



2003 ACTIVITIES AND SUSTAINABLE DEVELOPMENT REPORT

suez

DELIVERING THE ESSENTIALS OF LIFE



SUEZ values

- ▶ **Professionalism** to improve customer services worldwide.
- ▶ **Partnerships** to foster open and balanced relationships.
- ▶ **Team spirit** to be entrepreneurial, innovative and creative, strengthening solidarity and developing synergy.
- ▶ **Value creation** to improve profitability and financial strength, thereby guaranteeing company autonomy and continued success.
- ▶ **Respect for the environment** to create sustainable improvements in quality of life.
- ▶ **Ethics** to foster relations of mutual respect with colleagues, customers and other outside partners.



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OUR MISSION

Delivering the essentials of life.

OUR IDENTITY

An international industrial and services Group, active in sustainable development, that provides businesses, public authorities and individuals with innovative solutions in Energy and the Environment.

OUR BUSINESS

To imagine, design, implement and operate systems and networks in the fields of electricity, gas, water and waste services.

2003, a year of transformation

Dear Shareholders:

2003 was a year of transformation for your Group. In uncertain and difficult international economic circumstances, we set our priorities in January for the period 2003-2004: increase and secure our profitability, and strengthen our balance sheet and competitiveness.

Subsequently, our teams mobilized with energy and determination to reach these objectives. They also put out an equally rigorous effort to respond to the expectations of our customers.

The action plan came at a cost, which is reflected in the 2003 results. We have decided to accrue the entire costs of the action plan in 2003 in order to take full advantage of the turnaround in 2004. During the second half we pursued the restructuring and asset adjustments undertaken in the first half so that all costs would be recorded in 2003 and that the Group could begin with a clean slate in 2004. As a result, the Group is posting a net loss of €2,165 million for 2003.

The capital gain of €750 million on the sale of M6 in January 2004 is not included in these results and will have a positive impact in 2004. It is worth noting, however, that the 2003 results highlight a strong operating performance. The action plan did not affect the Group's potential growth. Revenues came in at €39.6 billion –virtually the same as in 2002.

“Conditions have now been laid for a new period of profitable growth and a return to positive net income in 2004.”

We have already achieved the objectives of the action plan. One objective was to reduce the Group's net debt by a third: we have slashed it by half. Without affecting the Group's core businesses, we have completed the announced sales of assets: Nalco, Cespa, Fortis, M6, and a reduction of our stake in Northumbrian. Overall, these sales totaled €11 billion, but our turnover has remained stable.

Our objectives also included improving operating results and financial ratios. The Optimax program was forecast to reduce costs by €500 million in 2003, yet actual cost reductions amounted to €585 million. Our third objective was to reduce currency risks and capital employed in emerging countries: capital employed in these countries has been reduced by 30%.

Two lessons emerge from the 2003 results. Firstly, SUEZ was able to compensate the impact on revenues of the asset sales and terminations of contracts considered high-risk or low-margin by the strength of its commercial actions and the commitment and skill of its staff. The fact that revenues hardly dipped bears out our ability to generate organic growth and its buoyant prospects in the Energy and Environment markets.

Secondly, Optimax produced results ahead of expectations. We plan to resolutely continue down this road. The strengthening of the Group is also evident in the cohesion of our staff and their commitment to our culture of results and performance.

Conditions have now been laid for a new period of profitable growth and a return to



positive net income in 2004. We have confirmed the Group's strategy and have stabilized our business scope which has been clarified through the sale of communication businesses and financial investments. Our long-term operational strategy is based on Energy and the Environment, two profitable and complementary markets.

2003 also welcomed new strategic developments. I would like to emphasize our developments in the gas business, our stronger presence in the French electricity market notably via investments in Compagnie Nationale du Rhône and a commercial agreement with Société Hydroélectrique du Midi, and lastly our developments in Italy with Tirreno Power. We also increased our equity stake in Electrabel. Your Group will be ready for the deregulation of the European energy market on July 1, 2004.

In Environment, we consolidated our European market positions with a refocus on profitable contracts. We pursued a policy of very targeted growth abroad, notably in China, and dealt openly with the various difficult situations we were facing.

What is our ambition, our vision? Our priorities are clearly set. In France and Benelux, our growth strategy is based on strong domestic market positions. In Europe, we will consolidate our profitable competitive positions in Environment and have targeted developments in electricity and gas. Lastly, in the rest of the world,

we plan to take maximum advantage of our industrial expertise while ensuring dynamic management of our positions. The Group maintains a policy of transparency based on a strong balance sheet. SUEZ has an adequate financial structure and its financial ratios are improving. We are setting ourselves demanding objectives for improvements in operating margins and cash flow:

- ▶ Average organic revenue and EBITDA growth of 4% to 7%;
- ▶ Improvements in cash flows so that capital expenditure and dividends are entirely self-financed from 2005;
- ▶ Average annual capital expenditure of €4 billion;
- ▶ A targeted increase in return on capital employed of 11% for 2006.

