONNEMENT COMPANY employee share issue.

(b) The impact of Share Appreciation Rights is shown excluding hedging by warrants.

21.1 Stock option plans

21.1.1 Arrangements and grants

No stock options were allocated in 2012. Arrangements relating to plans prior to 2012 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

21.1.2 Description of current plans

SUEZ ENVIRONNEMENT COMPANY stock option plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2011	Exercised*	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2012	Expiration date	Residual life
12/17/2009	5/26/2009	12/17/2013	15.49	3,415,890	-	-	42,106	3,373,784	12/16/2017	5.0
12/16/2010	5/26/2009	12/16/2014	14.20	2,920,500	-	-	20,200	2,900,300	12/15/2018	6.0
TOTAL				**6,336,390**	**-**	**-**	**62,306**	**6,274,084**		

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

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2012 was €9.4.

GDF SUEZ stock option plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted exercise price	Outstanding number of shares at 12/31/2011	Exercised**	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2012	Expiration date	Residual life
11/17/2004	04/27/2004	11/17/2008	16.84	1,813,549	945,840	-	867,709	-	11/16/2012	-
12/09/2005*	04/27/2004	12/09/2009	22.79	1,708,085	-	-	14,418	1,693,667	12/09/2013	0.9
01/17/2007*	04/27/2004	01/16/2011	36.62	1,630,419	-	-	16,401	1,614,018	01/16/2015	2.0
11/14/2007*	05/4/2007	11/13/2011	41.78	1,285,108	-	-	14,302	1,270,806	11/13/2015	2.9
11/12/2008*	07/16/2008	11/12/2012	32.74	1,050,050	-	-	23,380	1,026,670	11/11/2016	3.9
11/10/2009	05/04/2009	11/10/2013	29.44	393,578	-	-	4,424	389,154	11/09/2017	4.9
TOTAL				**7,880,789**	**945,840**	**-**	**940,634**	**5,994,315**		

* *Exercisable plans.*

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

The average share price for GDF SUEZ in 2012 was €18.34.

21.1.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY Plans

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to SUEZ ENVIRONNEMENT COMPANY stock option plans was €4.8 million.

In millions of euros		Weighted average fair value	(Expense) for the period 2012	(Expense) for the period 2011
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	3.3 €	(2.7)	(2.7)
SUEZ ENVIRONNEMENT COMPANY plan	12/16/2010	2.9 €	(2.1)	(2.1)
TOTAL			**(4.8)**	**(4.8)**

SUEZ and GDF SUEZ plans

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to the SUEZ and later GDF SUEZ stock option plans was €2.5 million.

In millions of euros		Weighted average fair value	(Expense) for the period 2012	(Expense) for the period 2011
SUEZ plan	01/17/2007	12.3 €	-	(0.2)
SUEZ plan	11/14/2007	15.0 €	-	(3.6)
GDF SUEZ plan	11/12/2008	9.3 €	(1.9)	(2.1)
GDF SUEZ plan	11/10/2009	6.0 €	(0.6)	(0.6)
TOTAL			**(2.5)**	**(6.5)**

21.1.4 Share Appreciation Rights (SARs)

In 2007, 2008 and 2009, U.S. employees were granted Share Appreciation Rights, an alternative arrangement to the SUEZ and later GDF SUEZ stock option plans. These rights had no material impact on the Group's financial statements.

21.2 Performance share plans

21.2.1 Arrangements and grants

SUEZ ENVIRONNEMENT COMPANY performance share plan of March 15, 2012

The Board of Directors, in its meeting of March 15, 2012 and in accordance with the authorization of the Shareholder's Meeting of May 20, 2010, granted 828,710 performance shares to 1,995 beneficiaries. The vesting period for these shares is from 2 to 4 years depending upon the country and the beneficiaries. The shares are also subject to a 2-year lock-in period in France and Belgium and to a 3-year lock-in period in Spain and Italy. Upon Management's proposal, no shares were granted to the Executive Committee.

These shares are conditional upon the following performance conditions:

For 889 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, contingent upon SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average performance of the CAC 40 and Eurostoxx Utilities indices for the period March 14, 2012 to March 13, 2015;
- a non-market condition based on cumulative net income from continuing operations from January 1, 2012 to December 31, 2014;
- a non-market condition based on the Group's EBITDA from January 1, 2012 to December 31, 2013.

For the other beneficiaries, all allocated shares are subject to a non-market performance condition, specifically the Group's EBITDA between January 1, 2012 and December 31, 2013.

The fair value of bonus share plans is estimated based on the share price on the grant date (i.e. €11.97), taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group achieving its internal performance conditions. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For shares subject to market performance conditions, market performance is measured using Monte Carlo simulations.

The following assumptions were applied:

- volatility of 24.5%;
- a 2-year risk-free rate of 0.74%, a 3-year risk-free rate of 1.14% and a 4-year risk-free rate of 1.56%;
- a normalized annual dividend of €0.65.

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

- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the CAC 40 index: 62%;
- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the Eurostoxx Utilities index: 54%;
- correlation between the CAC 40 and Eurostoxx Utilities indices: 69%;
- volatility of the Eurostoxx Utilities index: 21%;
- volatility of the CAC 40: 23%;
- index dividend rate: 3.5%.

The resulting fair value of the shares granted leads to a total expense of €6.9 million, recorded over the plan's duration.

Arrangements relating to plans prior to 2012 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

GDF SUEZ performance share plan of December 5, 2012

On December 5, 2012 the Board of Directors approved the grant of a total of 2,400 performance shares to Group employees. This plan is divided into two tranches:

- performance shares with a vesting period ending March 14, 2016, followed by a two-year holding period for vested shares;
- performance shares with a vesting period ending March 14, 2017, with no holding period requirement.

Each tranche is composed of instruments subject to different conditions:

- instrument subject to a single condition: performance shares subject to a single condition concerning the Total Shareholder Return ("TSR") on GDF SUEZ shares compared to that of companies in the Eurostoxx Utilities Eurozone index, as measured for the period from November 2012 to February 2016;
- instrument subject to a dual condition: performance shares subject to the TSR condition described above, and a condition regarding changes in Group's net recurring income for fiscal years 2014 and 2015.

The following assumptions were used to measure the fair value per share of this new plan:

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availibility (lock-in) (€/share)	Market performance condition	Fair value per share
12/5/2012	03/14/2016	03/14/2018	17.2 €	1.5 €	8.4%	-1.0 €	yes	7.2 €
12/5/2012	03/14/2016	03/14/2018	17.2 €	1.5 €	8.4%	-1.3 €	yes	9.2 €
12/5/2012	03/14/2017	03/14/2017	17.2 €	1.5 €	8.4%	-	yes	6.7 €
12/5/2012	03/14/2017	03/14/2017	17.2 €	1.5 €	8.4%	-	yes	9.0 €
WEIGHTED AVERAGE FAIR VALUE								**8.1 €**

The fair value of the shares granted resulted in a total cost which is insignificant for the year 2012 as it is when expensed over the life of the plan.

21.2.2 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been met in full, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end. In 2011, a profit of €4.7 million was recognized for the 2008 and 2009 GDF SUEZ performance share plans to cancel the expenses recognized in previous years. Volume reductions in 2012 due to the non-achievement of performance conditions are insignificant.

21.2.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

During the period, an expense of €4.8 million was recognized for the SUEZ ENVIRONNEMENT COMPANY performance share plans.

			(Expense) for the period	
	Number of shares granted	Weighted average fair value	2012	2011
December 2009	173,852	12.3 €	(0.3)	(0.8)
December 2010	829,080	11.6 €	(2.7)	(2.7)
March 2012	828,710	8.8 €	(1.8)	-
TOTAL			**(4.8)**	**(3.5)**

SUEZ and GDF SUEZ plans

During the period a charge of €0.3 million was recognized on performance share plans set up by SUEZ and subsequently GDF SUEZ.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2012	2011
June 2008	24,740	37.8 €	0.4	(0.1)
November 2008	357,034	28.5 €	(0.3)	4.0
November 2009	146,656	24.8 €	(0.4)	(1.0)
January 2010	9,660	18.6 €	-	(0.1)
December 2011	1,200	15.9 €	-	-
December 2012	2,400	7.2 €	-	-
TOTAL			**(0.3)**	**2.8**

For 2011, the €4.0 million income and €1.0 million expense recognized on the November 2008 and November 2009 plans include the reversal of a €4.7 million expense disclosed in Note 21.2.2.

21.3 Worldwide incentive scheme

21.3.1 Arrangements and grant

GDF SUEZ bonus share plan of October 30, 2012

On October 30, 2012 the Board of Directors of GDF SUEZ approved a worldwide financial incentive scheme for Group employees for 2012. The plan provides for the bonus allocation of 15 GDF SUEZ shares to each employee of the SUEZ ENVIRONNEMENT Group, subject to the following conditions:

- a vesting period of three years (France, Italy, Spain) or four years (all other countries);
- a continuous service condition (except in cases of retirement, death or disability) within the Group on June 30, 2015 (France, Italy, Spain) or June 30, 2016 (all other countries);
- a mandatory holding period of two years from the vesting date (June 23, 2015) for employees in France, Italy and Spain.

Arrangements relating to plans prior to 2012 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

21.3.2 Fair value of allocated shares

The fair value of the shares allocated has been calculated using the method described in Note 1 to the consolidated financial statements as of December 31, 2012, section 1.6.14. The following assumptions were used to measure the fair value per share of the new plans granted in 2012.

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availibility (lock-in) (€/ share)	Market performance condition	Fair value per share
10/30/2012	11/01/2015	11/01/2017	17.7 €	1.5 €	8.4%	-1.5 €	no	11.7 €
10/30/2012	11/01/2016	11/01/2016	17.7 €	1.5 €	8.4%	-	no	11.8 €
WEIGHTED AVERAGE FAIR VALUE								**11.7 €**

21.3.3 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been met in full, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end. There was no reduction in volume due to failure to achieve performance conditions in 2012.

21.3.4 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

During the period, an expense of €2.0 million was recognized for the SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2012	2011
June 2009	2,040,810	9.6 €	(2.0)	(4.6)
TOTAL			**(2.0)**	**(4.6)**

SUEZ and GDF SUEZ plans

During the period, an expense of €8.3 million was recognized for the SUEZ and GDF SUEZ worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2012	2011
July 2007	838,684	37.8 €	-	(1.9)
June 2008	928,725	39.0 €	(1.1)	(2.5)
July 2009	544,216	19.7 €	(1.1)	(2.5)
June 2011	749,655	19.9 €	(5.5)	(2.9)
October 2012	1,140,525	11.7 €	(0.6)	-
TOTAL			**(8.3)**	**(9.8)**

21.4 Employee share issues

				(Expense) for the period	
			Note	2012	2011
Plan SUEZ ENVIRONNEMENT Sharing 2011	Share issue and matching shares in France	December 2011	21.4.1.1	-	(1.6)
Plan SUEZ ENVIRONNEMENT Sharing 2011	Share Incentive Plan	December 2011	21.4.1.2	-	(0.1)
Plan SUEZ ENVIRONNEMENT Sharing 2011	Share Appreciation Rights	December 2011	21.4.1.4	(0.2)	-
Plan SUEZ ENVIRONNEMENT Sharing 2011	Matching shares – International	December 2011	21.4.1.3	(0.1)	-
Plan GDF SUEZ Link 2010	Share issue and matching shares in France	August 2010	-	-	-
Plan SUEZ Spring 2007	Matching shares – International	August 2007	21.4.2.1	(0.2)	(0.3)
Plan GDF SUEZ Link 2010	Matching shares – International	August 2010	21.4.2.1	(0.2)	(0.2)
Plan GDF SUEZ Link 2010	Share Appreciation Rights	August 2010	21.4.2.2	-	(0.1)
Plan SUEZ Spring 2007	Share Appreciation Rights	August 2007	21.4.2.2	(0.2)	(0.1)
TOTAL				**(0.9)**	**(2.4)**

There was no employee share issue in 2012. The only impacts on 2012 income linked to employee share issues came from SARs and the amortization of international matching contributions for the Spring 2007, LINK 2010 and Sharing 2011 plans. A €0.9 million expense was recognized on the year (€1 million including hedging by warrants).

In 2011, the accounting impact of employee share issues was €2.4 million, including €1.7 million for the Sharing 2011 plan.

As of December 31, 2012, the fair values of the liabilities relating to the LINK 2010 and Sharing 2011 plans were €0.2 million each. The Spring 2007 plan matured on August 23, 2012.

21.4.1 Sharing 2011

In 2011, SUEZ ENVIRONNEMENT launched its first global employee shareholding plan, called Sharing. Two formulas were offered:

- a "Classic" formula, which includes a discount and employer contribution and in which the subscriber is exposed to movements in the share price. In France, employees benefited from matching shares as part of the company savings plan. Outside France, the matching shares took the form of a bonus share allocation. In the United Kingdom, a Share Incentive plan (SIP) was implemented as an alternative. It allowed employees to subscribe at the lowest share price between the share price measured on October 3, 2011 and the one measured on December 7, 2011 while benefiting from matching shares as well;
- a "Multiple" formula, which allows employees to benefit from a leverage effect to supplement their personal contribution as well as a discounted subscription price. A swap agreement with the bank that structures the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed minimum return. In the United States and Sweden, the Multiple plan was adapted to local laws and Share Appreciation Rights were granted as an alternative.

The number of matching shares offered under the Classic plan was calculated as follows:

- for the first 15 shares subscribed, the employer contribution was one free matching share for each share subscribed;
- from the 16th share subscribed, the employer contribution was one free matching share for each two shares subscribed;
- the employer contribution is capped at a maximum of 30 matching shares for 45 shares subscribed.

This plan is mainly amortized over a five-year period and generated a book expense of €0.3 million for the Group in 2012.

21.4.2 Spring and Link plans

SUEZ ENVIRONNEMENT employees benefited from the Spring 2007 plan set up by SUEZ and the Link 2010 plan set up by GDF SUEZ. These two plans allowed employees to subscribe to SUEZ and GDF SUEZ shares in the form of a Classic arrangement with a discount and matching shares and a Multiple arrangement with a discount and leverage effect.

The two plans are amortized over a five-year period and generated a book expense of €0.6 million for the Group in 2012.

The arrangements relating to these plans are described in more detail in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

NOTE 22 Related-party transactions

The purpose of this Note is to present material transactions between the Group and its related parties as defined by IAS 24.

Compensation for key executives is disclosed under Note 23 – "Executive compensation". The main subsidiaries (fully consolidated companies) are listed under Note 26 – "List of the main consolidated companies at December 31, 2012". Only material transactions are described below.

22.1 Transactions with GDF SUEZ and related entities

In millions of euros	December 31, 2012	December 31, 2011
Transactions with GDF SUEZ:		
Purchases/sales of goods and services	(15.2)	(10.6)
Non financial payables	22.7	13.9
Non financial receivables	1.9	2.2
Receivables carried at amortized cost [(a)]	24.7	27.1
Guarantees and commitments given	-	10.2
Transactions with companies linked to GDF SUEZ:		
Purchases/sales of goods and services	(10.8)	(7.3)
Financial income	10.7	13.8
Financial expenses	(12.4)	(15.3)
Non financial receivables	37.2	31.1
Non financial payables	1.7	2.3
Borrowings excluding financial instruments	144.0	148.2
Commodity derivatives (Liabilities)	0.5	-
Outstanding accrued interest	-	-
Net cash	14.0	8.8
Guarantees and commitments given	21.6	19.5
Guarantees and commitments received	-	0.1

(a) Refer to Note 2.2.1 of the section 20 of the 2009 Reference Document – Synthetic Argentinean contract.

The guarantees given in 2011 by the Group for €10.2 million correspond to counter-guarantees granted to GDF SUEZ as part of guarantees given by the latter to banks' lending to Hungariavitz. These guarantees were released in June 2012 following the repayment of the loans concerned and prior to the sale by SUEZ ENVIRONNEMENT of its share in Budapest Water Works, the Budapest water company, held *via* Hungariavitz (see Note 2, Major Transactions).

22.2 Transactions with joint ventures and associates

22.2.1 Joint ventures

In 2012, the main transactions involving joint ventures chiefly corresponded to technical services performed within Degrémont, particularly concerning the Mexican BOT contracts (for €9 million, Group share).

At December 31, 2012, the Group also held a €265 million loan to SFWD (including €22 million repaid in 2012). SFWD is a company proportionately consolidated at 50%. The "non-Group" share of €133 million was recognized under assets on the Group's consolidated statement of financial position.

The Group also has a €286 million current account in the joint venture responsible for the construction of the seawater desalination plant near Melbourne. This joint venture is proportionately consolidated at 35%. The non-Group share of €186 million was recognized under assets in the Group's consolidated statement of financial position.

22.2.2 Associates

There were no significant transactions or commitments involving associates in 2012 or 2011.

NOTE 23 Executive compensation

The Group's key executives were the eight members of the Management Committee at December 31, 2012 (see section 14.1.3. of this Reference Document).

Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2012	Dec. 31, 2011
Short-term benefits	4.7	5.4
Post-employment benefit*	1.3	0.9
Share-based payments	1.1	1.6
TOTAL	**7.1**	**7.9**

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

NOTE 24 Legal and arbitration proceedings

The litigation and arbitration proceedings presented below are recognized under liabilities or presented for information purposes. Beyond the litigation presented below for information purposes, the Group has not identified any other material liabilities, and the likelihood of an expenditure within the context of its commitments is considered low.

24.1 Competition and industry concentration

Inspections conducted by the European Commission

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

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the Fédération Professionnelle des Entreprises de l'Eau (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

The launch of this inquiry in no way prejudges the outcome of the investigation.

This inquiry was still pending at the beginning of 2013.

24.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €208.8 million as of December 31, 2012 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of that is suspended or with which it is threatened, likely to have or that has already had, in the past 12 months, a material impact on the Group's financial position or profitability.

Société des Eaux du Nord

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

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as provided in the contract. This commission was chaired by Mr. Michel Camdessus, former Managing Director of the International Monetary Fund, who rendered his conclusions on March 30, 2010.

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

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

These appeals were heard for examination by the Trial Court on January 29, 2013. The decision is expected to be delivered within two months.

Litigations in Argentina

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

In 2003, Suez – now GDF SUEZ – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and hearings for both disputes were held in 2007. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about US$40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid US$6.1 million and US$3.8 million respectively.

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

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

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

A preliminary report from the expert was presented to the ICSID at the end of 2012.

United Water (New York State, United States)

In March 2008, certain residents on the banks of the Hackensack River in Rockland County (New York State) filed a claim for a total amount of US$66 million (subsequently raised to US$130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

These residents are claiming faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rainwater drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, are claiming compensatory damages and interest from United Water in the amount of US$65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

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

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents. It was then definitively dismissed on May 31, 2011.

The claim for compensatory damages and interest was dismissed on October 12, 2012 by the Supreme Court of Rockland County. The residents filed an appeal against this last decision, which was rejected on January 30, 2013. The residents may ultimately appeal against the decision of October 12, 2012 until February 21, 2013.

This claim has been reported to the insurance companies.

United Water (Indiana, United States)

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

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

Following these investigations, the DOJ challenged the procedures used to take samples of effluents prior to discharge. The DOJ's claim was completely rejected by United Water.

Moreover, the DOJ found no environmental damage and no intention on the part of United Water to circumvent the applicable regulations.

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

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

By a decision rendered on November 9, 2012 by a federal jury, United Water Services Inc, as well as the two employees charged were pronounded not guilty of the charges held against them by the DOJ.

The decision is not subject to appeal.

Sita Australia

In November 2008, residents of Brookland Greens Estate, located in the suburbs of the city of Casey, State of Victoria, Australia, filed a class action before the State Supreme Court of Victoria against the city of Casey.

Biogas (a mixture of methane and carbon dioxide) produced by the Stevensons Road landfill – which belongs to the city – had allegedly migrated through the soil and was threatening residences built in the vicinity. The plaintiffs claimed a loss of value in their homes, and requested that the competent jurisdiction determine the amount of damages.

In April 2009, the city of Casey called on Sita Australia to guarantee the services it provided between 2003 and 2007 in relation to the closure and capping of the landfill.

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

After various mediation attemps between 2009 and 2011, a settlement agreement dated May 23, 2011 between the residents and the City of Casey ended the class action and the City was subrogated to the rights of the residents.

The dispute was supposed to have been heard by the State Supreme Court of Victoria during the first half of 2012. A new mediation organized in February 2012 resulted in significant concessions from the plaintiffs, thus allowing for a settlement agreement among all parties that ended the dispute .The compensation payable by Sita Australia was paid in full by the insurance company.

Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The plant consists of three production lines with a total capacity of 450,000 m³ of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provided for the progressive commissioning of desalinated water as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

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

The impact of the above events on the contractual timeline pushed back the projected dates for commissioning and final delivery by several months.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture.

An additional expense was booked in the financial statements, as detailed in Note 2 to the consolidated financial statements as at December 31, 2012.

On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the earlier of the final delivery of the plant or February 28, 2013 on the one hand, and to allow the submission and pursuit of claims against the State of Victoria on the other hand.

As the final delivery of the plant was made on December 17, 2012, the parties decided to prorogate the effects of the standstill until February 28, 2013.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe, however, that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them. A first compensation claim has been lodged on January 30, 2013, by Aquasure with the Victoria's State regarding the impacts of extraordinary climatic problems during the project completion.

24.3 Tax litigations

Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

In court, the company challenged these notices, which were, for each period in question, justified with similar arguments by the tax authorities. Agbar considers the tax authorities' arguments groundless.

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar is entitled to request the repayment of approximately €4 million in taxes wrongly levied as well as the corresponding late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, the Court of Appeals held in favor of Agbar in the amount of €20 million, thereby reducing the initial claim from €41 million to €21 million. Agbar subsequently filed an appeal with the Supreme Court to recover the remaining €21 million. The Spanish government also appealed the ruling in favor of Agbar.

On October 25, 2012, Agbar was given the ruling of the Supreme Court, validating what had been decided by the Court of Appeals.