We have confidence in our ability to achieve these objectives. The Board of Directors recommended the maintenance of your dividend at the Annual General Meeting. This is a vote of confidence for the Group's capacity to increase the profitability of its businesses.

Your Board, which is made up of prestigious figures from six different countries, was particularly active in 2003, considering the significant decisions it has had to make. The Board thus unanimously confirmed the Group's strategy, based on the simultaneous and sustainable development of its two activities: Energy and Environment.

The conditions for a turnaround have been established. SUEZ has moved towards a

secure business model based on profitable growth and total transparency. Your Group is one of the leading European industrial groups. Our businesses – providing water, supplying electricity, transporting natural gas and processing waste – are experiencing profound changes and major developments.

We are ready for these new challenges. These changes are associated with the evolution of our society: the reinforcement of environmental standards, market liberalization, growing consumer demand, the optimization of public services, the rationalization of industrial processes, new client demands, etc.

Every day, SUEZ staff take the opportunity to rise to such challenges, to deliver ever more innovative and well-adapted solutions to our clients.

The ability to adapt, to live up to new expectations and to motivate our staff is the ability to remain loyal to our values and to a corporate culture which places mankind at the heart of its history.

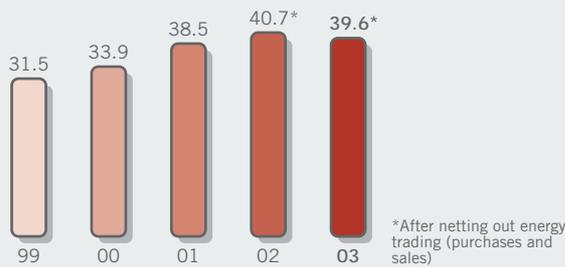
Gérard Mestrallet

2003 in figures

The key feature of 2003 was the implementation of the action plan, which gave results that exceeded the objectives announced in January 2003, with the result that debt was halved and operating costs reduced by €585 million. In a difficult economic context, SUEZ posted good operating performances and the major indicators showed strong organic growth. Group share of net income came in at a loss of €2,165 million due to exceptional items that were mainly recorded in the first half.

GROUP CONSOLIDATED REVENUES

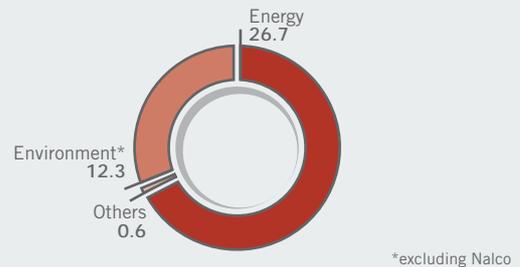
(in billions of euros – excluding energy trading)



The excellent level of organic growth of the Group's scope of activities redefined in the action plan (+6.1%) enabled the Group to hold revenues practically at the same level despite major asset disposals and the impact of the depreciation of currencies such as the U.S. dollar.

BREAKDOWN OF REVENUES BY BUSINESS

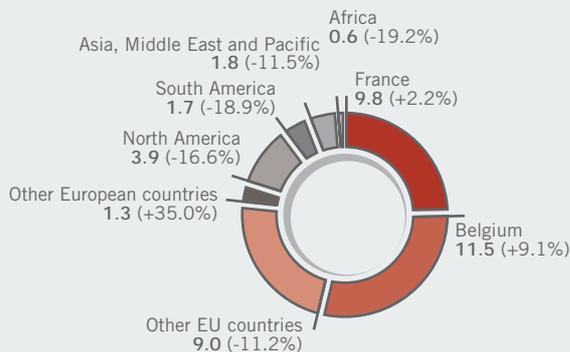
(in billions of euros)



98% of revenues are generated by Energy and Environment, broken down as 67% Energy and 31% Environment.

BREAKDOWN OF REVENUES BY GEOGRAPHICAL AREA

(in billions of euros)



The Group generated most revenues (90% of the total) in Europe and North America, of which 80% on the European continent.

EBITDA

(in millions of euros)



EBITDA declined 17% due to asset sales and currency effects. Like for like EBITDA was up 4.9%.