The ruling of the Supreme Court is final and enforceable; this will imply a €21 million payment, plus interest, for a maximum estimated amount of €29 million, that has been provisioned in full. The ruling should be enforced during the first half of 2013.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012 the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeals regarding the other elements for which the Administrative Court has not held in favor of Agbar.

NOTE 25 Subsequent events

There is no significant subsequent event.

NOTE 26 List of the main consolidated companies at December 31, 2012 and 2011

The aim of this Note is to present the list of entities covering 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

		% interest		% control		Consolidation methods	
Names	Headquarters address	Dec. 2012	Dec. 2011	Dec. 2012	Dec. 2011	Dec. 2012	Dec. 2011
SUEZ ENVIRONNEMENT COMPANY	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100.0	100.0	100.0	100.0	IG	IG
	WATER EUROPE						
LYONNAISE DES EAUX France	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100.0	100.0	100.0	100.0	IG	IG
EAU ET FORCE	300, rue Paul Vaillant Couturier BP 712 92007 Nanterre – France	100.0	100.0	100.0	100.0	IG	IG
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille – France	99.2	99.1	99.2	99.1	IG	IG
SOCIETE DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC)	5-7 Rue Pierre Lescot 78000 Versailles – France	100.0	100.0	100.0	100.0	IG	IG
HISUSA	Torre Agbar – Av.Diagonal, 211 08018 Barcelona – Espagne	75.7	75.7	75.7	75.7	IG	IG
AGBAR	Torre Agbar – Av.Diagonal, 211 08018 Barcelona – Espagne	75.4	75.4	99.5	99.5	IG	IG
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago – Chili	21.4	21.4	50.1	50.1	IG	IG
UTILITY SERVICES CO, Inc	P.O. Box 1350 – 535 Courtney Hodges Blvd. – Perry, Georgia 31069 – Etats-Unis	100.0	100.0	100.0	100.0	IG	IG
	WASTE EUROPE						
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES, Royaume-Uni	100.0	100.0	100.0	100.0	IG	IG
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999 Köln, Allemagne	100.0	100.0	100.0	100.0	IG	IG
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbus 7009, NL – 6801 HA Arnhem, Pays-Bas	100.0	100.0	100.0	100.0	IG	IG
SITA FRANCE	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	99.9	99.9	99.9	99.9	IG	IG
SITA BELGIUM	5 Avenue de la Metrologie 1130 Haren – Belgique	100.0	100.0	100.0	100.0	IG	IG
SOCALUX	Lamesch SA – ZI Wolser Nord BP 75 – L-3201 Bettembourg – Luxembourg	100.0	100.0	100.0	100.0	IG	IG
SITA SVERIGE AB.	Kungsgardsleden – 26271 Angelholm – Suède	100.0	100.0	100.0	100.0	IG	IG
SITA FINLAND OY AB	Sahaajankatu 49 – 00880 Helsinki – Finlande	100.0	100.0	100.0	100.0	IG	IG
	INTERNATIONAL						
SITA WASTE SERVICES	2801 Island Place Tower – 510 King's Road – North Point – Hong-Kong	100.0	100.0	100.0	100.0	IG	IG
SITA AUSTRALIA	PO Box 160, Kemps Creek NSW 2171 – Australie	60.0	60.0	60.0	60.0	IG	IG
SITA CZ	Konevova, 1107/54 – 130 00 Praha 3 – République Tchèque	100.0	100.0	100.0	100.0	IG	IG

Names	Headquarters address	% interest		% control		Consolidation methods	
		Dec. 2012	Dec. 2011	Dec. 2012	Dec. 2011	Dec. 2012	Dec. 2011
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey – Etats-Unis	100.0	100.0	100.0	100.0	IG	IG
MACAO WATER	718 avenida do Conselheiro Borja Macao Via – Macao – Chine	42.5	42.5	Conso-lidated via SFH	Conso-lidated via SFH	IP	IP
DEGREMONT	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100.0	100.0	100.0	100.0	IG	IG
ONDEO INDUSTRIAL SOLUTIONS	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100.0	100.0	100.0	100.0	IG	IG
LYDEC	48, Boulevard Mohamed Diouri, Casablanca – Maroc	51.0	51.0	51.0	51.0	IG	IG
SINO FRENCH HOLDING (SFH)	New World Tower 29/f 16-18 Queensroad Central – Hong Kong	50.0	50.0	50.0	50.0	IP	IP
PT PAM LYONNAISE JAYA	Central Senayan 1, 7th floor Jl. Asia Afrika n°8 – 10270 Jakarta – Indonésie	51.0	51.0	51.0	51.0	IG	IG
SE POLSKA	Ul. Kopernika, 17, 02359 Warszawa – Pologne	100.0	100.0	100.0	100.0	IG	IG
OTHER							
SUEZ ENVIRONNEMENT SAS	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100.0	100.0	100.0	100.0	IG	IG

NOTE 27 Fees of the statutory auditors and members of their networks

The accounting firms Ernst & Young and Mazars act as statutory auditors for the SUEZ ENVIRONNEMENT Group. Information on fees paid to the statutory auditors and members of their networks is provided in accordance with Decree 2008-1487.

	Ernst & Young				Mazars			
	Amount		%		Amount		%	
In thousands of euros	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
Statutory audits, attest engagements review of individual and consolidated accounts								
SUEZ ENVIRONNEMENT COMPANY SA	680	694	7.1%	7.4%	565	630	13.4%	16.5%
Fully and proportionately consolidated subsidiaries	6,967	6,967	72.8%	74.3%	3,333	2,952	78.6%	77.0%
Other audit procedures and incidental assigments in relation to Auditor's engagement to the statutory auditor's mission								
SUEZ ENVIRONNEMENT COMPANY SA	126	161	1.3%	1.7%	179	-	4.2%	0.0%
Fully and proportionately consolidated subsidiaries	1,319	1,363	13.8%	14.5%	160	90	3.7%	2.3%
Sub-total	**9,092**	**9,185**	**95.0%**	**97.9%**	**4,237**	**3,672**	**99.8%**	**95.8%**
Other Services								
Tax	376	198	4.2%	2.1%	6	17	0.2%	0.5%
Others	88	3	0.8%	0.0%	-	143	-	3.7%
Sub-total	**464**	**201**	**5.0%**	**2.1%**	**6**	**160**	**0.2%**	**4.2%**
TOTAL [(a)]	**9,556**	**9,386**	**100.0%**	**100.0%**	**4,243**	**3,832**	**100.0%**	**100.0%**

(a) The amounts relating to the entities consolidated proportionately, which largely involved tasks assigned to the statutory auditors, totaled €203,000 in 2012 (€143,000 in 2011). These fees were paid in full to Ernst & Young.

20.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in Note 1.2.1 to the consolidated financial statements, which outlines, for the SUEZ ENVIRONNEMENT COMPANY Group, the impact resulting from the mandatory application of new amendments on the annual financial statements starting January 1, 2012.

II. Justification of our assessments

Accounting estimates

The accounting estimates used for the establishment of the financial statements have been prepared in a context of high volatility of the markets and of financial crisis in the Euro zone whose consequences make difficult to forecast economical mid –term perspectives. In this context, described in Note 1.5 to the consolidated financial statements and in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*), we carried out our own assessments and we bring to your attention the following matters:

- as disclosed in Note 1.5.1 to the consolidated financial statements, SUEZ ENVIRONNEMENT COMPANY Group is required to make estimates and assumptions in order to prepare its financial statements. This Note also specifies that the future results of the related operations could be different from these estimates according to different assumptions or situations. These significant accounting estimates relate to the fair valuation of assets acquired and liabilities assumed within a business combination, the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets, provisions, capital renewal and replacement liabilities, financial instruments, revenues generated but not metered (as in "meters not read"), margin at termination on construction contracts and the assessment of the tax loss carry forwards recognized as deferred tax assets;
- in respect of assets acquired and liabilities assumed within a business combination, we have examined data and assumptions allowing their fair valuation and reviewed the correct adjustment of the goodwill accounted for at the acquisition date. We have also verified that Note 9 to the consolidated financial statements provides appropriate information;
- in respect of the recoverable amount of goodwill, property, plant and equipment and intangible assets, we have examined the methods adopted to perform impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by the group and verified that notes 1, 5, 9, 10 and 11 to the consolidated financial statements provide appropriate information;

- as regards provisions, and particularly provisions for site rehabilitation, litigation, retirement and other employee benefits, we have assessed the bases on which these provisions have been established and verified that notes 15, 16 and 24 to the consolidated financial statements provide appropriate information;
- in respect of capital renewal and replacement liabilities, we have assessed the bases on which they have been established and verified that Note 20 to the consolidated financial statements provides appropriate information.
- as regards financial instruments, we have examined data and assumptions used for the valuation models allowing the fair valuation of non-listed financial instruments and verified that notes 12 and 13 to the consolidated financial statements provide appropriate information;
- in respect of sales of water metered during the accounting period, the group prepares an estimate of the revenues based on historical data of consumption as well as the estimated selling price. Our work consisted in examining the data and assumptions used to calculate these estimates and verifying that Note 1 to the consolidated financial statements provides appropriate information;
- as regards margin at termination on construction contracts, our work consisted in examining the relating processes put in place by the group, assessing the data and assumptions on which are based the kept estimations and verifying that notes 1, 2, 17 and 24 to the consolidated financial statements provide appropriate information;
- as regards the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and in assessing the assumptions underlying the forecasts of taxable profits and the relating use of tax loss carry-forwards. We have also verified that notes 1 and 7 to the consolidated financial statements provide appropriate information.

In the course of our assessments, we verified the reasonableness of these estimates.

Restatement of comparative information

Note 1.3 to the consolidated financial statements outlines the impact of the correction of error relating to the margin calculation of the maintenance activity of water towers and the restatement of comparative information for the year ended December 31, 2011 conducted in application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". We examined the elements relating to this restatement and verified the appropriateness of the disclosures provided.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 14, 2013

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

20.3 PARENT COMPANY FINANCIAL STATEMENTS

20.3.1 Balance sheet assets

In thousands of euros		Note	Dec. 31, 2012 Gross	Dec. 31, 2012 Amortization and depreciation	Dec. 31, 2012 Net	Dec. 31, 2011 Net
NON-CURRENT ASSETS						
Equity investments		Note 1	6,157,390.3	-	6,157,390.3	6,157,390.3
Receivables related to equity investments		Note 2	5,216,905.7	-	5,216,905.7	5,211,605.1
Other financial assets		Note 2	23,181.7	-	23,181.7	1,480.8
Financial assets		Note 1	**11,397,477.6**	**-**	**11,397,477.6**	**11,370,476.2**
NON-CURRENT ASSETS	I		**11,397,477.6**	**-**	**11,397,477.6**	**11,370,476.2**
CURRENT ASSETS						
Advances and downpayments on orders		Note 2	**5.3**	**-**	**5.3**	**13.6**
Trade and related receivables		Note 2	151.2	-	151.2	22.1
Other receivables		Note 2	97,350.9	-	97,350.9	116,909.2
SUEZ ENVIRONNEMENT SAS current account		Note 2	523,031.0	-	523,031.0	236,992.7
Accrued income from cash instruments		Note 2	63,530.8	-	63,530.8	57,481.5
Receivables			**684,064.0**	**-**	**684,064.0**	**411,405.5**
Cash and cash equivalents			658,613.5	-	658,613.5	646,335.8
Marketable securities		Note 3	15,460.0	-	15,460.0	135,602.4
Cash, cash equivalents & short-term securities			**674,073.5**	**-**	**674,073.5**	**781,938.2**
Accruals		Note 4	**76,466.8**	**-**	**76,466.8**	**46,978.1**
Bond redemption premiums			**14,216.7**		**14,216.7**	**15,907.5**
CURRENT ASSETS	II		**1,448,826.4**	**-**	**1,448,826.4**	**1,256,242.9**
UNREALIZED FOREIGN EXCHANGE LOSSES	III	Note 9	**16,748.4**	**-**	**16,748.4**	**8,663.7**
TOTAL ASSETS	(I+II+III)		**12,863,052.4**	**-**	**12,863,052.4**	**12,635,382.8**

20.3.2 Balance sheet liabilities

In thousands of euros		Note	Dec. 31, 2012	Dec. 31, 2011
SHAREHOLDERS' EQUITY				
Share capital			2,040,935.3	2,040,935.3
Additional paid-in capital			4,147,187.4	4,147,187.4
Legal reserve			204,093.5	204,093.5
Other reserves			3,488.8	2,684.8
Retained earnings			154,213.0	173,688.2
Net income for the period			165,090.7	312,176.8
Shareholders' equity	I	Note 5	**6,715,008.7**	**6,880,766.1**
PROVISIONS FOR CONTINGENCIES AND LOSSES				
Provisions for contingencies			16,748.4	8,663.7
Provisions for losses			22,891.5	16,093.9
Provisions for contingencies and losses	II	Note 6	**39,639.9**	**24,757.6**
DEBT & PAYABLES				
Bonds			4,499,192.7	4,434,230.0
Bank borrowings			665,636.9	416,750.5
Undated deeply subordinated notes			759,904.1	759,840.8
Current accounts and borrowings from subsidiaries			110,591.7	79,619.1
Financial Debt		Note 7 and 8	**6,035,325.4**	**5,690,440.4**
Trade and related payables			3,558.1	5,843.1
Tax and employee related debt			593.5	597.4
Accrued expenses on cash instruments			14,568.9	15,944.3
Other debt			848.4	770.8
Operating payables			**19,569.0**	**23,155.7**
DEBT & PAYABLES	III		**6,054,894.4**	**5,713,596.1**
Deferred Income	IV	Note 4	**38,421.0**	**8,040.0**
Unrealized Foreign Exchange Gains	V	Note 9	**15,088.5**	**8,223.1**
TOTAL LIABILITIES	(I+II+III+IV+V)		**12,863,052.4**	**12,635,382.8**

20.3.3 Income statement

In thousands of euros		Note	Dec. 31, 2012	Dec. 31, 2011
Other revenue		Note 10	5,416.0	4,356.9
Net revenue			**5,416.0**	**4,356.9**
Reversal of provisions for stock options and bonus shares		Note 11	631.1	9,485.7
Reversals of depreciation, provisions and transferred expenses		Note 11	2,587.8	11,969.5
Others			0.0	3.2
Operating income			**8,634.9**	**25,815.3**
Other purchases and external expenses			(18,532.6)	(29,222.7)
Taxes and similar			(3,890.7)	(4,790.8)
Wages and salaries			(1,394.3)	(1,680.9)
Payroll taxes			(417.1)	(816.0)
Allocation to provisions for stock options and bonus shares		Note 6	(6,321.2)	(3,456.0)
Allocation to provisions			(10,594.1)	(8,470.4)
Other operating expenses			(410.5)	(448.9)
Operating expenses			**(41,560.5)**	**(48,885.7)**
NET OPERATING INCOME	I		**(32,925.6)**	**(23,070.5)**
Financial income from equity investments			100,743.3	230,870.1
Other financial income			227,574.5	213,196.7
Other interest and similar income			119,852.9	119,269.5
Gain on disposal of marketable securities			0.0	346.0
Reversals of provisions and transferred expenses			28,981.4	23,416.3
Foreign exchange gains			12,097.3	7,845.9
Financial income			**489,249.4**	**594,944.4**
Interest and similar expense			(348,656.4)	(324,621.8)
Allocation to amortization and provisions			(18,439.2)	(16,375.5)
Foreign exchange losses			(10,903.3)	(10,532.1)
Financial expenses			**(377,998.9)**	**(351,529.4)**
NET FINANCIAL INCOME	II	Note 12	**111,250.5**	**243,415.0**
CURRENT INCOME BEFORE TAX	III=I+II		**78,324.9**	**220,344.6**
Non-recurring gains from financial transactions			2,099.6	1,667.5
Reversals of provisions and transferred expenses			0.0	260.8
Non-recurring gains			**2,099.6**	**1,928.4**
Non-recurring expenses from operations			(7.0)	(13.4)
Non-recurring expenses on financial transactions			(8,161.4)	(19,564.8)
Non-recurring expenses			(8,168.4)	(19,578.2)
NON-RECURRING PROFIT (LOSS)	IV	Note 13	**(6,068.9)**	**(17,649.8)**
INCOME TAX (TAX CONSOLIDATION)	V	Note 14	**92,834.6**	**109,482.1**
NET INCOME	III+IV+V		**165,090.7**	**312,176.8**

20.3.4 Cash flow statement

In thousands of euros	Dec. 31, 2012	Dec. 31, 2011
Net income	165,090.7	312,176.8
Net depreciation, amortization and provisions	14,882.3	301.3
Gross cash flow	179,973.0	312,478.1
Change in working capital requirements	40,774.1	(28,486.4)
Net cash flow generated from operating activities	**220,747.1**	**283,991.7**
Change in receivables related to equity investments	521.3	(4,788,286.7)
Change in other financial assets and accrued interest on bank overdrafts / term deposit	(21,937.7)	23,127.8
Net cash flow generated from investing activities	**(21,416.4)**	**(4,765,158.9)**
Dividends paid	(330,848.1)	(318,304.4)
Increase in share capital	0.0	82,139.1
Increase in capital premiums and reserves	0.0	157,003.8
Shares buy-back [(a)]	20,128.0	(14.2)
Change in current accounts	(286,038.3)	4,308,266.3
Bond issues	58,700.0	802,380.1
Change in other financial debt [(a)]	100,014.4	(211,854.6)
Purchase/Sale of marketable securities	0.0	206,226.6
Accrued interest and premiums	1,867.7	(12,881.4)
Net cash flow generated from financing activities	**(436,176.3)**	**5,012,961.4**
NET CHANGE IN CASH POSITIONS	**(236,845.6)**	**531,794.2**
Net cash at beginning of period	**229,771.6**	**(302,022.6)**
Net cash at end of period	**(7,074.1)**	**229,771.6**

(a) *The amount of €100 million for the purchase of certificates of deposit in 2011 has been reclassified from "Purchase of treasury shares" to "Change in other financial debt" in the 2011 figures included for comparison. This reclassification has no impact on the 2012 financial statements and is intended to improve comparability between reporting periods.*

The change in current accounts in 2012 corresponds to SUEZ ENVIRONNEMENT SAS financing to fund its subsidiaries.

20.3.5 Significant events in the year

Bond issues

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer relating to its bond maturing in 2014, issued in 2009 and bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed.

On the same day, SUEZ ENVIRONNEMENT COMPANY further extended for €250 million the 10-year bond tranche maturing June 24, 2022 and bearing a fixed coupon of 4.125%.

20.3.6 Accounting principles and policies

The 2012 Parent Company financial statements are presented in euros in accordance with the General Accounting Standards set out in the Plan Comptable Général (PCG) per regulation No. 99-03 of the French Accounting Regulatory Committee (*Comité de Réglementation Comptable*, or CRC), and the measurement methods described below.

Financial transactions relating to equity investments and related receivables, particularly amortization and amortization reversals, have been included under non-recurring items instead of financial income. Pursuant to Article 120-2 of the national chart of accounts, SUEZ ENVIRONNEMENT COMPANY (SEC) considers that this classification, which diverges from the PCG, better reflects the

income statement situation, as it groups under non-recurring income all income components relating to equity holdings along with capital gains and losses on disposals.

The fiscal year spans a 12-month period from January 1 to December 31, 2012.

The SUEZ ENVIRONNEMENT COMPANY financial statements are fully consolidated within the consolidated financial statements of the GDF SUEZ Group (1 & 2, Place Samuel de Champlain, 92930 Paris-La Défense Cedex, France).

Financial assets

EQUITY INVESTMENTS

Equity investments represent long-term investments providing the Company with control or significant influence over the issuer, or helping it to establish business relations with the issuer.

New investments are recognized at their acquisition cost plus directly related external incidental expenses.

In line with Article 21 of the 2007 French Finance law, which changes the taxation of the acquisition costs of equity investments, and based on CNC (Conseil National de la Comptabilité) Recommendation 2007-C, SUEZ ENVIRONNEMENT COMPANY recognizes the tax on equity-investment acquisition cost on a staggered basis over five years in an accelerated tax depreciation/amortization account.

Investments that SUEZ ENVIRONNEMENT COMPANY intends to hold on a long-term basis are written down if value in use falls below cost. Value in use is assessed by reference to the intrinsic value, yield value, expected cash flow, stock market price and any foreign currency hedge.

Investments that SUEZ ENVIRONNEMENT COMPANY has decided to sell are written down if their book value is lower than their market price. If sale negotiations are ongoing, the best estimate is used to determine the sale price.

RECEIVABLES RELATED TO EQUITY INVESTMENTS

These are loans granted to companies in which SUEZ ENVIRONNEMENT COMPANY holds equity.

Related receivables are recognized at their face amount. Receivables denominated in a foreign currency are reported using the exchange rate prevailing at period-end. In line with the treatment adopted for equity investments, related receivables are written down if the associated risk is higher than the value of the shares and if the shares have already been depreciated.

OTHER FINANCIAL ASSETS

These mainly include mutual funds held by SUEZ ENVIRONNEMENT COMPANY under a liquidity contract. A provision may be established based on the criteria used for equity investments as described above.

Receivables

Receivables reported within current assets are carried on the balance sheet at their face amount, with non-payment risk analyzed on a case-by-case basis. Bad debts are depreciated in an amount reflecting the risk incurred.

Treasury shares

SUEZ ENVIRONNEMENT COMPANY shares are recognized on the date of delivery, at acquisition cost excluding transaction fees.

Shares intended to be held on a long-term basis, for cancellation or trading purposes, are recognized under financial assets.

Shares acquired as part of buy-back programs or a liquidity contract[1] are reported under short-term marketable securities. Shares held as part of stock option and bonus share plans are part of such programs and are therefore also shown under marketable securities.

Upon disposal, the cost price of the shares is established by allocation category using the First In, First Out (FIFO) method.

If the market value of SUEZ ENVIRONNEMENT COMPANY shares classified as marketable securities is lower than their acquisition cost, an amortization equal to the amount of that difference is recognized in financial income (under liquidity contract).

Regarding SUEZ ENVIRONNEMENT COMPANY shares assigned to stock option plans:

- if they relate to an unexercisable plan (where the market price is lower than the strike price) the depreciation posted to financial provisions under operating income is measured in terms of the average price of all the plans involved;
- if they relate to an exercisable plan (where the market price is higher than the strike price) a provision for expenses is posted to provisions for stock options and bonus shares, under operating income.

(1) SUEZ ENVIRONNEMENT COMPANY has signed a liquidity contract with an investment services provider. The provider's contractual role is to intervene in the market on a daily basis, buying and selling SUEZ ENVIRONNEMENT COMPANY shares, in order to maintain liquidity and to stimulate the market for Company shares on the Paris Stock Exchange. The amounts paid to this provider are reported under other financial assets.

As part of the stock option plans, and as an alternative to holding shares assigned to these plans, SUEZ ENVIRONNEMENT COMPANY may acquire instruments that can be settled in shares. These instruments consist of call options subscribed when setting up the plan, or after that date up to the end of the vesting period.

A provision is set aside for stock option plans when at the end of the reporting period, the share price exceeds the strike price of the call options granted. The provision is recorded on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the acquisition value of the shares less the strike price paid by employees. This provision is recognized in provisions for expenses.

Where SUEZ ENVIRONNEMENT COMPANY is hedged by call options, the provision includes the premium paid.

Marketable securities excluding treasury shares

Securities held for trading are recognized at their acquisition price. If the closing market price is less than their book value, an amortization is recognized for the difference. In the case of listed securities, their market value is measured at the average closing price in the settlement month.

Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their equivalent value in euros at the transaction date.

Foreign currency receivables, payables and cash and cash equivalents are translated at the exchange rate prevailing at period-end. Foreign exchange gains and losses are posted to income when they relate to cash and cash equivalents, or to the balance sheet under "Unrealized foreign exchange gains and losses" when they relate to receivables and payables. Unrealized losses are provisioned.

Provisions for contingencies and losses

Pursuant to CRC Regulation 2000-06 on liabilities, provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

PROVISION FOR BONUS SHARES TO EMPLOYEES

Pursuant to CRC Regulation 2008-15 of December 4, 2008, a provision is set aside for bonus share grants on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the carrying amount of the treasury shares awarded without consideration to employees. This provision is recognized in "Provisions for contingencies" and has an impact on the Company's operating income.

PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

In accordance with the benchmark treatment prescribed by the Conseil National de la Comptabilité (CNC), a provision is recognized in the Parent Company financial statements for pensions and other employee benefit obligations under defined benefit plans.

The Company's obligations regarding pensions, early retirement payments, retirement bonuses and other plans are assessed on an actuarial basis using mortality and employee turnover assumptions, salary projections and a discount rate based on the investment-grade corporate bond yield at the measurement date.

PROVISIONS FOR EQUITY INVESTMENT RISK

The Company may establish provisions for contingencies if it believes that its commitments exceed the assets held or if some of its equity investments harbor risk that may not materialize as an asset impairment.

Financial debt

BOND ISSUE PREMIUMS AND COSTS

Bond issues that include a premium are recognized in liabilities on the balance sheet at their total value including any redemption premium. Accordingly, redemption premiums are recognized in balance sheet assets as "Bond redemption premiums" and are amortized using the straight line method over the term of the bond.

Issue premiums received are deducted from the issue costs. Any difference outstanding is recorded under prepaid income over the term of the bond.

In accordance with the CNC recommendation, bond issuance costs are amortized on a straight-line basis over the lifetime of the contracts concerned. Issuance costs mainly include broker's commissions.

UNDATED DEEPLY SUBORDINATED NOTES

In accordance with Recommendation 28 from the Ordre des Experts Comptables (French association of chartered accountants) issued in October 1994, undated deeply subordinated notes are classified as financial debt. The issue premium is recognized in balance sheet assets, and the year's tax-deductible interest expense is recognized as a financial expense in the income statement. Issuance costs are amortized over the lifetime of the contracts on a straight-line basis.

Financial and operating instruments

SUEZ ENVIRONNEMENT COMPANY uses derivatives in order to manage and reduce its exposure to interest rate and foreign exchange volatility or to secure the value of certain financial assets. Accordingly, unrealized capital losses at year-end on financial instruments held by SUEZ ENVIRONNEMENT COMPANY for hedging purposes and shown as off-balance-sheet commitments are not provisioned.

Gains and losses on interest rate and, where applicable, currency swaps, are recognized on a *pro rata temporis* basis in the income statement as financial income/expense over the lifetime of the underlying assets.

Premiums paid for options are recognized on the same basis.

Income tax and tax consolidation

As of the fiscal year ended December 31, 2012, the new provisions of the 2013 French Finance law cap the use of tax losses at 50% of taxable income above €1 million for all French companies.

The 5% exceptional contribution created in 2011 is maintained for 2012 and for fiscal years ended before December 30, 2013, for entities whose revenues exceed €250 million.

The provision restricting the deduction of financial expenses – the so-called "rabot" (planer) – was adopted under the 2013 French Finance law. Under it, 15% of net financial expenses are not tax deductible for fiscal years 2012 and 2013. This rate will be 25% for fiscal years starting January 1, 2014.

20.3.7 Notes to the financial statements

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NOTE 1 Financial assets

Changes in gross value break down as follows:

In thousands of euros	Dec. 31, 2011	Increase	Decrease	Dec. 31, 2012
Consolidated equity investments [(a)]	6,157,390.3			6,157,390.3
Equity investments	**6,157,390.3**	**0.0**	**0.0**	**6,157,390.3**
Receivables related to equity investments [(b)]	5,211,605.1	159,909.8	(154,609.2)	5,216,905.7
Other financial assets [(c)]	1,480.8	58,282.7	(36,581.9)	23,181.7
Other financial assets	**5,213,085.9**	**218,192.5**	**(191,191.1)**	**5,240,087.4**
FINANCIAL ASSETS	**11,370,476.2**	**218,192.5**	**(191,191.1)**	**11,397,477.6**

(a) Consolidated equity investments only include SUEZ ENVIRONNEMENT SAS shares.

(b) At year-end, all receivables related to equity investments concern SUEZ ENVIRONNEMENT SAS.

(c) This amount primarily reflects mutual funds transactions carried out under the liquidity contract, as well as payments to investment service providers under the same contract.

NOTE 2 Maturity of receivables

In thousands of euros	Gross amount as of Dec. 31, 2012	< 1 year	> 1 year
Receivables related to equity investments	5,216,905.7	2,151.6	5,214,754.1
Other financial assets	23,181.7	23,181.7	
Non-current assets	**5,240,087.4**	**25,333.3**	**5,214,754.1**
Advances and downpayments on orders	5.3	5.3	
Trade and related receivables	151.2	151.2	
Other receivables	97,350.9	97,350.9	
SUEZ ENVIRONNEMENT SAS current account	523,031.0	523,031.0	
Accrued income from cash instruments	63,530.8	63,530.8	
Current assets	**684,069.3**	**684,069.3**	**0.0**
RECEIVABLES	**5,924,156.7**	**709,402.6**	**5,214,754.1**

"Other receivables" mainly include the amount that the Government owes the Company in respect of the gain from tax consolidation, which benefits SUEZ ENVIRONNEMENT COMPANY as the Parent Company of the tax consolidation group (€92.0 million for 2012).

NOTE 3 Marketable securities

This item breaks down as follows:

In thousands of euros	Position at Dec. 31, 2012	Position at Dec. 31, 2011
Treasury shares held for stock option and bonus share plans	6,799.2	8,148.7
Treasury shares held for market purposes (liquidity contract)	8,660.8	33,696.4
Certificates of deposit	0.0	100,014.4
Gross amount	**15,460.0**	**141,859.5**
Provisions for impairment of treasury shares held for market purposes (liquidity contract)	0.0	(6,257.2)
Provisions for depreciation	**0.0**	**(6,257.2)**
NET CARRYING AMOUNT	**15,460.0**	**135,602.4**

The Group uses derivative instruments ("call options") to hedge the SUEZ ENVIRONNEMENT COMPANY stock option plans.

In 2010, 1,833,348 SUEZ ENVIRONNEMENT COMPANY stock options were purchased for €5.4 million to hedge the stock option plans. No additional purchases have been made since.

These call options in the amount of €28.4 million are exercisable at any time before December 13, 2017.

The €100 million certificate of deposit was redeemed in March 2012.

NOTE 4 Deferred expenses, deferred income, and accruals

Accruals break down as follows:

In thousands of euros	Dec. 31, 2011	Increase	Decrease	Dec. 31, 2012
Issuance costs	34,724.6	14,931.9	(5,684.1)	43,972.4
Credit facility set-up fees	9,341.5		(2,711.0)	6,630.5
Prepaid expenses	2,912.1	26,142.2	(3,190.3)	25,864.0
DEFERRED EXPENSES	**46,978.1**	**41,074.1**	**(11,585.4)**	**76,466.8**

Issuance costs increased in 2012 due to the intermediated tender offer and the €250 million tap on the bond issue maturing in 2022. The increase in prepaid expenses is related to the staggering of cash payments for three fixed-to-floating swaps written to hedge the new bond tranche issued for the intermediated tender offer of June 11, 2012 (see section 20.3.5: Significant events).

In thousands of euros	Dec. 31, 2011	Increase	Decrease	Dec. 31, 2012
Deferred income	8,040.0	33,881.1	(3,500.1)	38,421.0
DEFERRED INCOME	**8,040.0**	**33,881.1**	**(3,500.1)**	**38,421.0**

The increase in deferred income is related to the staggering of cash payments and issuance premium received under the intermediated tender offer of June 11, 2012.

Accrued expenses and accrued income associated with receivables and payables can be analyzed as follows:

In thousands of euros	Dec. 31, 2012	Dec. 31, 2011
Interest on bonds issued	122,407.7	123,186.3
Interest on undated deeply subordinated note	9,904.1	9,840.8
Interest on bank borrowings and debt	339.3	591.2
Accrued interest	**132,651.1**	**133,618.3**
Trade debt invoices not received	3,344.5	5,274.8
Tax and employee related payables	593.6	597.4
Cash instruments	14,568.9	15,944.3
Other debt	848.4	770.8
Other accrued expenses	**19,355.5**	**22,587.3**
ACCRUED EXPENSES	**152,006.6**	**156,205.6**

In thousands of euros	Dec. 31, 2012	Dec. 31, 2011
Interest on receivables related to equity investments	2,151.6	2,368.7
Invoices to be issued	0.0	20.6
Interest on current accounts with subsidiaries	0.0	637.4
Cash instruments	63,530.8	57,481.5
ACCRUED INCOME	**65,682.5**	**60,508.1**

NOTE 5 Shareholders' equity

Shareholders' equity is fully paid up. Each share confers one vote.

	At Dec. 31, 2011	Increase/ Reduction	Purchase/Sale	At Dec. 31, 2012
Outstanding shares	506,939,108		2,151,332	509,090,440
Treasury shares	3,294,721		(2,151,332)	1,143,389
TOTAL SHARES ISSUED	**510,233,829**	**0**	**0**	**510,233,829**

At December 31, 2012, SUEZ ENVIRONNEMENT COMPANY held 1,143,389 shares which include:

- 136,389 shares acquired under the bonus share plan for a value of €1.4 million and representing a market value at December 31, 2012 of €1.2 million;
- 1,007,000 shares held under the liquidity contract at an acquisition value of €8.7 million, with a market value at December 31, 2012 of €9.2 million.

Changes in shareholders' equity were as follows:

In thousands of euros	Share capital	Issuance, contribution & merger premiums	Legal reserve	Other reserves	Retained earnings	Net income for the period	Total
Balance at Dec. 31, 2011	**2,040,935.3**	**4,147,187.4**	**204,093.5**	**2,684.8**	**173,688.2**	**312,176.8**	**6,880,766.1**
2011 net income allocation					312,176.8	(312,176.8)	-
Dividend distributed for fiscal year 2011				803.9	(331,652.0)		(330,848.1)
Net income in fiscal year 2012						165,090.7	165,090.7
BALANCE AT DEC. 31, 2012 BEFORE INCOME ALLOCATION	**2,040,935.3**	**4,147,187.4**	**204,093.5**	**3,488.8**	**154,213.0**	**165,090.7**	**6,715,008.7**

Share allocations under the various SUEZ ENVIRONNEMENT COMPANY share plans changed as follows over the fiscal year:

1 - Stock option plans

No SEC stock options were allocated in 2012.

Number of options	Plan of December 17, 2009	Plan of December 16, 2010	TOTAL
Unexercised rights at January 1, 2012	3,415,890	2,920,500	6,336,390
Canceled/expired	(42,106)	(20,200)	(62,306)
RIGHTS NOT EXERCISED AS OF DECEMBER 31, 2012	**3,373,784**	**2,900,300**	**6,274,084**

2 – Bonus share and performance share plans

The Board of Directors, at its meeting of March 15, 2012, pursuant to the authorization of the Shareholders' Meeting of May 20, 2010, awarded 828,710 performance shares.

Number of shares	Worldwide financial incentive scheme June 2009	Performance shares December 2009	December 2010	March 2012	Employer contribution to Sharing [a] December 2011	TOTAL
Allocated shares not delivered as of January 1, 2012	1,097,760	173,852	829,080		101,211	2,201,903
Allocated				828,710		828,710
Delivered		(82,762)				(82,762)
Canceled/expired		(6,300)	(16,120)	(13,980)		(36,400)
ALLOCATED SHARES NOT DELIVERED AS OF DECEMBER 31, 2012	**1,097,760**	**84,790**	**812,960**	**814,730**	**101,211**	**2,911,451**

(a) Employer's contribution paid to foreign employees (outside France and the United Kingdom).

As of December 31, 2012, the number of shares allocated to cover its bonus share obligations was 136,389.

Taking into account all the current stock option, bonus share and performance share plans, the number of beneficiaries and turnover assumptions, SUEZ ENVIRONNEMENT COMPANY estimates its share delivery obligation at the end of the various vesting periods to be 9,185,535 shares.

NOTE 6 Provisions

In thousands of euros	Dec. 31, 2011	Allowances	Reversals (utilizations)	Dec. 31, 2012
Provisions for contingencies	**8,663.7**	**16,748.4**	**(8,663.7)**	**16,748.4**
Provision for foreign exchange losses	8,663.7	16,748.4	(8,663.7)	16,748.4
Provisions for losses	**16,093.9**	**8,520.2**	**(1,722.6)**	**22,891.5**
Pension provisions and similar	2,476.0	1,077.0	0.0	3,553.0
Provisions for bonus share plans and stock option plans	12,526.4	6,321.2	(631.1)	18,216.5
Other provisions	1,091.5	1,122.0	(1,091.5)	1,122.0
TOTAL	**24,757.6**	**25,268.6**	**(10,386.3)**	**39,639.9**
Posted to income statement:				
Operating income		8,520.2	(1,722.6)	
Net financial income		16,748.4	(8,663.7)	
TOTAL		**25,268.6**	**(10,386.3)**	

The change in provisions for pensions and similar is explained in Note 16.

NOTE 7 Financial debt

In thousands of euros	Position as of Dec 31, 2012	Position as of Dec 31, 2011
Bonds (nominal amount)	4,376,785.0	4,311,043.8
Bank borrowings and debt (nominal amount)	663,688.0	415,928.6
Undated deeply subordinated notes (nominal amount)	750,000.0	750,000.0
Current accounts and borrowings from subsidiaries	110,591.7	79,619.1
Borrowings	**5,901,064.7**	**5,556,591.4**
Accrued interest	132,651.1	133,618.3
Bank overdrafts	1,609.6	230.8
Other financial debt	**134,260.7**	**133,849.1**
TOTAL FINANCIAL DEBT	**6,035,325.4**	**5,690,440.4**

The change in financial debt is due to:

- the intermediated tender offer of June 11, 2012 for €191.3 million
- the €250 million tap on the bond issue maturing in 2022.

NOTE 8 Maturity of debt and payables

In thousands of euros	Gross amount as of Dec. 31, 2012	Maturity		
		In 2013	2014 to end of 2017	In 2018 and beyond
Bonds	4,376,785.0	0.0	1,170,450.0	3,206,335.0
Bank borrowings and debt	663,688.0	663,688.0		
Undated deeply subordinated notes	750,000.0			750,000.0
SUEZ ENVIRONNEMENT SAS current account	110,591.7	110,591.7		
Other financial debt	134,260.7	134,260.7		
Financial debt	**6,035,325.4**	**908,540.4**	**1,170,450.0**	**3,956,335.0**
Trade and related payables	**3,558.1**	**3,558.1**		
Tax and employee related payables	**593.5**	**593.5**		
Accrued expenses on cash instruments	14,568.9	14,568.9		
Other	848.4	848.4		
Other debt	15,417.3	15,417.3	0.0	0.0
TOTAL	**6,054,894.4**	**928,109.4**	**1,170,450.0**	**3,956,335.0**

Breakdown of bond borrowings (nominal)

	Amount as of Dec. 31, 2012	Issue date	Maturity date	Rate
Public placements				
In thousands of euros	770,450.0	8-Apr-09	8-Apr-14	4.875%
In thousands of euros	800,000.0	8-Apr-09	8-Apr-19	6.250%
In thousands of euros	500,000.0	22-Jul-09	22-Jul-24	5.500%
In thousands of euros	750,000.0	24-Jun-10	24-Jun-22	4.125%
In thousands of euros	750,000.0	17-May-11	17-May-21	4.078%
In thousands of euros (1)	306,335.0	2-Dec-11	2-Dec-30	5.375%
Private placements				
In thousands of euros	250,000.0	8-Jun-09	8-Jun-17	5.200%
In thousands of euros	150,000.0	12-Oct-09	12-Oct-17	4.500%
In thousands of euros	100,000.0	22-Nov-11	22-Nov-18	3.080%
TOTAL	**4,376,785.0**			

(1) or GBP 250 million.

Breakdown of undated deeply subordinated notes (nominal)

In thousands of euros	Amount as of Dec. 31, 2012	Issue date	Maturity date	Rate
Undated deeply subordinated notes	750,000.0	17-Sep-10	undated	4.820%

NOTE 9 Unrealized foreign exchange gains and losses

The following unrealized foreign exchange gains and losses were recognized as a result of the revaluation of receivables, payables and debt denominated in foreign currency at December 31, 2012 exchange rates:

In thousands of euros	Unrealized loss	Unrealized gain
Unrealized foreign exchange gains and losses on:		
- Receivables related to equity investments	1,043.5	15,088.5
- Bonds	15,704.9	
TOTAL	**16,748.4**	**15,088.5**

The total currency impact as of December 31, 2012, measured in accordance with the above-mentioned accounting principles, was

- an unrealized loss of €16,748,4, mainly relating to the impact of changes in the pound sterling on the GBP 250 million bond issue of 2011, and in the US dollar on the related debt contracted with SUEZ ENVIRONNEMENT SAS amounting to US$150 million.

This unrealized loss has been fully accrued for.

- an unrealized gain of €15,088,500, corresponding to the impact of changes in the pound sterling on the receivable contracted with SUEZ ENVIRONNEMENT SAS amounting to GBP 245 million.

NOTE 10 Revenues

Revenues of €5,415,966.53 correspond mainly to the compensation paid to SUEZ ENVIRONNEMENT COMPANY as Chairman of SUEZ ENVIRONNEMENT SAS.

NOTE 11 Reversals of depreciation, provisions and transferred expenses

In thousands of euros	Dec. 31, 2012	Dec. 31, 2011
Transferred expenses		
Issuance costs (a)	1,496.3	4,169.9
Credit facility set-up fees	0.0	3,755.0
Worldwide employee shareholding plan expenses	0.0	2,744.6
Reversal of provisions for stock options and bonus shares	**631.1**	**9,485.7**
Other	**1,091.5**	**1,300.0**
TOTAL	**3,218.9**	**21,455.2**

(a) The transferred expense related to the €20.4 million cash payment for the combined exchange and tender offers of May 2011 was reclassified from "Issuance costs" under operating income to "Other interest and similar income" under financial income in the 2011 figures included for comparison. This reclassification has no impact on the 2012 financial statements and is intended to improve comparability between reporting periods.

Expenses relating to bond issues and credit line set-up fees are recognized as assets in the balance sheet and amortized over the lifetime of these instruments. They correspond to fees paid to intermediaries for setting up these instruments.

NOTE 12 Financial income

In thousands of euros	At Dec. 31, 2012	At Dec. 31, 2011
Dividends received	100,743.3	230,870.1
Interest on receivables related to equity investments	227,574.5	213,196.7
Interest on current accounts	5,206.1	3,934.8
Interest on cash instruments	31,178.8	39,312.8
Other interest and similar income (a)	(251,127.8)	(228,162.9)
Foreign exchange gain/loss	1,194.1	(2,686.2)
Net financial provisions	(3,518.3)	(13,396.3)
Net capital gain/loss on disposal of marketable securities	0.0	346.0
TOTAL	**111,250.5**	**243,415.0**

(a) The transferred expense related to the €20.4 million cash payment for the combined exchange and tender offers of May 2011 was reclassified from "Issuance costs" under operating income to "Other interest and similar income" under financial income in the 2011 figures included for comparison. This reclassification has no impact on the 2012 financial statements and is intended to improve comparability between reporting periods.

Interest on receivables related to equity investments and on current accounts corresponds to the interest paid by SUEZ ENVIRONNEMENT SAS.

The foreign exchange gain/loss relates to currency gains and losses when unwinding currency transactions.

Other interest and similar income mainly relate to interest expense on bonds and transferred expenses mainly paid to financial intermediaries in connection with the public offer transactions described above in both 2011 and 2012.

Net financial provisions correspond to translation adjustments and reversals of provisions on treasury shares held under the terms of the liquidity contract.

NOTE 13 Non-recurring income

Non-recurring income can be analyzed as follows:

In thousands of euros	At Dec. 31, 2012	At Dec. 31, 2011
Sale of treasury shares	(6,061.8)	(17,897.3)
Other	(7.0)	247.4
TOTAL	**(6,068.9)**	**(17,649.8)**

Non-recurring income relates mainly to the proceeds from the sale of treasury shares held under the terms of the bonus share plan and the liquidity contract.