GROUP SHARE OF NET CURRENT INCOME

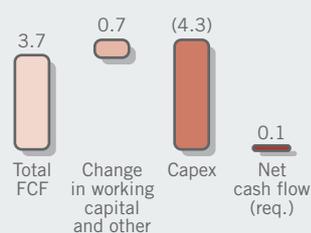
Group share of net current income (in millions of euros) Group share of net current income per share (in euros)



Group share of net current income dropped 14.2% in 2003 due to asset sales (Northumbrian, Nalco, sale of equity investments). At comparable scope and exchange rate, it rose by 29% with similar growth rates in the Energy (24.9%) and Environment (26%) businesses.

NET CASH FLOW

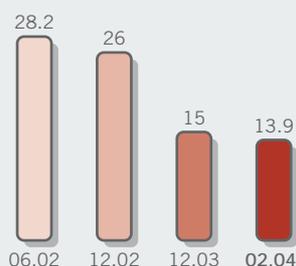
(in billions of euros)



In 2003, the Group posted a positive net cash flow of €137 million after capital expenditure and before asset sales, up from a net cash outflow of nearly €2 billion a year earlier.

REDUCTION OF NET DEBT BY HALF

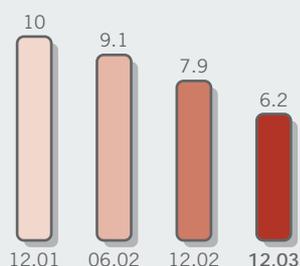
(in billions of euros)



Net debt was brought down from €28.2 billion at June 30, 2002 to €15 billion at December 31, 2003 and to €13.9 billion at the end of February 2004 after the sale of M6.

REDUCTION OF RISK EXPOSURE IN EMERGING COUNTRIES

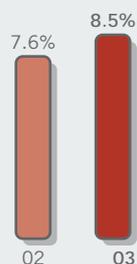
(in billions of euros)



Capital employed in emerging countries was reduced to €6.2 billion by the end of 2003. The remaining exposure is mainly divided among three countries: Brazil, Chile and Thailand.

RETURN ON CAPITAL EMPLOYED

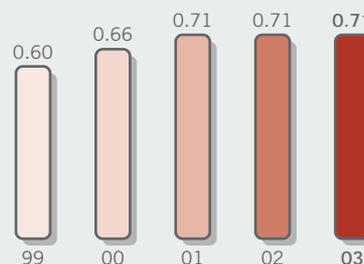
(in billions of euros)



Return on capital employed rose by nearly one point because of strong operating results and the disposals of Nalco and Northumbrian, whose ROCE was lower than the Group average.

DIVIDEND HISTORY

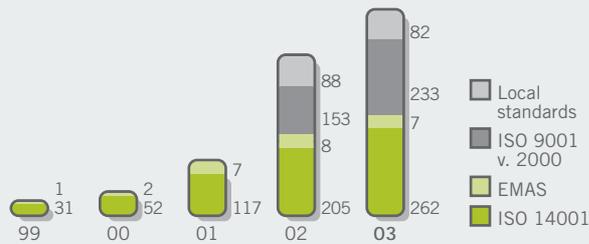
(in euros/share)



Management will propose to the Shareholders' General Meeting on April 27, 2004 that the net dividend of €0.71 per share be maintained. This reflects the Board of Directors' confidence in the Group's potential for profitable growth.

2003 environmental highlights

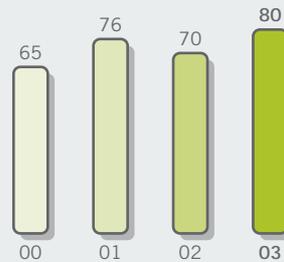
ENVIRONMENTAL MANAGEMENT SYSTEMS



Depending on local economic conditions, the deployment of environmental management systems leads to ISO 14001 and ISO 9001 version 2000 certifications with an environmental component, EMAS registration, or the adoption of local standards.

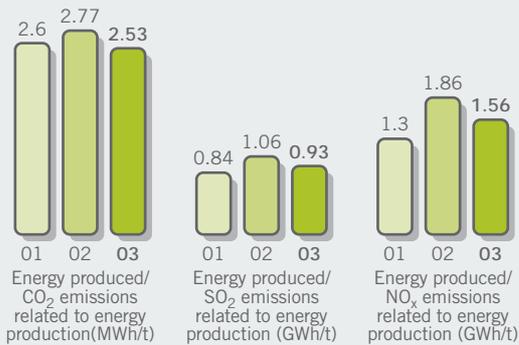
GREENHOUSE GAS EMISSIONS

(million tons eq. of CO₂)



In 2003, the Group's increase in GHG emissions was related most notably to the increase in energy production and to organic growth of business lines.