NOTE 14 Income tax and tax consolidation

In thousands of euros	Position as of Dec 31, 2012	Position as of Dec 31, 2011
Gain/(loss) from tax consolidation in the period	92,047.1	108,669.6
Rectification of prior period tax expense	787.5	812.5
INCOME TAX FOR THE PERIOD	**92,834.6**	**109,482.1**

Taking into account the changes imposed by the remedial Finance law for 2013, SUEZ ENVIRONNEMENT COMPANY will have no tax liability for the tax consolidation group for 2012.

Deferred tax position

The future tax liability position presented below results from the timing differences between the tax and accounting treatment of the income and expenses of SUEZ ENVIRONNEMENT COMPANY alone:

In thousands of euros	Position as of Dec 31, 2012	Position as of Dec 31, 2011
Tax losses carried forward (base)	**200,526.0**	**194,012.0**
Issuance costs for undated deeply subordinated note	4,284.0	5,856.0
Increase in future tax debt (base)	**4,284.0**	**5,856.0**
Provisions for non-deductible contingencies and losses	4,672.0	3,567.0
Other non-deductible provisions	480.0	475.0
Provisions not deductible in the fiscal year they are recognized	**5,152.0**	**4,042.0**
Difference between book value and tax value of marketable securities	55.0	39.0
Decrease in future tax debt (base)	**5,207.0**	**4,081.0**
TOTAL	**201,449.0**	**192,237.0**

The total timing differences amount to €201,449,000, representing a theoretical net tax receivable of €69,358,900 based on the rates assumptions applicable at the probable reversal date of future tax debts and receivables.

NOTE 15 Off balance sheet commitments

Financial commitments given

Interest rate risk

SUEZ ENVIRONNEMENT COMPANY pursues a debt management policy to reduce financing cost by using various types of financial instruments (interest rate swaps and options), depending upon market conditions.

In thousands of euros	Notional at Dec 31, 2012					Fair value	Notional as of Dec. 31, 2011
	< 1 yr	1-5 yrs	6-10 yrs	> 10 yrs	Total		
Interest rate swaps							
Fixed-rate payer/floating-rate receiver	0.0	91,300.0	50,000.0		141,300.0	(10,220.1)	50,000.0
Floating-rate payer/fixed-rate receiver	0.0	1,011,750.0	950,000.0		1,961,750.0	170,941.8	1,811,750.0
TOTAL	**0.0**	**1,103,050.0**	**1,000,000.0**	**0.0**	**2,103,050.0**	**160,721.7**	**1,861,750.0**

Other financial commitments given

In thousands of euros	At Dec. 31, 2012	Maturity		
		At end 2013	Between 2014 and 2017	2018 and beyond
Financing commitments				
Securities, endorsements and guarantees	324,271.0		313,271.0	11,000.0
TOTAL	**324,271.0**	**0.0**	**313,271.0**	**11,000.0**

Financial commitments received

In thousands of euros	At Dec. 31, 2012	Maturity		
		At end 2013	Between 2014 and 2017	2018 and beyond
Credit facilities confirmed and unused	1,636,312.0	350,000.0	1,286,312.0	
TOTAL	**1,636,312.0**	**350,000.0**	**1,286,312.0**	**0.0**

Operating commitments

SUEZ ENVIRONNEMENT COMPANY gave guarantees to the government of Hong Kong for the operation of a number of landfills.

NOTE 16 Post-employment benefits

SUEZ ENVIRONNEMENT COMPANY pays its executive officer and sole employee post-employment benefits (pensions and retirement bonuses). The Company's jubilee award obligations are not material.

Overview of benefit obligations

In thousands of euros	Dec. 31, 2011	Current service cost	Dec. 31, 2012
Pensions [(a)]	2,476.0	1,077.0	3,553.0
TOTAL	**2,476.0**	**1,077.0**	**3,553.0**

(a) Pensions and retirement bonuses.

Calculation of pensions and other employee benefit obligations

Pensions and other employee benefit obligations are the difference between the undiscounted projected benefit obligation and any unrecognized past service cost.

The undiscounted value of projected SUEZ ENVIRONNEMENT COMPANY benefits is measured on an actuarial basis. This method is mainly based on expected end-of-career salaries, retirement age and the probability of early retirement, estimated using the French statistics agency INSEE's mortality tables. The main assumptions used to calculate pensions and other employee benefit obligations are described below:

- Long-term inflation rate: 2.0% ;
- Mortality tables: generational.

The resulting undiscounted value of future obligations at December 31, 2012 amounts to €3.6 million.

NOTE 17 Related party disclosures

In thousands of euros	Related companies
Equity investments	6,157,390.3
Amounts receivable from equity investments	5,216,905.7
Trade and related receivables	151.2
Tax consolidation current accounts	110,591.7
Current account overdrafts	523,031.0
Trade and related payables	11.0
Interest receivables related to equity investments	227,574.5
Interest on current account overdrafts	5,206.1

The above data concerns mainly the Company's transactions with SUEZ ENVIRONNEMENT SAS.

NOTE 18 Subsidiaries and equity investments

In thousands of euros **Corporate name**	Share capital	Reserves and retained earnings	% of capital held as of December 31, 2012	Carrying amount of securities held as of Dec. 31, 2012		Last FY revenues	Net profit/ loss in last FY	Last FY reporting date	Currency
				Gross	Provision				
A – Detailed disclosure of equity investments whose gross value exceeds 1% of the share capital of SUEZ ENVIRONNEMENT COMPANY									
1. SUBSIDIARIES									
SUEZ ENVIRONNEMENT SAS	3,323,457	137,044	100%	6,157,390	0	224,273	217,026	Dec-12	EUR
Tour CB21									
16, place de l'Iris									
92040 Paris La Defense									
SIREN: 460 118 608									
2. EQUITY INVESTMENTS									
None									
B – Disclosures concerning other subsidiaries and equity investments									
1. SUBSIDIARIES NOT INCLUDED IN PARAGRAPH A									
None									
2. EQUITY INVESTMENTS NOT INCLUDED IN PARAGRAPH A									
None									

NOTE 19 Compensation of Board members and Chief Executive Officer

Compensation paid to management (salaried or re-invoiced employees) for fiscal year 2012 was €1,148,100.

Attendance fees paid to Board members in 2012 amounted to €449,500.

NOTE 20 Subsequent events

No significant events occurred after the closing of accounts on December 31, 2012.

Five-year financial summary

	2012	2011	2010	2009	2008
SHARE CAPITAL AT FISCAL YEAR END					
Share capital *(in euros)*	2,040,935,316	2,040,935,316	1,958,796,240	1,958,796,240	1,958,796,240
Number of issued shares	510,233,829	510,233,829	489,699,060	489,699,060	489,699,060
FISCAL YEAR TRANSACTIONS AND RESULTS *(in thousands of euros)*					
Revenues excluding VAT	5,416.0	4,356.9	6,560.1	3,988.4	230.0
Income before tax, employee profit-sharing, depreciation and provisions	90,967.0	217,231.8	388,625.5	533,513.9	(33,150.1)
Income tax	92,834.6	109,482.1	84,832.2	86,671.7	98,463.9
Net income	165,090.7	312,176.8	451,527.8	611,780.2	64,622.9
Dividends paid [(a)]	330,848.1	318,304.4	317,426.9	317,621.9	
EARNING PER SHARE *(in euros)*					
Income after tax, employee profit-sharing and before depreciation and provisions	0.36	0.64	0.97	1.27	0.27
Net income	0.32	0.61	0.92	1.25	0.26
Dividend paid out per share	0.65	0.65	0.65	0.65	
PERSONNEL *(in thousands of euros)*					
Average headcount during the period	2	2	1	1	
Payroll cost	1,394.3	1,680.9	1,549.2	958.9	313.0
Employee-related payments (Social Security and pension plan contributions, etc.)	417.1	555.1	390.2	261.1	156.5

(a) Excluding treasury shares.

Realizable assets and current liabilities

In thousands of euros	Dec. 31, 2012	Dec. 31, 2011
REALIZABLE ASSETS		
Non-current assets	**23,181.7**	**1,480.8**
Other financial assets	23,181.7	1,480.8
Current assets	**684,069.3**	**411,419.1**
Trade and related receivables	151.2	22.1
Advances and down payments on orders in progress	5.3	13.6
Other receivables, including cash instruments	683,912.8	411,383.4
Cash and cash equivalents	**674,073.5**	**781,938.2**
Total realizable assets	**1,381,324.5**	**1,194,838.1**
CURRENT LIABILITIES		
Financial debt	**908,540.4**	**629,396.7**
Bank borrowings and debt	663,688.0	415,928.6
Other borrowings and short-term debt [a]	244,852.4	213,468.1
Operating debt	**19,569.0**	**23,155.7**
Trade and related payables	3,558.1	5,843.1
Tax and employee-related debt	593.5	597.4
Other debt, including cash instruments	15,417.3	16,715.1
Total current liabilities	**928,109.4**	**652,552.4**
REALIZABLE ASSETS – CURRENT LIABILITIES	**453,215.0**	**542,285.8**
(a) Including bank overdrafts	*1,609.6*	*230.8*

Maturity of trade payables

In thousands of euros	Total	Not due	Past due	
			< 3 months	> 3 months
2012	213.6	205.9	7.7	0.0
2011	568.4	547.9	14.8	5.7

20.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of SUEZ ENVIRONNEMENT COMPANY;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other method of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- As stated in the Note "Accounting principles and policies – Financial assets – Equity Investments" to the financial statements, the carrying amount of investments which your company intends to hold on a long-term basis is reduced to the value in use of the investments, if this amount is lower. Our work included evaluating the data and hypothesis supporting the estimates made, verifying the calculations and examining the approbation procedures of these estimates by management. We assessed, on this basis, the reasonableness of the estimates made.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the Directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, April 2, 2013

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

20.5 DIVIDEND DISTRIBUTION POLICY

A dividend of €0.65 per share, for a total of €331 million[1], will be proposed to the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2012[1]. Subject to approval by the Shareholders' Meeting, this dividend will be paid during the first half of 2013.

20.6 LEGAL AND ARBITRATION PROCEEDINGS

20.6.1 Competition and industry concentration

Inspections conducted by the European Commission

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

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the Fédération Professionnelle des Entreprises de l'Eau (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

The launch of this inquiry in no way prejudges the outcome of the investigation.

This inquiry was still pending at the beginning of 2013.

20.6.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €208.8 million as of December 31, 2012 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of that is suspended or with which it is threatened, likely to have or that has already had, in the past 12 months, a material impact on the Group's financial position or profitability.

Société des Eaux du Nord

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

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as provided in the contract. This commission was chaired by Mr. Michel Camdessus, former Managing Director of the International Monetary Fund, who rendered his conclusions on March 30, 2010.

(1) Based on the number of shares outstanding as of December 31, 2012, excluding treasury shares.

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

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

These appeals were heard for examination by the Trial Court on January 29, 2013. By a sentence of February 20, 2013, the Administrative Court cancelled the unilateral amendments to the contract. In particular, this exempts SEN from paying the €115 million command.

LMCU announced they would appeal the sentence, but placing an appeal has no suspensive effect on the execution of the sentence.

Litigations in Argentina

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

In 2003, Suez – now GDF SUEZ – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and hearings for both disputes were held in 2007. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about US$40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid US$6.1 million and US$3.8 million respectively.

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

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

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

A preliminary report on the Buenos Aires concession was presented by the expert to the ICSID at the end of 2012.

United Water (New York State, United States)

In March 2008, certain residents on the banks of the Hackensack River in Rockland County (New York State) filed a claim for a total amount of US$66 million (subsequently raised to US$130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

These residents are claiming faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rainwater drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, are claiming compensatory damages and interest from United Water in the amount of US$65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water maintains that it is not responsible for the floods or the maintenance of the dam and reservoir, and that the claims are unlikely to succeed, and filed a motion to dismiss in July 2009 on the

basis that it had no obligation to operate the dam for flood prevention purposes. Its motion was dismissed on August 27, 2009 and the dismissal confirmed on June 1, 2010. United Water has appealed this latest ruling.

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents. It was then definitively dismissed on May 31, 2011.

The claim for compensatory damages and interest was dismissed on October 12, 2012 by the Supreme Court of Rockland County. The residents referred to the judge, in order to have him reconsider the jury's sentence. The judge rejected this request on January 25, 2013. On February 12, 2013, the residents appealed this last decision, and have 6 months in order to present their conclusions.

This claim has been reported to the insurance companies.

United Water (Indiana, United States)

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

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

Following these investigations, the DOJ challenged the procedures used to take samples of effluents prior to discharge. The DOJ's claim was completely rejected by United Water.

Moreover, the DOJ found no environmental damage and no intention on the part of United Water to circumvent the applicable regulations.

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

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

By a decision rendered on November 9, 2012 by a federal jury, United Water Services Inc, as well as the two employees charged were pronounded not guilty of the charges held against them by the DOJ.

The decision is not subject to appeal.

Sita Australia

In November 2008, residents of Brookland Greens Estate, located in the suburbs of the city of Casey, State of Victoria, Australia, filed a class action before the State Supreme Court of Victoria against the city of Casey.

Biogas (a mixture of methane and carbon dioxide) produced by the Stevensons Road landfill – which belongs to the city – had allegedly migrated through the soil and was threatening residences built in the vicinity. The plaintiffs claimed a loss of value in their homes, and requested that the competent jurisdiction determine the amount of damages.

In April 2009, the city of Casey called on Sita Australia to guarantee the services it provided between 2003 and 2007 in relation to the closure and capping of the landfill.

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

After various mediation attemps between 2009 and 2011, a settlement agreement dated May 23, 2011 between the residents and the City of Casey ended the class action and the City was subrogated to the rights of the residents.

The dispute was supposed to have been heard by the State Supreme Court of Victoria during the first half of 2012. A new mediation organized in February 2012 resulted in significant concessions from the plaintiffs, thus allowing for a settlement agreement among all parties that ended the dispute. The compensation payable by Sita Australia was paid in full by the insurance company.

Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The plant consists of three production lines with a total capacity of 450,000 m^3 of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provided for the progressive commissioning of desalinated water as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

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

The impact of the above events on the contractual timeline pushed back the projected dates for commissioning and final delivery by several months.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture.

An additional expense was booked in the financial statements, as detailed in Note 2 to the consolidated financial statements as at December 31, 2012.

On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the earlier of the final delivery of the plant or February 28, 2013 on the one hand, and to allow the submission and pursuit of claims against the State of Victoria on the other hand.

As the final delivery of the plant was made on December 17, 2012, the parties decided to prorogate the effects of the standstill until February 28, 2013.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe, however, that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them. A first compensation claim has been lodged on January 30, 2013, by Aquasure with the Victoria's State regarding the impacts of extraordinary climatic problems during the project completion.

20.6.3 Tax litigations

Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

In court, the company challenged these notices, which were, for each period in question, justified with similar arguments by the tax authorities. Agbar considers the tax authorities' arguments groundless.

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar is entitled to request the repayment of approximately €4 million in taxes wrongly levied as well as the corresponding late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, the Court of Appeals held in favor of Agbar in the amount of €20 million, thereby reducing the initial claim from €41 million to €21 million. Agbar subsequently filed an appeal with the Supreme Court to recover the remaining €21 million. The Spanish government also appealed the ruling in favor of Agbar.

On October 25, 2012, Agbar was given the ruling of the Supreme Court, validating what had been decided by the Court of Appeals.

The ruling of the Supreme Court is final and enforceable; this will imply a €21 million payment, plus interest, for a maximum estimated amount of €29 million, that has been provisioned in full. The ruling should be enforced during the first half of 2013.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012 the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeals regarding the other elements for which the Administrative Court has not held in favor of Agbar.

20.7 SIGNIFICANT CHANGE IN THE FINANCIAL OR BUSINESS SITUATION

Please see sections 10.5.2, "Expected sources of financing," and 20.1, Note 25, "Subsequent events," of this Reference Document.

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21.1 GENERAL INFORMATION ON SHARE CAPITAL

21.1.1 Amount of share capital as of December 31, 2012

On December 31, 2012 the Company's share capital was €2,040,935,316, divided into 510,233,829 shares with a nominal value of €4 each. There has been no movement on the share capital during the year 2012.

The Company shares are fully subscribed and paid up, and all belong to the same class.

21.1.2 Non-equity instruments

None.

21.1.3 Shares held by the Company or on its behalf

This section contains information to be included in the description of the share buyback program pursuant to Article 241-2 of the General Regulations of the AMF and the information required under the provisions of Article L. 225-211 of the French Commercial Code.

AUTHORIZATION FOR THE COMPANY TO TRADE ITS OWN SHARES (SHAREHOLDERS' MEETING OF MAY 24, 2012)

Resolution 15 of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting, held on May 24, 2012, (i) terminated the unused portion of the authorization granted to the Board of Directors by Resolution 14 of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting held on May 19, 2011, and (ii) authorized the Company to trade in its own shares and delegated full powers to the Board of Directors to implement this authorization, including the option to sub-delegate, under the following conditions:

- maximum authorized purchase price per share: 25 euros;
- maximum holding 10% of the share capital;
- securities: shares traded on the Euronext Paris Stock Exchange;

Purpose:

- ensure liquidity and boost the secondary market for the Company's shares through an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the Ethics Charter accepted by the AMF;
- subsequent cancellation, either in whole or in part, of shares purchased in accordance with Article L. 225-209 of the French Commercial Code, in the context of a capital reduction approved or authorized by the Shareholder's Meeting;
- allotment or sale of shares to current or former employees, or to current or former corporate officers of the Company and/or affiliated companies or potentially affiliated companies, under the conditions and in accordance with applicable regulations, particularly in the context of stock option plans, allotment of existing bonus shares, or company or intercompany savings plans, including with a view to selling the shares, with or without discount, under the terms of Article L. 3332-18 *et seq*. of the French Labor Code or under the provisions of shareholding plans in other countries;
- keep and subsequently deliver shares (to exchange or make payments, etc.) as part of external growth operations, provided that the maximum amount of shares purchased with a view to keeping them and subsequently delivering them for payment or exchange as part of a merger, spin-off or contribution plan does not exceed 5% of the share capital;
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to marketable securities that give right to the Company shares through redemption, conversion, exchange, presentation of warrant or any other means;

- in general, pursue any other goal which is or would become authorized by law or regulations, or engage in any market practice that is or would become accepted by financial markets regulators, provided Company shareholders are notified thereof.

On May 24, 2012, the Board of Directors resolved to implement this authorization granted by the Shareholders' Meeting of the same date, in accordance with the objectives authorized by Resolution 15 of that Meeting.

TRANSACTIONS DURING FISCAL YEAR 2012 AND THE BALANCE OF TREASURY SHARES AS OF DECEMBER 31, 2012

- As part of the liquidity contract:

The Company entered into a liquidity contract with Rothschild & Cie Banque on August 9, 2010, which was amended on March 2, 2011. Under this liquidity contract, in 2012 the Company purchased 5,670,598 shares for a total value of €57,204,615.60 (average par value of €10.09) and sold 7,738,598 shares for a total value of €77,403,402.37 (average par value of €10). As of December 31, 2012, the liquidity contract thus covers the following resources: 1,007,000 shares and €21,595,608.

- Excluding the liquidity contract:
  - the Company acquired no treasury shares;
  - the Company delivered 83,332 shares free of consideration to Group employees under the performance share plan of December 17, 2009 and the bonus share plan of June 25, 2009;
  - no treasury shares were reallocated in 2012 for purposes other than those originally planned.
- Balance as of December 31, 2012:

Number of shares	
purchased	5,670,598 [a]
sold	7,738,598 [a]
transferred	83,332 [b]
Average price *(in euros)*	
purchase	10.09
sale	10
transfer	-
Trading costs (in euros)	-
Number of shares held in treasury as of December 31, 2012:	1,143,389
Percentage of capital held	0.22%
Value of treasury shares as of December 31, 2012 [c] *(in euros)*	10,024,122.26

(a) All shares purchased and sold in 2012 were related to the liquidity contract set up by the Company.

(b) All treasury shares used were transferred as part of a performance share plan and a bonus share plan.

(c) Purchase price.

	Open positions as of December 31, 2012			
	Positions open for purchase		Positions open for sale	
	Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	1,833,348	-	-	-
Expiration date	Dec. 13, 2017	-	-	-
Average exercise price *(in euros)*	15.49	-	-	-

As of December 31, 2012, the Company held 1,143,389 shares (including 136,389 to cover stock options and bonus share plans and 1,007,000 under the liquidity contract), or 0.22% of the Company's share capital, with a market value on December 31 of €10.4 million[1] and a purchase price of €10,024,122.26 million.

TRANSACTIONS BETWEEN JANUARY 1 AND FEBRUARY 12, 2013

Between January 1, 2013 and February 12, 2013, the Company acquired 361,748 of its own shares under the liquidity contract, for a total of €3,333,514.85 (i.e. an average price per share of €9.22). Over the same period, the Company sold 1,368,748 of its own shares under the liquidity contract for a total of €12,642,985.73 (i.e. an average price per share of €9.24) and delivered 60 of its own shares relating to stock options and bonus share plans. On February 12, 2013, the Company held 0.03% of its share capital, i.e., 136,329 shares (all of which were held to cover stock options and bonus share allocations).

(1) Average monthly share price for December 2012.

DESCRIPTION OF THE SHARE BUYBACK PROGRAM FOR SUBMISSION TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING ON MAY 23, 2013

Pursuant to Articles 241-1 to 241-6 of the General Regulations of the AMF, the purpose of this section is to outline the objectives and conditions of the Company's share buyback program, to be submitted to the Combined Ordinary and Extraordinary Shareholders' Meeting on May 23, 2013.

21.1.3.1 Breakdown by objective of the shares held as of February 12, 2013

On February 12, 2013, the Company held 0.03% of its share capital, i.e., 136,329 shares (all of which were held to cover stock options and bonus share allocations).

21.1.3.2 Main characteristics of the program

The potential main characteristics of this program are described below:

- securities: shares traded on the Euronext Paris Stock Exchange;
- maximum capital buyback percentage authorized by the Shareholders' Meeting: 10%;
- maximum number of shares that can be purchased based on the share capital at December 31, 2012: 51,023,382 shares;
- maximum authorized purchase price per share: €20.

21.1.3.3 Objectives of the share buyback program

The objectives pursued by the Company within the framework of this share buyback program are set forth below:

- ensure liquidity and boost the Company's shares on the secondary market through an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the Ethics Charter accepted by the AMF;
- subsequent cancellation, either in whole or in part, of shares thus repurchased, in accordance with Article L. 225-209 of the French Commercial Code in the context of a capital reduction approved or authorized by the Combined Ordinary and Extraordinary Shareholders' Meeting;
- allotment or sale of the shares to current or former employees, or to current or former corporate officers of the Company and/or affiliated companies or potentially affiliated companies, under the conditions and in accordance with applicable regulations, particularly in the context of stock option plans, allotment of existing bonus shares or company or intercompany savings plans, including with a view to selling the shares with or without discount, under the terms of Article L. 3332-18 *et seq*. of the French Labor Code or under the provisions of shareholding plans in other countries;
- retention of shares and subsequent tender (for exchange, payment or other) within the framework of an external growth transaction, provided that the maximum number of shares acquired for retention and subsequently tendered for compensation or exchange during a merger, spin-off or contribution does not exceed 5% of the share capital;
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to marketable securities that give right to the Company shares through redemption, conversion, exchange, presentation of warrant or any other means;
- in general, pursue any other goal which is or would become authorized by law or regulations, or engage in any market practice that is or would become accepted by financial markets regulators, provided Company shareholders are notified thereof.

21.1.3.4 Conditions

(A) MAXIMUM PORTION OF CAPITAL THAT MAY BE ACQUIRED AND HELD AND MAXIMUM AMOUNT PAYABLE BY THE COMPANY

The maximum portion of capital acquired and held by the Company may not exceed 10% of the Company's share capital, for a maximum total of €1,020,467,640 based on the share capital as of December 31, 2012, consisting of 510,233,829 shares.

(B) DURATION OF THE SHARE BUYBACK PROGRAM

Pursuant to the resolution to be proposed to the Shareholders' Meeting of May 23, 2013, the share buyback program may be implemented for 18 months from the date of the Shareholders' Meeting, i.e. until November 23, 2014.

21.1.4 Other equity instruments

None.

21.1.5 Authorizations and delegations of authority granted by the Company's Shareholders' Meeting

The authorizations and delegations of authority in effect were approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012.

Authorizations and delegations of authority granted by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

	Authorization/Delegation of authority	Period of validity	Authorized ceiling	Amount used	Balance
1	Authorization granted to the Company to trade in its own shares (Resolution 15)	18 months as from May 24, 2012	up to a maximum holding of 10% of the share capital	0.22% as of December 31, 2012	9.78% of the share capital
2	Cancellation of treasury shares (Resolution 16)	26 months as from May 24, 2012	10% of the share capital per 24-month period	Not used	
3	Capital increase with shareholders' preferential subscription rights by issuing equity securities and/or any securities conferring an immediate or future entitlement to the Company's share capital (Resolution 17)	26 months as from May 24, 2012	€408 million [(a)]	Not used	
4	Capital increase without shareholders' preferential subscription rights by a public issue of equity securities and/or any securities conferring an immediate or future entitlement to the Company's share capital (Resolution 18)	26 months as from May 24, 2012	€306 million [(a)] [(b)]	Not used	
5	Authorization to set the issue price subject to a maximum of 10% of the Company's share capital per annum in the event that shares and/or securities conferring an immediate or future entitlement to the Company's share capital are issued without shareholders' preferential subscription rights (Resolution 19)	26 months as from May 24, 2012	10% of the share capital per year	Not used	
6	Capital increase, pursuant to an offer as set out in Article L. 411-2 II of the French Monetary and Financial Code, via the issue of shares and/or securities conferring entitlement to the Company's share capital, without shareholders' preferential subscription rights (Resolution 20)	26 months as from May 24, 2012	€306 million [(a)] [(b)]	Not used	
7	Increase, by up to 15% of the initial issue, of the number of shares to be issued in the event of a capital increase, with or without shareholders' preferential subscription rights (Resolution 21)	26 months as from May 24, 2012	Up to 15% of the initial issue [(a)] [(c)]	Not used	
8	Capital increase in consideration of contributions in kind consisting of equity securities or securities conferring entitlement to the share capital (Resolution 22)	26 months as from May 24, 2012	€204 million (up to 10% of the share capital) [(a)] [(b)]	Not used	
9	Capital increase by incorporating premiums, reserves, profits, or any other amount that may be capitalized (Resolution 23)	26 months as from May 24, 2012	€408 million	Not used	
10	Capital increase in consideration of security contributions as part of a public exchange offer initiated by the Company (Resolution 24)	26 months as from May 24, 2012	€306 million [(a)] [(b)]	Not used	
11	Issue of hybrid debt securities (Resolution 25)	26 months as from May 24, 2012	€3 billion [(a)]	Not used	
12	Capital increase by the issue of shares or securities conferring entitlement to the share capital reserved for members of a company savings plan without shareholders' preferential subscription rights for those employees (Resolution 26)	26 months as from May 24, 2012	€40 million [(a)]	Not used	

	Authorization/Delegation of authority	Period of validity	Authorized ceiling	Amount used	Balance
13	Capital increase, without shareholders' preferential subscription rights, in favor of the class(es) of named beneficiaries, as part of the implementation of the SUEZ ENVIRONNEMENT Group international shareholding and savings plans (Resolution 27)	18 months as from May 24, 2012	€12 million [(a)]	Not used	
14	Authorization to be granted to the Board of Directors to allocate free (bonus) shares (Resolution 28).	38 months as from May 24, 2012	1.5% of the share capital [(a)]	Award on January 17, 2013 of 3,018,720 shares, or 0.6% of the share capital, under the 2nd global bonus share allocation plan (d)	0.9% of the share capital as of December 31, 2012

(a) Resolution 29 sets a limit on the total nominal amount of capital increases that may be carried out immediately and/or in the future under Resolutions 17, 18, 20 to 22, and 24 to 28 at €408 million for share issues and at €3 billion for issues of debt securities or securities granting entitlement to the share capital and issues of hybrid debt securities.

(b) Overall ceiling with a nominal value of €306 million against which all capital increases carried out under Resolutions 18, 20, 22 and 24 will apply.

(c) Subject to the ceiling of the authorization under which the issue is decided.

(d) In addition, on March 27, 2013 the Board of Directors decided to allocate 1,315,100 performance shares, that may be raised to 1,578,120 performance shares in some cases of over-performance, that is a maximum of 0.31% of the share capital (based on the share capital as of December 31, 2012). In total, 4,596,840 shares, or 0.90% of the share capital, were allocated under Resolution 28. Following the allocation of March 27, 2013, the unused balance under this resolution amounts to 0.60% of the share capital (based on the share capital as of December 31, 2012). See Section 17.5 of this Reference Document for more details on these allocations.

21.1.6 Options or agreements concerning the Company's share capital

GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY entered into a shareholders' agreement dated June 5, 2008 with regard to their shareholding in SUEZ ENVIRONNEMENT COMPANY, described in section 18.3 of this Reference Document. On December 5, 2012, the Company's Board of Directors recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement, with the exception of the Company, not to renew the Agreement, which will therefore expire on July 22, 2013, at the end of the five-year term initially envisaged.

On September 7, 2012, Groupe Bruxelles Lambert launched a €400 million bond issue exchangeable for SUEZ ENVIRONNEMENT shares, maturing on September 21, 2015, with a coupon of 0.125% and at a premium of 20% on the SUEZ ENVIRONNEMENT share price.

21.1.7 History of the share capital

Date	Type of transaction	Capital before transaction *(in euros)*	Premium *(in euros)*	Shares issued/ canceled	Nominal value *(in euros)*	Cumulative number of shares	Capital after transaction *(in euros)*
2006	N/A	40,000	N/A	N/A	16	2,500	40,000
2007	Split by four of nominal value	40,000	N/A	7,500	4	10,000	40,000
	Capital increase (a)	40,000	N/A	46,250	4	56,250	225,000
2008	Capital increase (b)	225,000	4,198,819,093	489,642,810	4	489,699,060	1,958,796,240
June 27, 2011	Scrip dividend (c)	1,958,796,240	171,648,841	19,008,731	4	508,707,791	2,034,831,164
December 8, 2011	Capital decrease (d)	2,034,831,164	65,357,420	8,370,000	4	500,337,791	2,001,351,164
December 8, 2011	Employee share issues (e)	2,001,351,164	49,679,238	9,896,038	4	510,233,829	2,040,935,316

(a) Subscription form signed on December 28, 2007; capital increase on January 4, 2008.
(b) Remuneration of the SUEZ ENVIRONNEMENT shares that SUEZ contributed to SUEZ ENVIRONNEMENT COMPANY.
(c) Capital increase due to the subscription of 19,008,731 shares as part of the option for a scrip dividend.
(d) Capital decrease due to the cancellation of 8,370,000 treasury shares.
(e) Capital increase due to the subscription of 9,896,038 new shares as part of the SUEZ ENVIRONNEMENT Group employee share issue.

21.2 MEMORANDUM OF ASSOCIATION AND BYLAWS

This section summarizes the main provisions of the Company's Bylaws and Internal Regulations, the full versions of which are posted on the Company's website (www.suez-environnement.com).

21.2.1 Purpose of the Company

The purposes of the Company are as follows, in all countries and by all means:

1. The provision, in any form whatsoever, of all services connected to the environment, and in particular:

- all services for the production, transportation and distribution of water, for all domestic, industrial, agricultural, or other needs and uses, on behalf of local public authorities or private individuals;
- all wastewater treatment services, including the disposal of sewage of domestic, industrial, or other origin;
- all services that may directly or indirectly concern the collection, sorting, treatment, recycling, incineration, or recovery of all types of waste, byproducts and residues, and generally any activity or venture related to waste management;
- the creation, acquisition, operation, or divestment of all transport and road haulage services;
- the creation, purchase, sale, leasing, rental, management, installation and operation of any facility relating to waste management; and
- generally, all services on behalf of local public authorities, private entities and private individuals connected with the above.

2. On an ancillary basis, the production, distribution, transportation, utilization, management and development of energy in all its forms.

3. The study, setup and completion of all projects, services and public or private works on behalf of any local public authorities, private entities or private individuals; the preparation and awarding of all contracts of any type whatsoever relating to those projects and works.
4. The acquisition of equity interests by subscribing for, purchasing, contributing, exchanging or otherwise obtaining shares, interests, bonds and other corporate securities, existing or to be created in the future, and the right to divest such interests.
5. The acquisition, purchase, divestment and operation of any patent, trademark, model, patent license or process.
6. The granting of any guarantee, first-call guarantee or other surety to any Group company or entity in the course of their business, as well as the financing or refinancing of their activities.
7. The subscription of any borrowing or, more generally, recourse to any type of financing, specifically *via* the issue or, as the case may be, the subscription of debt securities or financial instruments, in order to finance or refinance the Company's business activity.
8. In general, all industrial, financial and commercial transactions and transactions involving movable assets or real estate that may be connected directly or indirectly to one of the purposes specified above or any other similar or connected purpose or a purpose that might benefit and develop the Company's business.

21.2.2 Provisions relating to administrative and management bodies

21.2.2.1 Board of Directors

(A) INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has adopted a set of Internal Regulations to define the Board's operating procedures. After three and a half years of operation of the Board and its four committees, these Internal Regulations, originally adopted by the Board on July 23, 2008, were amended by the Board of Directors on February 7, 2012, when it was decided, in the interests of good governance, and notably to extend the remit of the committees (particularly the Audit and Financial Statements Committee), to update and clarify certain provisions relating to the functioning of the Board and limitations on the Chief Executive Officer's powers, and to establish a Director's Charter, to serve as a reminder of the conditions under which Directors are to perform their duties, their contribution to the work of the Board and committees, the rights and resources granted to Directors, and the rules on confidentiality, independence, ethics, and integrity inherent in their roles.

(B) COMPOSITION OF THE BOARD OF DIRECTORS (ARTICLE 10 OF THE BYLAWS)

The Company is administered by a Board of Directors consisting of no less than three and no more than 18 members, notwithstanding the statutory exemption in the event of a merger.

Directors are appointed, re-elected and dismissed in compliance with applicable legal and regulatory provisions.

They are appointed for a four-year term. Nevertheless, a Director who is appointed to replace another whose term has not expired shall only remain on the Board for the remainder of his predecessor's term.

Each Director must hold at least 2,000 shares.

The number of Directors who have reached the age of 70 may not, at any time, exceed a third of the total number of Directors in office. If the number of Directors is not exactly divisible by three, then the resulting figure is rounded up.

Except in the case of termination of the employment contract (of an Executive Director) or resignation, dismissal or death, a Director's term ceases at the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Director's appointment expires.

(C) CHAIRMAN OF THE BOARD OF DIRECTORS (ARTICLE 11 OF THE BYLAWS)

The Board of Directors appoints a Chairman from among its members. The Chairman may propose that the Board of Directors shall appoint one or more members to the position of Vice-Chairman.

Regardless of the term of office, the Chairman's term shall expire, at the latest, as of the close of the Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chairman reaches the age of 65. However, at the next meeting it holds after that Shareholders' Meeting, the Board of Directors may extend this term on one or more occasions for a total duration not to exceed three years.

The Board is chaired by the Chairman, or in his absence, a Director chosen by the Board of Directors at the start of the meeting.

The Chairman of the Board organizes and manages the Board's work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

(D) FUNCTIONING OF THE BOARD OF DIRECTORS (ARTICLES 1 AND 2 OF THE BOARD OF DIRECTORS' INTERNAL REGULATIONS)

As described in the Chairman's report in section 16.4 of this Reference Document, the Board of Directors' Internal Regulations were amended by a Board decision dated February 7, 2012. The functioning of the Board of Directors is described in Articles 1 and 2 of the Internal Regulations, which are reproduced below. For a description of the functioning of the Board of Directors before the Internal Regulations were amended on February 7, 2012, see section 21.2.2.1(D) of the 2010 Reference Document.

Article 1 of the Internal Regulations – Meetings

1. The Board of Directors meets as often as the interests of the Company and the legal and regulatory provisions require, and at least once a quarter. Notices of meetings may be circulated by the Board Secretary or the General Secretary, and are sent *via* letter, fax or e-mail, or conveyed verbally.
2. Meetings may be conducted in any manner, including by videoconference or teleconference, subject to the restrictions and conditions laid down in the applicable regulations. Directors who participate in a Board meeting in the manner cited above are deemed to be present for the purposes of calculating the quorum and voting majority, subject to the restrictions envisaged in the applicable regulations.
3. Any Director, under his/her own responsibility, may delegate by proxy to another Director the ability to vote on his/her behalf. The proxy must be in writing and carry the signature, which may be electronic, of the Director assigning the proxy. The proxy must state the date of the meeting to which it applies. A Director may assign a proxy only to another Director. Each Director may only represent one colleague at the same meeting. The Director receiving the proxy may participate in the Board meeting physically or, where applicable, by videoconference or teleconference.
4. The content of the minutes of each meeting are sufficient proof, vis-à-vis third parties, of the number of Directors in office, their presence physically or by videoconference or teleconference, or their representation by proxy. If the Chairman of the Board of Directors finds that the videoconferencing or teleconferencing technology is not functioning properly, the Board may validly deliberate and/or continue solely with the members physically present, provided that quorum conditions are satisfied.
5. Meetings are held at head office at Tour CB21, 16 Place de l'Iris, 92040 Paris La Defense cedex – France, or at any other place indicated in the notice of meeting.

Article 2 of the Internal Regulations – Registers and Minutes

1. An attendance register is kept at the Company's head office and signed by the members of the Board of Directors attending the meeting, in their own name or on behalf of other members of the Board they represent. In accordance with the provisions of applicable laws and regulations, any proxies granted by letter or, if need be, by fax or e-mail, are attached to the attendance register. The attendance register for Board meetings must state which Directors, if any, participated by videoconference or teleconference, and which conferencing method they used.
2. The Chairman submits the minutes of the previous meeting(s) to the Board for approval. The minutes must report the occurrence of any technical incident that disrupted the normal operation of the meeting.

In an emergency or if necessary, the exact wording of the minutes on a particular issue may, at the Chairman's request, be decided at the meeting, so that the Company can use it in a communication to third parties.

Every Director is entitled to request and receive a copy of the minutes of any Board meeting.

Extracts from the minutes used for court proceedings must be certified as true copies by the Chairman of the Board, the Chief Executive Officer, the General Secretary, or the Board Secretary.

(E) MEETING OF THE BOARD OF DIRECTORS AND PROCEEDINGS (ARTICLE 12 OF THE BYLAWS)

The Chairman calls the Directors to meetings of the Board of Directors, which are held at the head office or at any other location indicated by the author of the notice of meeting. If the Board has not met for at least two months, then at least one third of the Board members may ask the Chairman to call a meeting on a specific agenda. The Chief Executive Officer may also request that the Chairman call a Board meeting on a specific agenda.

Notices of meetings may be issued by any means, including verbally.

A legal quorum and majority is required for the Board to make decisions. In the event of a tied vote, the meeting Chairman has the deciding vote.

The Board appoints a person to act as secretary, who need not be a member of the Board.

At the Chairman's request, senior executives may attend Board meetings in an advisory capacity.

(F) POWERS OF THE BOARD OF DIRECTORS (ARTICLE 14 OF THE BYLAWS)

The Board of Directors determines the key Company strategies and supervises their implementation. Without prejudice to the powers expressly attributed to the Shareholders' Meetings and falling within the limits of the Company's purpose, the Board deals with all issues concerning the management of the Company and decides on relevant matters through its debates.

The Board of Directors monitors and supervises activities as it deems appropriate. The Company Chairman or Chief Executive Officer must forward to each Director the documents and information they require to carry out their duties.

(G) COMPENSATION OF DIRECTORS (ARTICLE 16 OF THE BYLAWS)

The Shareholders' Meeting may award a fixed annual amount in attendance fees for the Board of Directors, which amount shall remain the same until further notice.

Members of the Board of Directors may also be awarded other compensation from time to time, in the circumstances and under the conditions set forth by law.

21.2.2.2 General Management

(A) CHIEF EXECUTIVE OFFICER (ARTICLE 17 OF THE BYLAWS)

The Chairman of the Board of Directors, or another person appointed by the Board of Directors from among its members with the title of Chief Executive Officer, takes responsibility for the General Management of the Company. In accordance with these bylaws, the decision of the Board of Directors as to which of the above two persons should take responsibility for the General Management of the Company is made by majority vote of the Directors present or represented, after consultation with the Chairman of the Board and the Chief Executive Officer.

A Decree of the Conseil d'Etat sets out the terms and conditions for notification of this decision to shareholders and third parties.

The Chief Executive Officer holds the most extensive powers to act, under all circumstances, on behalf of the Company. The Chief Executive Officer exercises these powers within the limit of the Company's purpose and without prejudice to the powers expressly granted by law to the Shareholders' Meetings and the Board of Directors.

Regardless of the period of the appointment, the term of office of the Chief Executive Officer expires no later than the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chief Executive Officer reaches the age of 65. However, the Board of Directors may extend the period of this appointment, on one or more occasions, for a total term not exceeding three years.

In the event that the Chief Executive Officer ceases to be a Director during his term of office, he shall remain as Chief Executive Officer until the expiry of the term of his appointment by the Board of Directors.

When the Company's General Management is in the hands of the Chairman of the Board of Directors, the provisions of law and the bylaws relating to the Chief Executive Officer apply to the Chairman of the Board of Directors.

(B) EXERCISE OF AUTHORITY BY THE CHIEF EXECUTIVE OFFICER (ARTICLE 4 OF THE BOARD OF DIRECTORS' INTERNAL REGULATIONS)

As described in the Chairman's report in section 16.4 of this Reference Document, the Board of Directors' Internal Regulations were amended by a Board decision dated February 7, 2012. The limits on the powers of the Chief Executive Officer are described in Article 4 of the Internal Regulations and are listed below. The limits on these powers applicable before the effective date of the new Internal Regulations (February 7, 2012) are described in section 21.2.2.2(B) of the 2010 Reference Document.

1. The following decisions of the Chief Executive Officer are submitted for prior approval of the Board of Directors:

   a) Significant transactions likely to affect Group strategy or to modify its financial structure, scope, activities or risk profile. The Chief Executive Officer takes full responsibility for appraising the significant nature of the transactions. The following transactions in particular are considered significant:

   - (i) the transactions described below, if their unit amount exceeds €350 million, with the exception of internal transactions between fully consolidated Group companies:
     - taking or transferring (including by contribution, merger or demerger) any equity interest, even a non-controlling equity interest, in any existing or future company, the operative value in calculating the abovementioned threshold being the enterprise value,
     - participating in or forming any company, joint venture, group or entity, and in general any organic growth operation,
     - subscribing to any issues of equity instruments,
     - acquiring or disposing of any assets, real estate or goodwill,
     - in a dispute, reaching any agreement or settlement, or accepting any compromise, where the sum involved is more than €100 million,
   - (ii) The following financing operations, if they exceed €1 billion:
     - with the exception of the cases listed in (i) above, agreeing to any contribution or exchange, with or without a balancing cash adjustment, involving assets, securities or other financial instruments,

- granting or taking out loans, borrowings, credit or advances,
- granting liens on Company assets,
- acquiring or disposing of receivables by any method;

b) transactions that fall outside the Company's stated strategy.

2. The Board of Directors annually sets the total amount of sureties, approvals and guarantees that can be granted by the Chief Executive Officer, and the Chief Executive Officer is explicitly required to report annually to the Board of Directors on the amount and nature of the sureties, approvals and guarantees that he/she has granted under this authorization.
3. Before appointing anyone to be a member of the Group's Management Committee, the Board of Directors, which can delegate this consultative function to the Nominations and Compensation Committee, provided that it reports back to the Board of Directors, must be consulted in a timely fashion by the Chief Executive Officer.
4. The Chief Executive Officer, as and when appropriate, can ask the Board to deliberate on any matter not listed above.