ECO-EFFICIENCY ENERGY



The group was able to maintain good eco-efficiency standards due to the development of cogeneration plants, combined-cycle gas turbines and renewable energy sources.

WASTE-TO-ENERGY CONVERSION



Waste-to-energy conversion is an integral part of SITA's environmental policy.

WATER DISTRIBUTION NETWORK TECHNICAL EFFICIENCY



The increase in network technical efficiency, i.e. the proportion of water that reaches the consumer compared to the amount of water produced, leads to better use of the water resource and even less ecological pressure on natural surroundings.

WASTE CONVERTED

(thousands of tons)

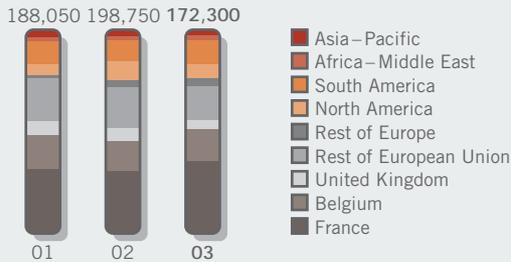


One of the Group's major involvements concerns the recovery of waste produced by its activities, most notably by recycling almost all fly ash issued from the production of electricity.

2003 social highlights

STAFFING DISTRIBUTION BY GEOGRAPHICAL AREA

100% scale



The Group had 172,300 employees at 31.12.2003. The reduction compared to 2002 was mainly due to the exit of Nalco, CESPA and Northumbrian Water Group from the consolidated company structure. Women made up 13.1% of total employees.

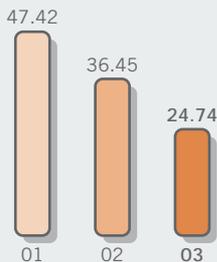
DISTRIBUTION OF STAFFING BY CATEGORY OF EMPLOYEES

100% scale



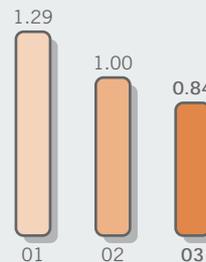
The year-over-year distribution of staffing by category of employees remains relatively stable. The reduction in the proportion of management employees from 2002 to 2003 is due to the exit of Nalco, which employed mainly engineers. Women occupied 13.5% of management positions.

RATE OF FREQUENCY TREND



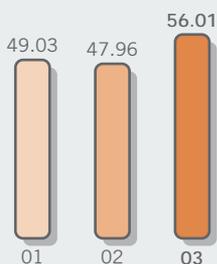
The rate of frequency fell by almost half from 2001 to 2003. This net improvement can be largely attributed to the efforts made by waste services, and shows that operations managers have assumed responsibility for safety issues.

RATE OF SERIOUSNESS TREND



The Group's rate of seriousness has diminished by a third since 2001. This performance is due to the special attention that has been paid to serious and fatal injuries since 2001. As a result, the number of fatal accidents at SUEZ Environment has fallen by more than 50%.

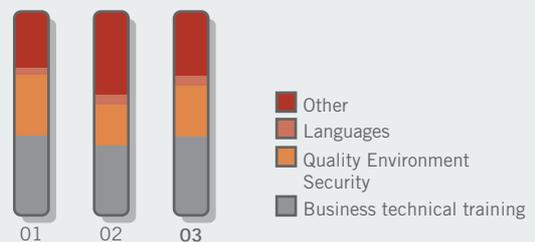
PERCENTAGE OF PERSONNEL TRAINED



On the scope of data provided, 56% of personnel were trained in 2003. The improvement in coverage indicates that this figure is more representative of the Group's training efforts. To illustrate, it is up by almost 17% compared to 2002.

DISTRIBUTION OF TRAINING BY THEME

100% scale



The distribution of training hours by area has been relatively stable over three years. The size of the "Other" category in 2002 was due to the fact that Electrabel's training hours were not broken down by category and were included in this category in their entirety.

A simple, multi-functional coordination unit

SUEZ has created an Ethics, Values and Sustainable Development coordination unit to serve as an internal platform for dialogue on this subject. Its mission is clear: promote the distribution of information on sound practices between the head office and subsidiaries, propose strategic directions, and encourage the development of synergies.

The coordination unit is made up of representatives from management and operational units. It reports to the Executive Management Committee and to the Ethics, Environment and Sustainable Development Committee of the Board of Directors, which meets biannually.