(C) CHIEF OPERATING OFFICERS (ARTICLE 18 OF THE BYLAWS)

At the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer, with the title of Chief Operating Officer. The maximum number of Chief Operating Officers is five.

If a Chief Operating Officer is also a Director, the term of his appointment may not exceed his term of office as Director.

Regardless of the period of the appointment, the Chief Operating Officer's term of office shall expire no later than the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chief Operating Officer reaches the age of 65. However the Board of Directors, at the proposal of the Chief Executive Officer, may extend the period of this appointment on one or more occasions for a total term not to exceed three years.

With the approval of the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to Chief Operating Officers, who nonetheless have the same authority as the Chief Executive Officer in their dealings with third parties.

The Chief Operating Officers have the authority to delegate their powers and to appoint as many authorized agents as they wish, with the authority to sub-delegate.

21.2.3 Rights, privileges and restrictions attached to shares

Rights attached to shares (Article 8 of the Bylaws)

Each share, regardless of its class, confers the right to a share in the ownership of company assets and the liquidating dividend, *pro rata* to the share capital it represents, taking into account whether capital is amortized or paid-up, as the case may be.

All shares comprising current or future share capital, regardless of their class, shall always be taxed on an equal footing. Consequently, any taxes and duties that may be owed for any reason as a result of total or partial repayment of the par value of those shares, either during the life of the Company or at the time of liquidation, shall be spread among all shares making up the share capital at the time of these repayments, so that all current or future shares entitle their owners to the same actual benefits and the right to receive the same net sum, after taking into account the non-amortized par value of the shares and rights to those shares, where applicable.

Without prejudice to the laws governing the right to vote at Shareholders' Meetings and shareholders' right to information, shares are indivisible for the Company. Therefore, co-owners shall be represented at the Shareholders' Meeting by one of them, or by a single proxy, to be appointed by the courts in the event of a dispute.

When, in order to exercise a right, a shareholder must hold several securities of a particular type or class, the holder shall be personally responsible for gathering the required number or buying or selling the necessary number of shares.

21.2.4 Terms and conditions for amending shareholders' rights

None.

21.2.5 Shareholders' Meetings

(A) PARTICIPATION IN SHAREHOLDERS' MEETINGS (ARTICLES 20, 21 AND 22 OF THE BYLAWS)

All shareholders may attend Meetings in person or through a proxy, irrespective of the number of shares held. Attendance is subject to proof of identity and registration of the shares in their name or in the name of a proxy, by 00:00 Paris time on the third business day prior to the meeting, either in the register of shares held by the Company or in the register of bearer shares held by an authorized intermediary.

If the Board of Directors or its Chairman should so decide when convening a Shareholders' Meeting, shareholders may participate in that meeting by videoconference or by other means of electronic teleconferencing or remote transmission. Shareholders' Meetings are called and conducted in accordance with the law.

Meetings are held at the Company's head office, at any other location within the same département (French administrative jurisdiction) or in a neighboring département.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in the Chairman's absence, by a Director specially appointed for this purpose by the Board of Directors. Failing that, the meeting shall elect its own Chairman.

The function of teller shall be carried out by the two shareholders, present and willing, who hold, either themselves or by proxy, the highest number of voting rights. The committee thus formed shall appoint a secretary, who need not be a shareholder.

(B) VOTING RIGHTS (ARTICLE 23 OF THE BYLAWS)

The voting rights attached to shares are equal to the proportion of the share capital they represent and each share confers the right to at least one vote.

In Ordinary and Extraordinary Shareholders' Meetings, the usufructuary holds the voting rights attached to usufruct shares.

All shareholders may have a postal vote in accordance with the conditions and in the manner set by current legal and regulatory provisions. These provisions also provide that shareholders may submit their proxy and postal ballot form either in paper format or, if stipulated by the Board of Directors in the notice of meeting, electronically.

21.2.6 Provisions to delay, postpone or prevent a change of control of the Company

The Bylaws contain no provisions likely to delay, postpone or prevent a change of control of the Company.

21.2.7 Exceeding the thresholds envisaged in the Bylaws

FORM OF SECURITIES

Fully paid-up shares can be held as registered or bearer shares, at the discretion of the shareholder.

REGISTRATION OF SHARES

Shares and all other securities issued by the Company are posted to their owners' accounts, in accordance with the applicable legal and regulatory provisions.

Where shares are in certificate form, the Board of Directors may grant authority to any person, even a person outside the Company, to sign such certificates.

IDENTIFICATION OF SHARES

In accordance with current legal and regulatory provisions, the Company may require, at any time, that the clearing agent provides the name, and if a corporation, the corporate name, nationality and address of shareholders conferring entitlement, immediately or in the future, to a right to vote at Company Shareholders' Meetings, as well as the number of shares held by each and, where applicable, any restrictions to which they may be subject.

NOTIFICATIONS TO BE MADE TO THE COMPANY

Any individual or legal entity, either alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 1%, and then, after this threshold, any multiple of 1% up to a threshold of 33% of the share capital or voting rights, is required to notify the Company, by registered letter with acknowledgement of receipt, within five business days of crossing one of these thresholds, stating the total number of shares they hold directly, indirectly or jointly. To determine these thresholds, account will also be taken of shares held indirectly and of quasi-shares as defined in the provisions of Articles L. 233-7 *et seq*. of the French Commercial Code.

If one of these thresholds is crossed within five business days before the date of a Company Shareholders' Meeting, the abovementioned notification shall be made at the latest before the meeting's committee certifies the accuracy of the attendance register, in a manner that ensures that the Company receives it before certifying attendance.

Any individual or legal entity, acting alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 10% and 20%, is required to notify the Company by registered letter with acknowledgement of receipt, within ten business days of crossing one of these thresholds, of the objectives that the individual or legal entity intends to pursue over the next twelve months, pursuant to Article 233-7 of the French Commercial Code.

To the fullest extent permitted by law, failure to comply with the above provisions is sanctioned by the withdrawal of voting rights in respect of the undeclared shares that exceed the fraction at any Shareholders' Meeting held between the time the threshold is exceeded and not reported, and a period of two years from the date on which the proper notification is given as provided above. Nevertheless, this sanction will only apply if one or more shareholders holding at least 5% of the Company's share capital so request.

21.2.8 Specific provisions governing changes to the share capital

There are no specific provisions governing changes to the share capital stricter than the law.

22 SIGNIFICANT CONTRACTS

The most significant contracts, other than contracts concluded in the normal course of business, are described in sections 6, 18 and 19 of this Reference Document. These include the following contracts:

- the Shareholders' Agreement signed between SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT España, Criteria CaixaCorp and Hisusa Holding de Infraestructuras y Servicios on June 7, 2010 following the restructuring of Agbar (see section 6.5.2.2). This agreement replaces the agreement signed on July 18, 2006;
- the Shareholders' Agreement entered into by the Group and Beauty Ocean Limited/New World Infrastructure Limited, in respect of Sino-French Holdings (see section 6.5.4.2 (b));
- the Shareholders' Agreement entered into by SUEZ ENVIRONNEMENT, Cofely (the successor of Elyo), Fipar Holding and Al Wataniya in December 2004, in respect of Lydec (see section 6.5.4.2 (c));
- the Shareholders' Agreement relating to the Company entered into by SUEZ (all the rights and duties of which under the Shareholders' Agreement were assumed by GDF SUEZ following the merger), Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY (see section 18.3); and
- agreements entered into by the Group and GDF SUEZ, particularly the cooperation and shared services agreement, the brand-name licensing agreement and the framework financing agreement (see section 19, included upon the consequences on the change of consolidation method of the Company by GDF SUEZ, following the non-renewal of the Company's Shareholders' Agreement).

23 INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS AND DECLARATIONS OF INTEREST

None.

24 DOCUMENTS AVAILABLE TO THE PUBLIC

24.1 CONSULTATION OF DOCUMENTS

Corporate documents relating to the Company are made available to shareholders in accordance with current legislation and may be consulted on the Company's website at the following address: www.suez-environnement.com, as well as at the Company's corporate headquarters, Tour CB21 – 16, place de l'Iris – 92040 Paris – La Défense Cedex, France, under applicable legal and regulatory conditions.

Reference Documents filed with the AMF for 2010, 2011 and 2012, the interim financial reports, and quarterly financial information may be consulted on the Company's website at www.suez-environnement.com under "finance, regulatory information".

In addition, the regulatory information set out in Article 222-7 of the AMF Regulations can be consulted on the Company's website at the following address: www.suez-environnement.com/finance/regulatory-information/

Person in charge of information:

Jean-Marc Boursier

Chief Financial Officer

Tour CB21 – 16, place de l'Iris

92040 Paris – La Défense Cedex – France

+ 33 (0)1 58 81 20 00

24.2 FINANCIAL REPORTING CALENDAR

Jean-Marc Boursier, Chief Financial Officer

Sophie Lombard, Head of Financial Communications

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

Address: Tour CB21 – 16, place de l'Iris

92040 Paris – La Défense Cedex – France

Website: www.suez-environnement.com

Schedule of financial communication

Presentation of annual results: February 14, 2013

Annual shareholders' meeting: May 23, 2013

2013 interim results: July 31, 2013

25 INFORMATION ON EQUITY INTERESTS

Information concerning companies in which the Company holds a part of the share capital which could have a significant impact on the assessment of its assets, its financial position, or its income is provided in sections 6 and 7, as well as in Note 26, section 20.1 of this Reference Document.

26 COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 23, 2013

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26.1 AGENDA

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

1. Approval of the Company's financial statements for the fiscal year ended December 31, 2012.
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2012.
3. Allocation of the net income for the 2012 fiscal year and determination of the dividend.
4. Approval of the related-party agreements and commitments governed by articles L.225-38 *et seq.* of the French Commercial Code.
5. Authorization to be granted to the Board of Directors to trade the Company's shares.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

6. Delegation of authority to be granted to the Board of Directors to reduce the Company's share capital by canceling treasury stock.
7. Delegation of authority to be granted to the Board of Directors to increase the share capital by incorporating premiums, reserves, profits, or any other amount that may be capitalized.
8. Delegation of authority to be granted to the Board of Directors to increase the share capital, without shareholders' preferential subscription rights, in favor of a class or classes of beneficiaries, as part of the SUEZ ENVIRONNEMENT Group international employee shareholding and savings plans.
9. Delegation of powers for formalities.

26.2 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PRESENTED TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING TO BE HELD ON MAY 23, 2013

Nine resolutions have been submitted for your approval. The first 5 resolutions will be submitted to the Ordinary General Meeting, while Resolutions 6 to 9 will be submitted to the Extraordinary General Meeting.

PRESENTATION OF THE RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

(Resolutions 1 and 2)

Approval of the annual and consolidated financial statements for the fiscal year ended December 31, 2012

The General Meeting is requested to approve the Company's annual financial statements for the fiscal year ended December 31, 2012, as well as the transactions reflected in those statements.

These Company's annual financial statements show a net profit of €165,090,685.39.

The General Meeting is also requested to approve the consolidated financial statements for the fiscal year ended December 31, 2012, which show a net income Group share of €251 million, as well as the transactions reflected in those statements.

(Resolution 3)

Allocation of profit for the fiscal year ended December 31, 2012

Distributable income as of December 31, 2012 amounts to €4,469,979,842.15 and breaks down as follows:

Net profit for fiscal year 2012	€165,090,685.39
Previous year's retained earnings	€154,212,983.31
Other reserves	€3,488,750.85
Additional paid-in capital	€4,147,187,422.60
TOTAL DISTRIBUTABLE INCOME	**€4,469,979,842.15**

It is noted that, in accordance with article L.232-10 of the French Commercial Code, it is not proposed allocation to the legal reserve, as it currently represents 10% of the share capital.

The Board of Directors proposes that the General Meeting set the dividend for the 2012 fiscal year at €0.65 per share, representing a total payout of €331,651,988.85 based on 510,233,829 shares comprising the Company's share capital as of December 31, 2012, by deduction from the following items:

Net profit for fiscal year 2012	€165,090,685.39
Previous year's retained earnings	€154,212,983.31
Other reserves	€3,488,750.85
Additional paid-in capital	€8,859,569.30
DIVIDEND FOR FISCAL YEAR 2012	**€331,651,988.85**

Your Board of Directors wishes to draw your attention to the fact that the final amount to be paid out will take into account the number of treasury shares held by the Company at the time the dividend is paid out.

The ex-dividend date is May 27, 2013, with a payment date of May 30, 2013.

In accordance with Article 158, 3-2 of the French General Tax Code, individuals residing in France for tax purposes are eligible for a 40% tax allowance.

(Resolution 4)

Approval of related-party agreements

The General Meeting is requested to approve the "related-party" agreements previously authorized by your Board of Directors in 2012 (not approved by General Meeting of May 24, 2012) and in early 2013, described in the Statutory Auditors' Special Report on related-party agreements and commitments referred to in articles L.225-38 *et seq.* of the French Commercial Code.

These include both the industrial and commercial cooperation framework agreement between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, and the mandate given by GDF SUEZ to SUEZ ENVIRONNEMENT in respect of the ICSID arbitration proceedings in Argentina.

Industrial and commercial cooperation framework agreement between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY

This framework agreement, signed on January 17, 2013, sets out the guiding principles for the industrial and commercial relations that GDF SUEZ and SUEZ ENVIRONMENT COMPANY wish to continue after the Company's Shareholders' Agreement term on July 22, 2013 in accordance with the respective interests of the two groups and the provisions of competition law and market regulations. Such industrial and commercial agreements could in particular cover Innovation, Research and Development and the development of joint commercial offers.

Your Board of Directors has authorized this agreement to enable them to meet the needs of SUEZ ENVIRONNEMENT's customers effectively and to continue developing synergies between the two groups thanks to the industrial and commercial cooperation that it would make possible.

Mandate from GDF SUEZ to SUEZ ENVIRONNEMENT and agreement with a fund as part of the ICSID arbitration proceedings in Argentina

GDF SUEZ granted a mandate to negotiate to SUEZ ENVIRONNEMENT on May 3, 2012 under the provisions of the Argentine synthetic contract (as described in Note 2.2.1 of Section 20 of the 2009 SUEZ ENVIRONNEMENT COMPANY reference document). This agreement was authorized by the Board to enable the study of potential solutions as part of the ICSID arbitration proceedings concerning the companies Aguas Argentinas and Aguas de Santa Fe. The negotiations were unsuccessful and the mandate expired on June 30, 2012.

The Statutory Auditors' Special Report also specifies the related-party agreements and commitments previously approved by the General Meeting, which continued to apply during the fiscal year ended December 31, 2012.

(Resolution 5)

Authorization to be granted to the Board of Directors to trade the shares of the Company

The General Meeting of May 24, 2012 authorized the Company, under Resolution 15, to trade its own shares for a period of 18 months.

As of December 31, 2012, the Company held 1,143,389 treasury shares, i.e. 0.22% of the share capital. Details of the use of this authorization granted to the Board of Directors in 2012 are set out in Section 21.1.3 of the 2012 Reference Document.

As the current authorization expires in November 2013, you are requested to cancel the unused portion of this authorization and re-authorize the Board of Directors to trade the Company's own shares for a period of 18 months.

The terms and conditions of this new authorization are as follows:

- Maximum purchase price per share: €20
- Maximum holding: 10% of the share capital
- Maximum acquisition value: €1,020,467,640

This new authorization has the same purpose as the one you approved last year, and allows the Company to trade its own shares (including through the use of derivative financial instruments), except in the event of a public offering. The objectives of this share buyback program are in compliance with regulations and are detailed in Section 21.1.3 of the 2012 Reference Document.

PRESENTATION OF THE RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

(Resolution 6)

Reduction of the Company's share capital by cancellation of treasury shares

The General Meeting of May 24, 2012 in its Resolution 16 authorized the Board of Directors to reduce the Company's share capital by canceling treasury shares. This authorization was not used by the Board of Directors.

The General Meeting is requested to terminate the authorization granted by the Shareholders' Meeting of May 24, 2012, and to grant the Board of Directors a new authorization for a 26-month period to reduce the Company's share capital by canceling all or part of the shares acquired by the Company itself, pursuant a share buyback program (including that proposed to the present General Meeting in its Resolution 5), subject to a maximum of 10% of the share capital per 24-month period.

(Resolution 7)

Capital increase by incorporating premiums, reserves, profits, or any other amount that may be capitalized

The General Meeting of May 24, 2012 in its Resolution 23 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by incorporating premiums, reserves, profits or any other amount that may be capitalized, by issuing new securities or increasing the nominal value of existing shares, or a combination of both methods. This authorization was not used by the Board of Directors.

The General Meeting is requested to renew in advance this delegation, which is due to expire in July 2014, in order to balance the agenda of the Company's general meetings as much as possible from year to year. This delegation of authority is in fact independent of other financial authorizations granted by the General Meeting of May 24, 2012.

Under this resolution, the maximum nominal amount of capital increases that may be carried out shall not exceed the total amounts that may be incorporated or an independent nominal cap of €408 million or the countervalue of this amount in another currency.

(Resolution 8)

Share capital increase, without preferential subscription rights, in favor of class(es) of beneficiaries, as part of the implementation of the SUEZ ENVIRONNEMENT Group international shareholding and savings plans

The General Meeting of May 24, 2012, in its Resolutions 26 and 27, delegated the required authorizations to the Board of Directors to allow it to continue its policy of development of the employee shareholding throughout the Group, with the option of conducting further employee shareholding operations.

Accordingly, the General Meeting of May 24, 2012 delegated its authority to your Board of Directors:

- under Resolution 26, in order to increase the share capital on one or more occasions, without preferential subscription rights, for the benefit of employees subscribed to one or more company savings plans, subject to a maximum nominal value of €40 million, for a duration of 26 months, i.e., until July 2014;
- under Resolution 27, in order to increase the share capital on one or more occasions, without preferential subscription rights, for the benefit of entities whose purpose is to facilitate access to the Company's share capital from the Group's international employee shareholders, subject to a maximum nominal amount of €12 million, for a duration of 18 months, i.e., until November 2013. The purpose of this resolution is to supplement Resolution 26 and allow the Board of Directors to offer an economically equivalent opportunity to all employees and corporate officers of the Group within the meaning of article L.225-180 of the French Commercial Code, regardless of the country where their head office is located, especially when these employees cannot subscribe shares issued for employees through a company savings plan.

These delegations have not been used by the Board of Directors.

Since this delegation, granted by the General Meeting of May 24, 2012 in Resolution 27, is due to expire in November 2013, the Shareholders are asked to renew it under equivalent terms, i.e., for another 18 months and for the maximum nominal amounts below:

- **€12 million, i.e. 3 million securities, each with a par value of €4**, with respect to capital increases that may be carried out under this delegation; and
- **€3 billion** with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation;

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations) of the General Meeting of May 24, 2012.

You are also asked to approve the waiver of shareholders' preferential subscription rights applicable to the corresponding shares issued and to reserve subscription rights for the class of beneficiaries satisfying the following characteristics:

(a) employees and corporate officers of foreign SUEZ ENVIRONNEMENT Group companies linked to the Company under the conditions set out in article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labor Code, and/or

(b) Mutual funds (OPCVR) or other incorporated or unincorporated entities of employees' shareholding invested in the Company's shares and whose unitholders or shareholders consist of the persons mentioned in subparagraph (a) of this paragraph, and/or

(c) any banking establishment or subsidiary of such establishment acting at the Company's request for the purpose of setting up a shareholding or savings plan for the benefit of the persons mentioned in subparagraph (a) of this paragraph.

To this end, we ask you to authorize the Board of Directors to select the said entities.

The issue price of new shares would be equal to that of the shares issued as part of a capital increase for employees who are members of a company savings plan, pursuant to Resolution 26 of the General Meeting of May 24, 2012, and thus may not in any case be less than 80% of the average opening share price over the 20 trading days preceding the date of the decision setting the opening date of the subscription period.

As part of this delegation, the Board of Directors may, if it considers it appropriate, reduce or eliminate the discount applied to the subscription price of shares thus issued, subject to the legal and regulatory limits, in order to take into account legal, accounting, tax, and social systems that are applicable locally.

(Resolution 9)

Delegation of powers for formalities

The General Meeting is asked to authorize any holder of an original, a copy or an extract of the minutes of the General Meeting to exercise all formalities relating to the General Meeting of May 23, 2013.

Please do not hesitate to contact your Board of Directors for any further information or explanations you might need.

The Board of Directors

26.3 REPORT OF THE STATUTORY AUDITORS ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

As statutory auditors of your Company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, on the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R.225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R.225-31 of the French commercial code (*Code de commerce*), concerning the implementation, during the year, of the agreements and commitments previously approved by the General Meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of shareholders

In accordance with article L.225-40 of the French commercial code (Code de commerce), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

With GDF SUEZ

PERSONS CONCERNED

Mr Gérard Mestrallet, chairman and Chief Executive Officer of GDF SUEZ and chairman of the Board of Directors of your Company, and Mr Jean-François Cirelli, vice chairman and president of GDF SUEZ and director of your Company.

a. Nature and purpose

Agreement for the resolution of the Argentine litigations.

Conditions

Following the failure of the Argentinean government, SUEZ had initiated in 2003 an international arbitration procedure before the ICSID to recover the liabilities related to the companies Aguas Argentinas S.A. and Aguas Provinciales de Santa Fé, both subsidiaries of SUEZ ENVIRONNEMENT.

As no compensation has been received to date, SUEZ ENVIRONNEMENT has been mandated by GDF SUEZ on May 3, 2012 under the Synthetic Argentinean contract to find potential solutions in application of an agreement with a fund in the context of the ICSID arbitration proceedings related to the companies Aguas Argentinas S.A. and Aguas Provinciales de Santa Fé. The signing of the agreement with this fund was authorized on April 25, 2012 by your Board of Directors, which gave full powers to Mr Jean-Louis Chaussade, Chief Executive Officer, to proceed with its completion and signature.