Sustainable development at the heart of the industrial strategy

The companies which formed SUEZ have always aimed to improve the lives of people by respecting the environment, providing water, gas and electricity and collecting and treating waste.

As a service group with a long-term view, SUEZ implemented a proactive sustainable development policy when it was created in 1997. That policy is stated in its strategic vision and complied with daily by SUEZ's 172,300 employees.

For SUEZ, sustainable development means the desire to provide a dynamic for the Group's activities that reconciles economic performance with sustainable growth and mandates for social equality and environmental protection.

Sustainable development: central to the group's businesses ■ SUEZ's mission is to imagine, propose and implement economically and durably feasible solutions that meet the needs of its public or private clients in compliance with current environmental and social regulations and standards.

With the support of SUEZ management, this vision of sustainable development is stated in all of the group's operational units. It rests on a wide variety of innovative and competitive business services which fulfill three requirements:

- ▶ Creating value while remaining competitive and viable to clients and profitable for the Group;
- ▶ Meeting the objectives of environmental protection and preservation set by clients and by regulations in effect;
- ▶ Providing all users with access to essential services in conditions that they consider socially acceptable.

This sustainable development approach is implemented by all operational units, one project at a time, and through:

- ▶ Developing public service missions as part of public/private partnerships for example;
- ▶ Continuously seeking efficiency in the management of industrial processes;
- ▶ Implementing social and environmental management systems;
- ▶ Systematically carrying out a health and safety policy;
- ▶ Controlling risks;
- ▶ Carrying out specific programs that facilitate access to essential services for the disadvantaged;
- ▶ Strictly applying ethics and transparency rules.

Sustainable development: a key commitment for SUEZ ■ SUEZ believes that sustainable development, ethics and corporate social responsibility are all related. They form the core values that the Group practices daily vis-à-vis its clients, shareholders, personnel, suppliers and the community at large. This policy is continuously developed through implementation of a multi-year action plan called, "ethics, values and sustainable development."



SUEZ's major partnerships

This commitment is based on common values – professionalism, partnership, team spirit, creating value, respect for the environment and ethics. These values are reflected in the Group's charters (International Social Charter, Ethics Charter, Environmental Charter, Health and Safety Charter) which all stakeholders are expected to respect and apply.

Sustainable development comes to life through a dynamic human resources policy (training, involvement, etc.), continuous research and innovation efforts, a willingness to contribute to "socially responsible" globalization and the application – or even anticipation – of various environmental and social standards set by public authorities. It also means that SUEZ actively participates in several partnerships such as the United Nations Global Compact, the International Social Observatory or the WBCSD (see inset).

Sustainable development lies at the heart of the industrial strategy of the SUEZ businesses. It is responsible for the Group's longevity and profitability, as well as its image, reputation, and business approach. It allows the group to prepare for the future on solid ground, by controlling and preventing all business-related risks and by anticipating new market opportunities. ■

SUEZ's commitment to sustainable development is also illustrated through its associations or the strengthening of its partnerships, in particular:

- ▶ **Global Compact:** SUEZ has been a member of Global Compact since the United Nations launched the initiative in 2000. This program brings together hundreds of companies and organizations that are dedicated to promoting values and experiences that result from responsible management through new field projects.
- ▶ **WBCSD:** Since 1999, the World Business Council for Sustainable Development has grouped together 170 international companies based on the principle that sustainable development and the industrialized world cannot develop without each other. Recently, the WBCSD launched a Council Project on water with the active participation of SUEZ.
- ▶ **CSR Europe:** Corporate Social Responsibility Europe is a European network of companies created in 1996 to help the European Union define its contribution to the 2010 objective set by European heads of state: becoming the leading competitive and socially responsible region.
- ▶ **UNESCO:** In 2002, SUEZ and UNESCO signed a cooperation agreement on water education. As a result, SUEZ Environment will contribute to training on the "integrated management of water resources" provided by the UNESCO IHE (Institute for Water Education) in Delft (the Netherlands). This training is intended for young professionals who obtained their first experience from working in public companies, government departments, banks, consulting firms or NGOs.
- ▶ **Comité 21:** SUEZ has belonged to the French Committee for the Environment and Sustainable Development since its creation, and is a member of its board of directors and of the Entreprises 21 working group.



Corruption: the struggle intensifies

While the battle against corruption has only lately become a very hot topic throughout the world, SUEZ has been actively involved for a long time. It has implemented controls and resources to increase awareness among staff designed to apply existing legislation, and specifically the principle reference in this area: the 1997 Anti-Bribery Convention of the Organization for Economic Cooperation and Development (OECD). Compliance with this convention, the scope of which relates to corruption of foreign public agents, was monitored in France in 2003. Another initiative: in December, nearly a hundred member states of the United Nations, including France, signed a new agreement by which they undertake to suppress all activities involving corruption, to take measures to promote integrity and to improve cooperation between themselves.