This agreement, which was concluded on May 4, 2012, had no application and ended on June 30, 2012.

b. Nature and purpose

Framework agreement on the "Guidelines and strategy for industrial and commercial cooperation" between GDF SUEZ and your Company.

Conditions

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ, GDF SUEZ, Groupe Bruxelles Lambert, Areva, CNP Assurances, Sofina, your Company and the Caisse des Dépôts et Consignations concluded a shareholders' agreement on June 5, 2008 (the «Pact»), which will constitute a joint control as defined by article L.233-3 of the French commercial code (*Code de commerce*) and giving to GDF SUEZ the control of SUEZ ENVIRONNEMENT. The initial term of the pact was five years, automatically renewed for five years unless terminated by either party six months before expiry.

On December 5, 2012, after considering the other shareholders party to the pact had expressed unanimously their decision not to renew it, GDF SUEZ approved the principle of not renewing the pact.

On December 12, 2012, taking into account the non-renewal of the agreement, the Board of Directors of your Company has authorized the signing of a framework agreement with GDF SUEZ to extend

the cooperations between them. This framework agreement sets out the guiding principles for the industrial and commercial agreements between GDF SUEZ and your Company after the end of the shareholders' agreement, which will take place on July 22, 2013. These principles focus on five priority areas:

- reciprocal preference for purchases/sales;
- development of synergies in industrial activities;
- development of joint commercial offerings;
- partnership on the sustainable development policy;
- coordination in sales, marketing, innovation and Research and Development.

This agreement, which will be effective on July 22, 2013 for a period of three years, was signed by GDF SUEZ and SUEZ ENVIRONNEMENT on January 17, 2013.

Agreements and commitments already approved by the General Meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS WHOSE IMPLEMENTATION CONTINUED DURING THE YEAR

In accordance with article R.225-30 of the French commercial code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of shareholders in prior years continued during the year.

With GDF SUEZ

PERSONS CONCERNED

Mr Gérard Mestrallet, chairman and Chief Executive Officer of GDF SUEZ and chairman of the Board of Directors of your Company, and Mr Jean-François Cirelli, vice chairman and president of GDF SUEZ and director of your Company.

a. Nature and purpose

Shareholders' agreement of your Company.

Conditions

The following agreement was authorized by your Board of Directors at their June 4, 2008 meeting:

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ (the "Spin-off/Distribution"), followed by the listing of your Company's shares for trading on the Euronext Paris and Euronext Brussels exchanges, SUEZ (the rights of which have been transferred to GDF SUEZ following the merger), Groupe Bruxelles Lambert, Sofina, the Caisse des Dépôts et Consignations, Areva and CNP Assurances as well as your Company concluded a shareholders' agreement on June 5, 2008 for a term of five years from the date of approval of the Spin-off/Distribution, renewable at the end of that period.

The shareholders' agreement constitutes a joint control as defined by article L. 233-10 of the French commercial code (*Code de commerce*), in which GDF SUEZ plays a leading role. The agreement has the effect of giving GDF SUEZ the control of your Company.

The agreement shall be terminated before the end of its term in the event that (i) all shares held by the parties to the agreement should come to represent less than 20% of your Company's share capital, or (ii) GDF SUEZ is no longer the leading shareholder in the joint control group. Furthermore, in the event that a party should come to hold less than a third of its initial stake, then the agreement would be terminated as far as it is concerned but would remain in force and effect for the other parties.

On December 5, 2012, the Board of Directors of GDF SUEZ has authorized the principle of non-renewal of the agreement.

On January 23, 2013, GDF SUEZ indicated that, given the number of termination notifications received from the parties, the agreement would not be renewed and would end on July 22, 2013 with respect to all parties.

b. Nature and purpose

Cooperation and shared services agreement between SUEZ (the rights and liabilities of which have been transferred to GDF SUEZ following the merger) and your Company.

Conditions

At their June 4, 2008 meeting, your Board of Directors authorized the signing of a cooperation and shared services framework agreement between SUEZ and your Company, which came into force subsequent to the distribution of 65% of your Company's share capital by SUEZ to its shareholders and the merger of GDF and SUEZ.

This agreement defines the detailed arrangements for the cooperation between SUEZ (the rights and liabilities of which will be transferred to GDF SUEZ following the merger) and your Company, mainly in the areas of strategy, accounting, internal control, audit, risk, finance, tax policy, IT services, and communications.

Furthermore, your Company and SUEZ have reaffirmed their attachment to the SUEZ group «Social Pact» and to the continued application of the charters and agreements signed within the group. Subject to applicable laws, rules and regulations, the employees of your Company and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share allocations, as well as future employee shareholder plans of GDF SUEZ.

At last, your Company and SUEZ mutually agree that your Company will continue to benefit from the centralized services provided by GDF SUEZ, and especially from the GDF SUEZ centers of expertise.

Services provided under the cooperation and shared services agreement are invoiced between your Company and GDF SUEZ at market conditions.

The cooperation and shared services agreement will automatically end on July 22, 2013 following the termination of the shareholders' agreement by the parties, which will result in the loss of the control of your Company by GDF SUEZ.

c. Nature and purpose

Amendment to the Shareholders' Agreement of your Company.

Conditions

The signing of an amendment to the shareholders' agreement was authorized by your Board of Directors at their October 28, 2008 meeting.

Pursuant to article 7 of the shareholders' agreement signed on June 5, 2008, the composition of the boards of directors of your Company and SUEZ ENVIRONNEMENT, a wholly-owned subsidiary of your Company, had to remain identical at all times pending a possible merger of both companies.

The Board of Directors thus authorized the removal of the obligation that the boards of directors of both companies mentioned above be identical, the corollary being that it would be necessary to amend article 7 of the shareholders' agreement.

This amendment was signed on December 18, 2008 and approved by your General Meeting of shareholders of May 26, 2009.

d. Nature and purpose

Financing agreement with the GDF SUEZ group.

Conditions

With the financing framework agreement signed on June 5, 2008 between SUEZ, SUEZ ENVIRONNEMENT and your Company expiring on December 31, 2010, your Company requested, in advance, that it be extended beyond this date, particularly to maintain a backup line and to strengthen its liquidity sources and credit rating.

This extension of the support granted to SUEZ ENVIRONNEMENT was part of a framework for extending agreements signed in 2008 and for the absence of liquidity concerns for SUEZ ENVIRONNEMENT.

The new agreement between GDF SUEZ, GDF SUEZ Finance and your Company and SUEZ ENVIRONNEMENT sets the main terms of financing your group for the 2011-2013 period. Financing will be provided by GDF SUEZ Finance or any other entity of the GDF SUEZ group and may be granted to any entity of your group, your Company or SUEZ ENVIRONNEMENT agreeing to act as guarantor in the event where financing is granted to one of their subsidiaries. The total overall financing granted shall be limited to the aggregate amount of your group financing requirements, as agreed annually between GDF SUEZ and your Company. Loans shall be granted at market terms and conditions, depending on the term of the loan.

At its October 27, 2010 meeting, your Board of Directors authorized the implementation with GDF SUEZ of a credit line limited to 350 million euros.

The new credit line took effect on January 1, 2011 and will expire on July 15, 2013. On the drawdown time, if need be, the margin will be set on usual market conditions which are based on credit spreads of similar industrial companies with the same rating as your Company. A commitment fee of fifteen base points of the unused amount has been agreed between January 1, 2011 and July 15, 2013 corresponding to the credit line using period.

This agreement was approved by your General Meeting of shareholders of May 18, 2011.

On December 31, 2012, your group disposed of booked loans and current account advances amounting to 144.0 million euros in total and undrawn credit lines of 350 million euros granted by the GDF SUEZ group. Net financial expenses booked by your group amounted to 7.3 million euros in 2012.

AGREEMENTS AND COMMITMENTS APPROVED DURING THE YEAR

In addition, we have been advised of the implementation during the year of the following agreements and commitments which were approved by the General Meeting of shareholders of May 24, 2012 based on the statutory auditors' report dated March 16, 2012.

With Mr Jean-Louis Chaussade, Chief Executive Officer and director of your Company

a. Nature, purpose and conditions

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, authorized severance payments in the event of dismissal as Chief Executive Officer, for the benefit of Mr Jean-Louis Chaussade, for a maximal amount equivalent to fifteen months of his total gross compensation. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28, 2008 and December 18, 2008 meetings.

Three performance criteria were decided upon:

- the average growth in revenue as provided for in the medium-term plan and measured over the period from 2008 to the year of cessation of functions (under similar economic conditions to those prevailing when the medium-term plan was prepared);
- the growth of the share price of your Company, which must be equal to or greater than the average of the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period starting from July 22, 2008 to the date of cessation of functions;
- the average ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over this same period of time.

If two of these three criteria are fulfilled, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due.

With regard to the variable part of the total gross compensation which serves as basis for calculating the dismissal payment, the Board of Directors decided that this part would be equal to the average of the variable parts for the two years preceding the year during which the dismissal decision is taken.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as Chief Executive Officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

b. Nature, purpose and conditions

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, entitled Mr Jean-Louis Chaussade to benefit from the supplementary retirement plans applicable to the employees of your Company. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28, 2008 and December 18, 2008 meetings.

In the first instance, this refers to a mandatory group plan based on defined contributions in accordance with article L.441-1 of the French insurance code (*Code des assurances*). In the second instance, it refers to a supplementary group retirement plan based on arbitrarily defined benefits. In the event of leaving the Company prior to retirement, and apart from exceptions laid down by law, potential beneficiaries of these plans will only retain the rights acquired from the defined contribution plan and will lose all rights acquired from the defined benefit plan.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as Chief Executive Officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

c. Nature, purpose and conditions

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, entitled Mr Jean Louis Chaussade to benefit from the special insurance for entrepreneurs and Company owners on the one hand and insurance benefits and healthcare cover on the other hand. This agreement replaces the agreement previously authorized by your Board of Directors at its October 28, 2008 meeting.

The special unemployment insurance for Company directors (*GSC – Garantie Sociale des Chefs et dirigeants d'entreprise*) subscribed on behalf of Mr Jean-Louis Chaussade amounts to €5,329 in 2012.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as Chief Executive Officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

Courbevoie and Paris-La Défense, April 2, 2013

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.4 REPORTS OF THE STATUTORY AUDITORS TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 23, 2013

26.4.1 Statutory auditors' report on the reduction in capital (sixth resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L.225-209 of the French commercial code (*Code de commerce*) in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

Your Board of Directors requests that it be authorized, for a period of twenty-six months starting on the date of the present shareholders' meeting, to proceed with the cancellation of shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of twenty-four months, in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, April 2, 2013

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.4.2 Statutory auditors' report on the issue of shares or marketable securities reserved for a category of beneficiaries for the requirements of implementing international shareholding and savings plans of the SUEZ ENVIRONNEMENT Group (eighth resolution)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L.228-92 and L.225-135 *et seq.* of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with an issue of shares or other marketable securities giving access to capital, with cancellation of preferential subscription rights, reserved for (a) employees and corporate officers of foreign companies in the Suez Environnement Group that are related to the company within the meaning of articles L.225-180 of the French commercial code (*Code de commerce*) and L.3344-1 of the French labor code (*Code du travail*); (b) and/or mutual funds or other incorporated or unincorporated entities of employee shareholders invested in company shares whose unitholders or shareholders consist of the persons mentioned in point (a) of this paragraph; (c) and/or any banking establishment or subsidiaries of such establishment acting at your company's request for the purpose of setting up a shareholding or savings plan for the benefit of persons mentioned in part (a) of this paragraph, for a maximum nominal amount of € 12,000,000, an operation upon which you are called to vote.

The maximum nominal amount of the capital increases that may be performed immediately or in the future will be put on the global maximum amount of € 408,000,000 set in the twenty-ninth resolution of the shareholders' meeting of May 24, 2012. In addition, the maximum nominal amount of the debt securities that may be issued will be deducted from the global maximum amount of €3,000,000,000 referred to in the twenty-ninth resolution of the shareholders' meeting of May 24, 2012.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of eighteen months, starting on the date of the present shareholders' meeting, to decide whether to proceed with one or several issues and proposes to cancel your preferential subscription rights to the shares and marketable securities to be issued. If applicable, it shall determine the final conditions of these operations.

It is the responsibility of the board of directors to prepare a report in accordance with articles R.225 113 *et seq.* of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on the other information relating to those share issues provided in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of directors' report relating to this operation and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the board of directors' report.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R.225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Paris-La Défense, April 2, 2013

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.5 DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 23, 2013

Resolutions to be submitted to the Ordinary General Meeting

RESOLUTION 1

(The purpose of this resolution is to approve the company's financial statements for the fiscal year ended December 31, 2012)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings and having deliberated and reviewed the Board of Directors' management report and the statutory auditors' report on the annual financial statements for the fiscal year ended December 31, 2012, approves these financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports, which show a net profit of €165,090,685.39.

Pursuant to Article 233 quater of the French General Tax Code, the General Meeting acknowledges that the Company's financial statements for the fiscal year ended December 31, 2012 do not report any of the expenditures and charges set out in item 4 of Article 39 of the French General Tax Code that are not deductible from taxable income for the fiscal year ended December 31, 2012.

RESOLUTION 2

(The purpose of this resolution is to approve the consolidated financial statements for the fiscal year ended December 31, 2012)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings and having deliberated and reviewed the Board of Directors' management report and the statutory auditors' report on the consolidated financial statements for the fiscal year ended December 31, 2012, approves the consolidated financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports.

RESOLUTION 3

(The purpose of this resolution is to allocate the net income for the fiscal year ended December 31, 2012)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings and having deliberated and reviewed the Board of Directors' management report and the statutory auditors' report on the Company's financial statements for the fiscal year ended December 12, 2012:

- notes that the net profit for the fiscal year ended December 31, 2012 amounts to €165,090,685.39;
- notes that the distributable income, consisting of net profit for the fiscal year of €165,090,685.39, in addition to the previous year retained earnings of €154,212,983.31, "Other reserves" of €3,488,750.85, and additional paid-in capital of €4,147,187,422.60, amounts to a total of €4,469,979,842.15; and
- decides to allocate the distributable income of €4,469,979,842.15 as follows:

Distributable income:	
Net profit for fiscal year 2012	€165,090,685.39
Previous year's retained earnings	€154,212,983.31
Other reserves	€3,488,750.85
Additional paid-in capital	€4,147,187,422.60
Total distributable income	*€4,469,979,842.15*
Proposed dividend:	
Dividend of €0.65 per share for fiscal year 2012	**€331,651,988.85**
by deduction from the following items:	
Net profit for fiscal year 2012	€165,090,685.39
Retained earnings	€154,212,983.31
Other reserves	€3,488,750.85
Additional paid-in capital	€8,859,569.30
For information, shareholders' equity after dividend payment	
Share capital	€2,040,935,316.00
Legal reserve	€204,093,531.60
Other reserves	0
Additional paid-in capital	€4,138,327,853.30
2012 Retained earnings	0

The General Meeting therefore sets the dividend at €0.65 per share.

The amount of €331,651,988.85 is based on the number of SUEZ ENVIRONNEMENT COMPANY shares outstanding as of December 31, 2012, i.e., 510,233,829 shares, and the final amount paid will take into account the number of treasury shares held by the Company at the time the dividend is paid. As a result, when the

dividend is paid, the dividend corresponding to treasury shares held by the Company will be allocated to retained earnings.

The ex-dividend date is May 27, 2013, with a payment date of May 30, 2013.

In accordance with Article 158, 3-2 of the French General Tax Code, individuals residing in France for tax purposes are eligible for a 40% tax allowance on the full amount of the paid dividend, as approved by this General Meeting.

In accordance with Article 243 bis of the French General Tax Code, the General Meeting acknowledges the dividend amounts paid in the last three fiscal years:

- Distribution of an interim dividend of €0.65 per share (total of €317,621,889) decided upon by the Board of Directors on May 26, 2009 and paid out on June 3, 2009, and of the balance of the dividend of €0.65 per share (total of €318,304,389) decided upon by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 20, 2010.
- Distribution of a dividend of €0.65 per share (total of €318,304,389.00) decided upon by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 19, 2011.
- Distribution of a dividend of €0.65 per share (total of €331,651,988.85) decided upon by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 24, 2012.

These dividends were eligible for the 40% tax allowance under article 158, 3-2 of the French General Tax Code.

RESOLUTION 4

(The purpose of this resolution is to approve the related-party agreements and commitments governed by articles L.225-38 et seq. *of the French Commercial Code)*

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings and having deliberated and reviewed the statutory auditors' special report on the agreements and commitments governed by articles L.225-38 *et seq.* of the French Commercial Code:

- approves the agreements concluded with GDF SUEZ referred to in the above-mentioned report;
- approves the terms of the said report and acknowledges that the related-party agreements and commitments made and previously approved by the General Meeting, which are referred to, continued during the previous fiscal year.

RESOLUTION 5

(The purpose of this resolution is to authorize the Company to trade its own shares)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings and having deliberated and reviewed the Board of Directors' Report, and in compliance with the provisions of the French Commercial Code, specifically articles L.225-209 *et seq.*, the directly applicable provisions of Regulation No. 2273/2003 of the European Commission of December 22, 2003 and with market practices permitted by the French Financial Market Authority (AMF), authorizes the Board of Directors, with the option to subdelegate as permitted by law and the Company by laws, to acquire the Company's shares or cause them to be acquired so as to:

- ensure liquidity and promote the secondary market for the Company's shares using the services of an investment service provider acting independently pursuant to a liquidity contract that complies with the ethics charter recognized by the French Financial Markets Authority (AMF); or
- subsequently cancel all or some of the shares thus purchased in accordance with article L.225-209 of the French Commercial Code within the framework of a capital reduction to be adopted or authorized by the General Meeting; or
- allocate or grant, with or without a discount, shares to employees or former employees and/or to corporate officers or former corporate officers of the Company and/or companies affiliated with it, or which will be affiliated with it under the conditions and in accordance with the procedures set out in applicable regulations, particularly following the exercise of existing stock options or bonus share grants or as part of company or inter-company savings plans, under the terms provided by law (in particular articles L.3332-18 *et seq.* of the French Labor Code) or as part of shareholder plans governed by the laws of other countries; or
- keep and subsequently deliver shares (in exchange or payment, etc.) as part of external growth operations, provided that the maximum number of shares purchased in view of keeping them and subsequently delivering them for payment or exchange as part of a merger, spin-off or contribution plan does not exceed 5% of the share capital; or
- the covering of securities conferring access to the allotment of the Company's shares by delivering them, following the exercise of rights attached to such securities (whether by redemption, conversion, exchange, presentation of a warrant or any other means); or

- pursue, more generally, any other goal that is or becomes authorized by law or regulations, or engage in any market practice that is or becomes approved by financial market regulators, provided that the Company's shareholders are formally notified thereof via a press release.

Share purchase volumes are subject to the following limits:

- The number of shares acquired during the share buyback program shall not at any time exceed 10% of the shares that make up the Company's share capital, with this percentage applying to a share capital adjusted in accordance with transactions impacting it following this General Meeting, and, with regard to the particular case of shares that are bought under a liquidity contract, the number of shares used to calculate the 10% limit corresponds to the number of shares purchased less the number of shares resold during the term of the authorization;
- The number of shares that the Company holds at any time must not exceed 10% of the shares that make up the Company's share capital on the relevant date, on the understanding that this share capital includes any adjustments resulting from transactions impacting it following this General Meeting.

The General Meeting decides that the maximum purchase price per share is fixed at €20 (or the equivalent value of this amount on the date of acquisition in any other currency), excluding acquisition costs.

Consequently, for guidance and pursuant to article R.225-151 of the French Commercial Code, the General Meeting sets the maximum number of shares that may be purchased at 51,023,382 and the maximum overall amount allocated to the above-mentioned authorized share buyback program at €1,020,467,640, calculated on the basis of the Company's share capital as of December 31, 2012, consisting of 510,233,829 shares.

Shares may be purchased, sold, exchanged or transferred on one or more occasions by any means, on a regulated market, via a multilateral trading system, with a systematic internalizer or over the counter, including through the use of a third party acting under the conditions set forth in article L.225-206 II of the French Commercial Code, by a public offering or transactions for blocks of shares (which may cover the entire buyback program). These means include the use of any financial derivatives, traded on a regulated market, using a multilateral trading system, over the counter or through a systematic internalizer, including the purchase and sale of put and call options, as permitted by the market authorities. These transactions may be carried out at any time in accordance with current legal provisions, except at the time of a public offer on the Company's shares.

In the event of a change in the par value of the Company shares, the General Meeting grants the Board of Directors the power (including the power to subdelegate) to increase the share capital through the incorporation of reserves, bonus share allocations, splitting or regrouping of shares, distribution of reserves or any other assets, share capital amortization or any other operation involving its shareholders' equity (capitaux propres) in order to adjust the aforementioned maximum purchase price to take into account the impact of these operations on the share price.

The General Meeting grants all powers to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to implement this authorization, in particular to determine the timeliness of launching a share buyback program and to specify, if necessary, the terms and procedures for carrying out the share buyback program, and specifically to submit any market order, enter into any agreements for appointing a registrar for purchases and sales of shares, undertake any formalities and make statements to any bodies, including the AMF, and, in general, to do whatever is necessary in this matter.

The General Meeting also grants all powers to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws and within the legal and regulatory limits, to make any permitted reallocations of the purchased shares in accordance with one or more objectives of the share buyback program, or to sell them, on the stock market or over-the-counter, it being understood that such allocations and sales may involve shares repurchased under previous authorizations.

This authorization is granted for a term of eighteen (18) months, from the date of this meeting. It supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 24, 2012 in its Resolution 15.