At the beginning of 2004, Kofi Annan, Secretary General of the United Nations and founder of Global Compact, in which SUEZ is one of the active members, undertook a tour dedicated to the struggle against corruption. In this area it is planned that a further principle along the lines of the preceding principles incorporating human rights, employment rights and respect for the environment, will be added to the agreement.

SUEZ ethics: a practice shared by all

Working in a network with concrete and operational embodiments: coordinated by a dedicated Committee, applying the Group's values is a daily reality shared by everyone in the Group.

SUEZ is proactive in its approach to ethics, resulting in a management style based on values expressed in codes and systems. We shall begin with Charters and Guidelines for behavior describing the principles to which employees are subject. Chaired by Jacques Lagarde, the Ethics, Environment and Development Committee is responsible for distributing the documents concerned and for ensuring that the high standards set by the Group are applied in practice; this is an essential feature of maintaining the reputation of the Group and all its companies.

The Group has also established an ethics function within each entity. The key task of the resulting network is to increase awareness among managers of the need to put these principles into practice and to embody the Group's values. In June 2003, it held its annual meeting with around one hundred participants sharing experiences. For example, EGI made a presentation explaining how its matrix organization proved to be an effective aid to ethics.

Making ethics an ongoing issue for functional departments ■ "Ethics and Values" was relaunched as a rolling 5-year program in 2004 and extended to sustainable development. This year, the program is focused on a discussion concerning functional departments and their policies in terms of ethics and sustainable development. Work was primarily targeted to improve deployment of resources for ensuring practical compliance with the International Social Charter within all Group entities. As every year, the Committee received reports on the results of the compliance letters signed by the Group chairmen, which confirm compliance with the Ethics Charter for their entity in respect of the past calendar year, and are attached to the relevant ethics report. For purposes of simplification, this procedure shall in the future also encompass environmental compliance.

Application of the Sarbanes-Oxley Act ■ Both in France and the USA, regulations are tending to increase emphasis on ethics in corporate operations. Enacted in 2002 by the U.S. Congress, the Sarbanes-Oxley Act imposes a number of obligations on companies listed on the New York Stock Exchange. SUEZ therefore produced a code applying the Act for financial managers of the Group, which will be attached to the 20-F forms filed with the Securities and Exchange Commission, and will be circulated separately within the Group.

A key feature of this Act is that it imposes the requirement to establish a warning system for potential frauds that an employee could encounter within the finance function of his company. This system will be implemented within SUEZ by ethics experts.

Golden rules for SUEZ purchasing staff

Improvement of codes of behavior and Charters ■ The Group is constantly adding to its best practices, both in relation to new functions and to updates of existing best practices. In the fall of 2003, the Ethics and Purchasing Guidelines were issued. As for the other documents of this type – auditors, sales force, spokespeople – it was prepared in collaboration with the community concerned, the Group's purchasing staff. Presented in several forms, notably as Golden Rules (see box), there are versions in French, English and Dutch on the Group's intranet and on its internet website. The Health and Safety Charter at Work, which was completed and co-signed in October 2002, was issued during 2003. Lastly, practical application of the sales relations guidelines, published in 2002, was audited during the year: the results were largely positive certifying that all preventive procedures required under the guidelines are progressively being implemented by the Group's sales force. ■

Make purchasing a shared activity

- ▶ Involve users in the definition of needs
- ▶ Make transparent, cooperative decisions
- ▶ Be strict in the application of decisions made
- ▶ Ensure that programs shared between entities, branches and the Group are coordinated.

Be fair and impartial with suppliers

- ▶ Ensure all suppliers contacted are given access to the same level of information
- ▶ Select suppliers and allocate contracts based on objective criteria
- ▶ Comply with contracts, promises and commitments
- ▶ Ensure disputes are settled rapidly and properly
- ▶ Do not take unfair advantage of a significant market position as customer
- ▶ Do not put yourself in a situation of dependency with regard to a supplier.

Show exemplary ethics

- ▶ Keep total independence of judgment (avoid all situations of conflict of interest)
- ▶ Ensure compliance with the law, competition regulations and the legitimacy of resources employed
- ▶ Develop essential qualities: probity, loyalty, firmness, professionalism, teamwork, impartiality, discretion.

Act consistently with the Group's commitments in terms of sustainable development

- ▶ Include environmental and corporate concerns as criteria in the selection of suppliers and products.



Corporate governance

Following the Annual General Meeting of April 27, 2004, the SUEZ Board of Directors comprised 16 Directors, eight of whom are French, six non-French members and two members with dual nationality. At its meeting on March 3, 2004, the SUEZ Board of Directors reviewed the status of the Directors according to the criteria defined under the Bouton report relating to Directors' independence. In the Directors' opinion, the criteria of length of service specified in this report should be considered in relation to the specific situation of SUEZ, since the current Group is not simply a continuation of the company Lyonnaise des Eaux prior to June 1997, and the legal connection alone is not appropriate in this respect. Accordingly, it was determined that eight Directors were independent and eight were not.

Composition of the Board of Directors following the Annual General Meeting of April 27, 2004

Gérard Mestrallet

55 years old, French nationality,
Chairman and Chief Executive Officer

Jean Gandois

73 years old, French nationality,
Vice Chairman

Albert Frère

78 years old, Belgian nationality,
Vice Chairman
Chairman and Senior Executive Vice President,
Groupe Bruxelles-Lambert (Belgium)

Edmond Alphandéry ^{(1)*}

60 years old, French nationality,
Chairman of the Supervisory Board, CNP Assurances

Antonio Brufau *

56 years old, Spanish nationality,
Chairman & Chief Executive Officer, "La Caixa" Group.

René Carron ⁽¹⁾

61 years old, French nationality,
Chairman of the Board of Directors, Crédit Agricole S.A.

Gerhard Cromme *

60 years old, German nationality,
Chairman of the Supervisory Board, ThyssenKrupp AG

Etienne Davignon

71 years old, Belgian nationality,
Vice Chairman, SUEZ-TRACTEBEL

Paul Desmarais Jr.

49 years old, Canadian nationality,
Chairman of the Board and Co-Chief Executive,
Power Corporation of Canada

Lucien Douroux *

70 years old, French nationality,
Chairman, Banque de Gestion Privée Indosuez

Jacques Lagarde *

65 years old, dual French and American nationality,
Former Vice Chairman, The Gillette Company

Anne Lauvergeon *

44 years old, French nationality,
Chairwoman, Executive Board, Areva

Jean Peyrelevade *

64 years old, French nationality,
Executive of JP & Associates

Thierry de Rudder ⁽¹⁾

54 years old, dual French and Belgian nationality,
Senior Executive Vice President, Groupe Bruxelles-Lambert
(Belgium)

Jean-Jacques Salane

52 years old, French nationality,
Chairman of the French Supervisory Boards of "Spring"

Lord Simon of Highbury *

64 years old, British nationality,
Former Minister of State

Secretary to the Board of Directors:

Patrick Billioud

* Non-executive Director.

⁽¹⁾ Nomination proposed at the Annual General Meeting of April 27, 2004.

Note: Felix G. Rohatyn is no longer a Director of SUEZ since the Annual General Meeting of April 27, 2004.



Composition of the Executive Committee at March 5, 2004

Gérard Mestrallet
Chairman and Chief Executive Officer

Jean-Pierre Hansen
Vice Chairman of the Executive
Committee, Chief Operating Officer

Gérard Lamarche
Executive Vice President and Chief
Financial Officer

Yves-Thibault de Silguy
Senior Executive Vice President in
charge of International Affairs and
Institutional Relations

Patrick Buffet
Senior Executive Vice President in charge
of Business Strategy and Development

Dirk Beeuwsaert
Executive Vice President in charge of
Electricity & Gas International (EGI)

Willy Bosmans
Executive Vice President in charge of
Electricity & Gas Europe (EGE)

Jean-Louis Chaussade
Executive Vice President in charge of
SUEZ Environment

Jérôme Tolot
Executive Vice President in charge of
Energy and Industrial Services (EIS)
and Deputy Chief Operations Officer

Valérie Bernis
Executive Vice President in charge of
Communications

Emmanuel van Innis
Executive Vice President in charge of
Human Resources

Apart from the above 11 permanent members, Executive Committee meetings may be attended by:
Patrick Quart, General Secretary and **Henry Masson**, Group Senior Vice President in charge of Organization and Central Services
and Chief Risk Officer

Involving shareholders in the life of the Group

Shareholders' Diary

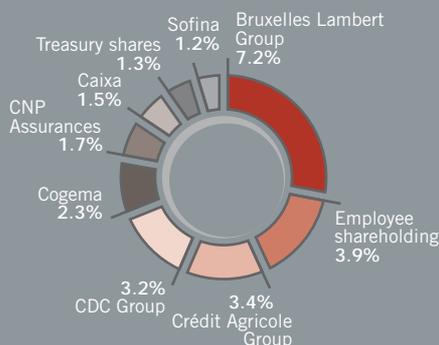
- ▶ General Shareholders' Meeting: April 27, 2004
- ▶ Dividend payment: May 3, 2004
- ▶ Presentation of 2004 half-year results: September 2, 2004

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Since February, the investor's page has been directly accessible from the main page of SUEZ' new web site.