Resolutions to be submitted to the Extraordinary General Meeting

RESOLUTION 6

(The purpose of this resolution is to authorize the Board of Directors to reduce the Company's share capital by canceling treasury stock)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings and having deliberated and reviewed the Board of Directors' report and the statutory auditors' report, in accordance with articles L.225-209 *et seq.* of the French Commercial Code:

1. Authorizes the Board of Directors to reduce the Company's share capital, on one or more occasions, in the proportions and at the times it considers appropriate, by canceling all or some of the shares acquired by the Company itself, in accordance with Resolution 5 submitted to this General Meeting, or pursuant to authorization for a share buyback program granted previously or subsequently by a General Meeting, up to a maximum of 10% of the Company's share capital (as may be adjusted to take into account any transactions on the Company's share capital after the date of this meeting) per twenty-four (24) months periods, on the understanding that this percentage will be calculated on the day the decision is made by the Board of Directors.
2. Grants full powers to the Board of Directors, including the option to subdelegate under conditions provided by law, to:
   - decide on the share capital reduction(s),
   - decide the final amount, specify the terms and conditions thereof, and record its implementation,
   - allocate the difference between the book value of the cancelled shares and their nominal amount to all items corresponding to reserves and premiums,
   - amend the bylaws accordingly, and
   - in general, do whatever is necessary in this matter.
3. Resolves that this authorization supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 24, 2012 in its Resolution 16.

This authorization is granted for a term of twenty-six (26) months as of the date of this meeting.

RESOLUTION 7

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital by incorporating premiums, reserves, profits or any other amount that may be capitalized)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings and having deliberated and reviewed the Board of Directors' Report, and pursuant to the provisions of the French Commercial Code, specifically articles L.225-129, L. 225-129-2 and L. 225-130 thereof:

1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to decide to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, by incorporating, consecutively or simultaneously, premiums, reserves, profits or any other amounts that may be capitalized pursuant law and the Company's bylaws, by issuing new shares or increasing the nominal value of existing shares or a combination of both methods.
2. Resolves that the maximum nominal amount of capital increases that may be carried out pursuant to this delegation, or pursuant to any other similar delegation that may succeed it during its validity period, must not exceed the total sum that can be incorporated and must not exceed a nominal ceiling of €408 million or the countervalue of this amount, it being understood that this amount (i) is set independently and separately from the €408 million overall nominal cap set forth in Resolution 29 of the General Meeting of May 24, 2012, and (ii) does not take into account any adjustments that may be carried out pursuant to applicable laws or regulations.
3. Resolves that, in the event that the share capital is increased and pursuant to the provisions of article L.225-130 of the French Commercial Code, fractional rights will not be tradable and that the corresponding securities will be sold, with the amounts generated by the sale allocated to the rights-holders pursuant to law and regulations.
4. Grants to the Board of Directors all powers, including the option to subdelegate, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided by law, and specifically to:
   - Set the amount and nature of the sums to be capitalized, set the number of new equity securities to be issued and/or the amount by which the nominal amount of existing equity securities will be increased, set the date, which may be retroactive, from which the new equity securities will confer entitlement to dividends or from which the increase of the nominal value of the existing equity securities will take effect, and

- Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.

5. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 24, 2012 in its Resolution 23.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 8

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital, without shareholders' preferential subscription rights, in favor of a class or classes of beneficiaries, as part of the SUEZ ENVIRONNEMENT Group international employee shareholding and savings plans)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings and having deliberated and reviewed the Board of Directors' report and the statutory auditors' report, in accordance with articles L.225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code:

1. Delegates its authority to the Board of Directors to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, by a maximum nominal amount of €12 million, or its equivalent in any other currency (valued on the date of the Board of Directors' decision to increase the capital), by issuing shares or securities conferring access to the Company's share capital reserved for the class of beneficiaries defined in paragraph 7 below.
2. Resolves that such delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares.
3. Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future by the issuance of new shares pursuant to this delegation will count towards the €408 million overall nominal cap as set forth in Resolution 29 of the General Meeting of May 24, 2012.
4. Resolves that the maximum nominal amount of capital increases through the issuance of securities representing debt or similar securities conferring access to the Company's share capital that may be issued pursuant to this delegation will count towards the €3 billion overall cap set forth in Resolution 29 of the General Meeting of May 24, 2012.
5. Resolves that this delegation automatically includes, for the benefit of the holders of the securities issued under this resolution and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities confer rights immediately or in the future.
6. Resolves that the amount of each employee's subscriptions may not exceed the limits set by the Board of Directors pursuant to this delegation, and, in the event of excessive employee subscriptions, these will be reduced pursuant to the rules defined by the Board of Directors.
7. Resolves to waive shareholders' preferential subscription rights applicable to any shares issued pursuant to this resolution and to reserve the corresponding subscription rights for the class of beneficiaries that meet the following criteria:
   (a) employees and corporate officers of foreign SUEZ ENVIRONNEMENT Group companies linked to the Company under the conditions set out in article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labor Code, in order to allow them to subscribe for the Company's share capital on economically equivalent terms to those offered to members of one or more corporate savings plans as part of a capital increase undertaken pursuant to Resolution 26 of the General Meeting of May 24, 2012, and/or

   (b) Mutual funds (OPCVR) or other incorporated or unincorporated entities of employees' shareholding invested in Company shares whose unitholders or shareholders consist of the persons mentioned in subparagraph (a);

   (c) any banking establishment or subsidiary of such establishment acting at the Company's request for the purpose of setting up a shareholding or savings plan for the benefit of the persons mentioned in subparagraph (a), provided that the authorized person's subscription in accordance with this resolution would be necessary or beneficial in order to allow the aforementioned employees or corporate officers to benefit from employee shareholding or savings plans with equivalent or similar economic benefits to the plans from which other SUEZ ENVIRONNEMENT Group employees benefit.
8. Resolves that the issue price of the shares or securities conferring access to the Company's share capital will be set by the Board of Directors and may be (a) set under the same conditions as those determined under articles L.3332-18 *et seq.* of the French Labor Code, the subscription price being equal to at least 80% of the Company's average quoted share price on Euronext Paris over the 20 trading days preceding the day that the decision is made to set the opening for subscriptions under this resolution, or (b) equal to the price of the shares issued as part of the capital increase

benefiting the employee members of a company savings plan, pursuant to Resolution 26 of the General Meeting of May 24, 2012, and which will be at least equal to the Reference Price (as defined in Resolution 26 of the General Meeting of May 24, 2012).

Nevertheless, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the permitted discount, specifically to take into account, inter alia, locally applicable legal, accounting, tax, and social provisions. For the specific requirements of an offer made to the beneficiaries mentioned in 7(a) above who are resident in the United Kingdom, as part of a share incentive plan, the Board of Directors may also decide that the subscription price of new shares or securities conferring access to the Company's share capital to be issued as part of this plan shall be equal to the lower of (i) the Euronext Paris opening share price of the reference period used to set the share price for the plan, or (ii) the closing share price of the same reference period, the start and end dates of this reference period being determined under local regulations. This price will include no discount on the reference share price.

9. Resolves that the Board of Directors may, with the power to subdelegate as permitted by law, determine the subscription options that will be offered to employees in each relevant country, in accordance with local legal restrictions, and may choose the countries from among those in which the Group has subsidiaries within the Company's financial consolidation scope pursuant to article L.3344-1 of the French Labor Code, as well as the subsidiaries whose employees will be eligible to participate in the operation.
10. Resolves that the amount of the share capital increase or each share capital increase will be limited, if necessary, to the amount of each subscription received by the Company, while adhering to applicable legal and regulatory provisions.
11. Resolves that the Board of Directors will have all powers to implement this delegation, with the power to subdelegate as permitted by law, subject to the limitations and the conditions specified above, specifically to:
    - decide upon the list of beneficiary(ies), without shareholders' preferential subscription rights, within the category defined above, as well as the number of shares or securities conferring access to the Company's share capital to be subscribed for by the beneficiaries or by each beneficiary;
    - decide upon the opening and closing dates of the subscriptions period;
    - set the number of shares that will be issued under this delegation of authority, specifically including the issue price, dates, deadlines, terms and conditions for subscription, payment, delivery, and entitlement (including any retroactive provisions), the reduction rules applicable in the event of oversubscription, as well as the other terms and conditions of issuance, within the legal and regulatory limits in force;
    - report the completion of the capital increases up to the amount of the subscribed shares or securities conferring access to the Company's share capital (after any reduction in the event of oversubscription);
    - if necessary, allocate the fees for the share capital increases to the resulting premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital resulting from these share capital increases; and
    - enter into agreements, conduct operations directly or indirectly through a broker, including carrying out the formalities arising from the capital increases and amend the bylaws accordingly and, generally, enter into any agreement with the specific purpose of ensuring the successful conclusion of intended issues, handle all measures, decisions and formalities necessary for the issue, listing, and financial servicing of the securities issued by virtue of this delegation, and to permit the exercise of the rights attached thereto or arising from the capital increase carried out.
12. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary General Meeting of May 24, 2012 in its Resolution 27.
13. Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is granted for a term of eighteen (18) months from the date of this meeting.

RESOLUTION 9

(The purpose of this resolution is the delegation of powers for formalities)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings, authorizes any person holding an original, copy, or extract of the minutes of this General Meeting to perform all necessary filings and formalities.

GLOSSARY

Biological recovery	Method of treating organic waste by composting it or turning it into methane.
Biomechanical recovery	Process in which waste is treated by mechanically isolating certain parts and treating others biologically. Includes several types of mechanical and biological processes, which may be combined in several ways depending on the desired results. Enables the separation of different fractions contained in waste into potentially reusable fractions and/or which can be treated biologically.
BOT (Build-Operate-Transfer) Contract	Contract under which a private company is responsible for project financing and for the design, construction and operation of the site for a fixed period, after which the property is transferred to the co-contractor.
DB (Design-Build) Contract	A building contract for a system for delivering the finished product. The design and construction of the project are carried out by one and the same entity known as the design-builder or design-build-contractor.
DBO (Design-Build-Operate) Contract	Contract under which a private company is responsible for the design, construction and operation of a site.
EMAS – Environmental, Management and Audit System	Certificate based on ISO 14001 certification and an environmental declaration certified by European inspectors, approved by the European Commission and published.
End-of-Life Vehicle	An end-of-life vehicle is a vehicle transferred by its owner to a third party for destruction. The vehicles involved are private cars, vans and three-wheeled scooters.
Energy recovery	Use of combustible waste as a means of producing energy, by direct incineration with or without other combustible matter, or by any other process, but with heat recovery. Energy recovery consists in using the calorific energy of waste by burning it and recovering that energy in the form of heat or electricity. The process can be carried out at an incineration plant or a cement works.
Energy recovery units	Another name for energy-recovering incinerators.
ISO 14001	International standard aimed at verifying a company's procedural organization and methods of the organizational units, as well as the efficient set-up of an environmental policy and related environmental objectives.
Leachate	Water that percolates through the waste stored in landfills and becomes bacteriologically and chemically charged. By extension, this term is also used for water that has come into contact with waste.
Membrane	A kind of filter or sieve that retains particles of different sizes depending on its type and the diameter of its holes.
Natura 2000 Zones	Aiming to conserve biological diversity and promote landscapes, the European Union has embarked, since 1992, on establishing a network of ecological zones known as Natura 2000, which preserve species and natural habitats while taking the human, economic, cultural and regional activities that exist in those zones into account.
PFI – Private Finance Initiative	Financing mechanism which appeared in Great Britain in 1992, whereby a private company finances the design and construction of a project usually assigned to a public authority, and then ensures its management by signing a PPP contract.
PPP – Public-Private Partnership	Financing mechanism by which the local authority calls upon private service providers to finance and manage installations that provide or contribute to the provision of a public service.
Public service contract	Public service contracts are a form of management contract under which a public entity entrusts management of a public service to a company for a fixed period. The company is paid directly by customers and finances all or part of the investments in plant renewal (leasing contract) and in new plants (concession). The terms of concession contracts are generally longer (10 to 30 years) than those of leasing contracts (10 to 20 years) in view of the need for the operator to amortize the newly built installation works.
RDF – Refuse-Derived Fuel	Solid fuel produced through sorting household waste to extract non-combustible materials and compact combustible materials.
Relevant revenues	Revenues generated by so-called "relevant" activities. In fact, certain activities within the scope of financial consolidation may not be considered relevant for environmental reporting purposes due to their core activity. The financial holding company, and commercial, broking, trading, marketing and sales activities are not considered relevant.

Skid	In membrane technology, a platform comprising a frame, potentially on rails, on which an installation assembly is placed. Enables access to a system which can be moved and transported immediately, without dismantling it.
Sludge	Residue obtained following the treatment of effluent. Sludge consists of water and dry material. Properties of sludge vary widely depending on their origin. They depend on the nature of the effluent and the type of treatment applied.
Soil amendment/ conditioning	Process aimed at improving the physical properties of soil by incorporating material which, without being a fertilizer, alters and improves the nature of the soil. Sand, clay, lime or organic material, are all conditioners.
Spin-Off/Distribution	The listing of the company's shares for trading on the Euronext Paris and Euronext Brussels exchanges was part of the creation by SUEZ of a division that combines all of the group's water and waste operations for which the Company will be the holding company (the **"Spin-off"**), followed by the distribution by SUEZ to its shareholders (other than SUEZ), proportionally to their interests in the share capital of SUEZ, of 65% of the shares representing the capital of the company following the Spin-off, immediately before the SUEZ-Gaz de France merger is completed (the **"Distribution"**, together with the Spin-off, the **"Spin-Off/Distribution"**). The completion of the Spin-Off/Distribution was accompanied by various restructuring transactions, the purpose of which was specifically to reclassify the interests held by SUEZ or its subsidiaries in companies attached to the environmental division under SUEZ ENVIRONNEMENT or certain of its subsidiaries, and to organize the withdrawal of SUEZ ENVIRONNEMENT and certain of its subsidiaries from the Gie SUEZ Alliance. For each SUEZ share held by a party entitled to distribution, one allotment right to Company shares had been granted, on the understanding that four Company allotment rights gave the right to one Company share.
Stadtwerke	Term of German origin used for a municipal company belonging to a German town, the purpose of which is to manage certain public services, particularly energy, water and transport.
Treatment plant sludge	All residues from the biological activity of microorganisms living in treatment plants and transforming the material carried by wastewater so that it can be extracted. They consist mainly of water, mineral salts and organic matter.
WEEE – Waste electrical and electronic equipment	Electrical and electronic equipment includes all devices or components operating on electric or electromagnetic current (whether powered by electrical outlets or by batteries). These include, for example, **household electrical goods or white products** (cooking appliances, refrigerators, heaters, vacuum cleaners, etc.); **audiovisual equipment or brown products** (radios, television sets, camcorders, video recorders, hi-fi equipment, etc.); **and office and computer equipment, or grey products** (computers, printers, scanners, telephones, etc.).

NOTE ON METHODOLOGY

Operating data	Most of the operating data contained in this document were calculated on the basis of a scope of consolidation that includes fully integrated companies.
Population served by collection activities	The number of residents served by the group's collection activities corresponds to the number of residents served by traditional collection, to which is added the number of residents served by selective collection (a conventional collection operation and a selective collection operation that serve the same individual can thus be added together). This involves estimates (the number of residents served by the Group's collection activities has not been counted).
Human resources	The number of group employees corresponds to the number of salaried employees in SUEZ ENVIRONNEMENT and its fully consolidated subsidiaries. Employees of companies consolidated by proportional consolidation or the equity method (for example employees of Group subsidiaries in China or Mexico) are therefore not included in the total Group workforce on that basis; the employee counts mentioned for them are thus in addition to that total. As soon as a company enters into the scope of consolidation through full consolidation, 100% of its employee data is included, regardless of the percentage of share capital held.

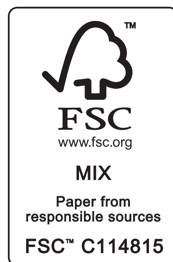
CONCORDANCE TABLE

This Reference Document includes all the elements from the Management Report of the Company and of the Group for the year 2012, as required in particular by articles L. 225-100, L. 232-1-II, L. 225-100-2 and L. 233-26 of the French Commercial code. The Management Report was made up by the Board of Directors of the Company on February 13, 2013.

Mentions relating to the Management Report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
I – ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES AND/OR CONTROLLED COMPANIES, AND OUTLOOK	
Status and business of the Company, and if applicable, its subsidiaries and controlled companies by business division during the previous fiscal year, and of the entity formed by the companies in the scope of consolidation.	Section 6
Income from the Company's business, subsidiaries and controlled companies by business division (summary analysis of accounting documents, at least for the most significant items): Revenues, operating costs, income from continuing operations, net income).	Sections 9, 20.1 and 20.3
Objective and exhaustive analysis of business development, the Company's income and financial situation and, specifically, its debt position in terms of business volume.	Sections 6, 9, 10 and 20.1
Analysis of key non-financial performance indicators relating to the Company's specific business and particularly information relating to environmental or employee issues.	Sections 6, 17
Description of the main risks and uncertainties faced by the Company, as well as indications of the use of financial instruments when such information is relevant to changes in assets and liabilities, the financial situation and parties entitled to a share in Company profits.	Sections 4.1.3 and 4.2.4
Price, credit, liquidity, cash flow risk, risk of exchange rate fluctuations, risks incurred in the event of exchange rate fluctuations and lower exchange rates, indication of the motives which led to involvement in the market.	Sections 4.1.3 and 4.2.4
Research and development activities.	Section 11
Foreseeable development of the Company's situation, the status of all companies making up the scope of consolidation, and future outlook.	Section 6.3.4
Important events occurring between the closing date of the fiscal year and publication of the report and between the closing date and the date the consolidated financial statements were drawn up.	Sections 20.1, Note 25 and 20.7
II – PRESENTATION AND INCLUSION OF THE FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT	
Changes made to the presentation of the annual financial statements or the valuation methods selected. Amount of non-tax deductible expenses. Global amount of sumptuary expenditures and the corresponding tax (Article 223 of the French General Tax Code). Reintegration into taxable income of certain general expenses by global number or expense category.	Section 20.3
Income for the fiscal year and proposed allocation of that income. Reminder of total dividends paid during the last three fiscal years, including tax credit.	Sections 20.3, 20.5 and 26
III – SUBSIDIARIES AND INTERESTS	
Status of interests acquired in companies whose headquarters are on French soil and accounting for over 1/20, 1/10, 1/5, 1/3, 1/2 or 2/3 of the share capital or voting rights of those companies.	Section 20.3
Status of controlling interests in companies whose headquarters are on the French Republic territory.	Sections 9.1.2, 9.3.1, 9.3.2 and 5.2.2

Mentions relating to the Management Report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
IV – INFORMATION REGARDING SHARE CAPITAL, RECIPROCAL SHAREHOLDINGS AND TREASURY SHARES	
Name of the companies controlled and proportion of the share capital the latter hold in the Company (treasury shares).	Sections 18.1 and 21
Identity of individuals or corporate entities owning over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at shareholders' meetings.	Section 18
V – EMPLOYEE PROFIT-SHARING IN THE SHARE CAPITAL AT THE LAST DAY OF THE FISCAL YEAR (ARTICLE L. 225-102)	
Percentage of the Company's share capital held by employees. Status of employee profit-sharing in the share capital of the Company at the last day of the fiscal year. Mention of the proportion of share capital represented by shares held by employees of the Company and employees of related companies.	Sections 17.3, 17.4 and 18.1
Agreements between shareholders which may result in a reduction in the transfer of shares and the exercise of voting rights.	Sections 17.3, 18.1 and 18.3
VI – STOCK OPTIONS AND BONUS SHARE ALLOCATIONS	
Stock options and bonus share allocations.	Sections 15.1.1, 17.3, 17.4, 20.1 and note 21
VII – GENERAL MANAGEMENT INFORMATION – CORPORATE OFFICERS	
List of positions and titles held in all companies by each of the corporate officers.	Section 14
Choices regarding the role of executive management.	Section 14.1.2
Status of corporate officers: appointment, renewal, notification of replacement.	Section 16
Compensation: Description of fixed, variable and exceptional rights making up compensation packages and benefits, as well as the criteria by which they are calculated or the circumstances under which they were established. Detail of commitments of all kinds made by the company to its corporate officers and particularly any compensation item, indemnities or benefits payable or likely to be payable upon taking, leaving or changing such positions or subsequent to that event. Further details on the mechanisms for determining such obligations as well as their amounts if included in the agreements.	Section 15
VIII – MISCELLANEOUS INFORMATION	
Summary of resolutions submitted at the annual shareholders' meeting.	Section 26
Injunctions or financial sanctions for anti-competitive practices issued by the anti-trust commission.	Section 20.6.1
Information on plants classified as high-risk. - policy for preventing risk of technological accidents implemented by the Company, - ability of the Company to cover third-party liability to property and people resulting from the operation of its plants, - means implemented by the Company to ensure the management of victim indemnification in the event of a technology accident in which the Company's responsibility is engaged.	Sections 4.1.2, 4.2.2, 4.2.6
Total attendance fees received by members of the Board of Directors over the past fiscal year.	Section 15.1.3

Mentions relating to the Management Report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
IX – COMPANY AND ENVIRONMENTAL INFORMATION	
Social information.	Section 17
Environmental information.	Section 6.8.1
X – STATUTORY AUDITORS	
Mandates awarded to the statutory auditors.	Section 2
XI – DOCUMENTS TO BE ATTACHED AS AN APPENDIX TO THE MANAGEMENT REPORT AND/OR TO BE CIRCULATED TO SHAREHOLDERS	
Income statement for the last five fiscal years.	Section 20.3.7
Report of the Board of Directors.	Section 26
Report of the Chairman of the Board of Directors.	Section 16.5
Report of the statutory auditors on the annual financial statements including the latter's declaration on the exactness and fairness of the information contained in the management report on the compensation of corporate officers.	Section 20.4
Statutory auditors' report on selected social, environmental and governance disclosures	Section 6.8.4
Inventory of marketable securities held in portfolios at the end of the fiscal year.	Section 20.3.7 Note 18
Summary table: - on the status of the delegation of authority and currently valid powers granted to the Board of Directors or Executive Committee by the Shareholders' Meeting in terms of capital increases; - on the use made of that delegation in the past fiscal year.	Section 21
Report on share purchase transactions pre-approved by the Shareholders' Meeting in the context of a buyback program.	Section 21.1



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