Breakdown of main shareholders

at 12.31.2003



By paying constant attention to the needs and suggestions of its shareholders, SUEZ has managed to keep up a rich dialogue with them. The Group thus provides them with forums for exchange and also continues to work with the Shareholders' Advisory Committee to improve communications.

Right from the beginning, SUEZ has made it a principle to give all its private shareholders the same quality of information as financial analysts and major institutional investors. On December 31, 2003, SUEZ had approximately 450,000 private shareholders compared with 400,000 at the end of 2001. They owned 182 million securities, representing 18% of the Group's equity capital. Employees owned 4% of these shares.

The Shareholders' Club is one of the pillars of SUEZ in terms of financial communication. Since 1998, it has been inviting its 30,000 members to take part in year-round training or information sessions as well as visits to company sites in France and Belgium. For example, in 2003 the Shareholders' Club and the Shareholders' Business School launched in Brussels in 2000 offered 13 training sessions on stock market techniques and one course on asset management. The 250 Belgian shareholders who completed the course received a diploma from the two business schools that were associated with the course. Shareholders were also able to meet the Group management on site during 12 visits that were organized in France and in Belgium.

Training, information and exchange ■ During the year, SUEZ was also able to meet a large number of shareholders during such events as the Investment Forum, which was held in Lille in September, the Actionaria trade show in Paris in November and the Beleggersshapping of the VFB in Berchem (Belgium) in March.

Shareholders meetings were held and attended by Gérard Mestrallet in Marseille (February) and Bordeaux (October) as well as with Group financial communication managers in Toulouse (June) and Lille (September). For SUEZ, these meetings were the occasion not only to comment on current events concerning the company and to explain the strategy of its businesses to shareholders, but also to sound them out on their perception of the Group at the local level.

Twelve conferences were organized in France and Belgium in 2003 around the theme of the challenges faced by the SUEZ' Energy and Environment businesses: the liberalization of energy markets, the water cycle, public-private partnership and the history of the Group. The subsidiary, Culture Espace also organized cultural visits to the Jacquemart-André Museum of Paris for the "De Caillebotte à Picasso" exhibition in February and in Les Baux de Provence in April.

One of the ways in which SUEZ improves its communication to private shareholders is through the Shareholders' Advisory Committee, composed of 12 French and Belgian members who meet at least thrice a year. Thanks to this close collaboration, SUEZ continues to be cited as one of the CAC 40 companies with a high quality of information for shareholders. Last year again, it received the Golden Thread Prize for the Best Shareholder Service awarded by *Le Figaro Economie* and *La Vie Financière*. ■

The recognition of corporate social responsibility

Instead of merely complying with legal and regulatory obligations, the socially responsible company makes the commitment to include social, environmental and corporate dimensions in their global strategy.

SUEZ has always adopted a proactive approach to corporate social responsibility. In 1999, the Group strengthened its reporting practices on its overall performance by adopting an Environment Charter and measurement tools to monitor the deployment of its policy. At the same time, the departments involved decided to work closely with financial auditors on the quality of the environmental and social information published on the various Group communication media. Since it was first published in 2002, the SUEZ Activities and Sustainable Development Report presents the perspective of external auditors (Deloitte and Ernst & Young) on environmental and social information feedback procedures. The Group also endeavors to include environmental and social indicators that cover a global scope in the legal documents that are submitted to market regulatory bodies in France and the United States.

A value criterion on the rise ■ Socially Responsible Investment (SRI) is an issue of increasing concern to financial markets; currently, nearly half of fund managers and financial analysts in Europe take social and environmental criteria into account when they value companies. In 2003, Eurosif estimated the SRI market in Europe at €336 billion for institutional investors and SiRi Group put the figure for private investors at €12.2 billion.

Investors now have more access to information about the practices of companies listed on the French Stock Exchange, because since 2003, the law on New Economic Regulations (NRE) obliges companies to include their social and environmental management in their annual report. This information, which is now public, completes the tools developed by independent rating agencies for financial operators, whether in terms of SRI criteria or non-financial parameters and risks. These agencies also produce ratings for companies such as Lydec (see box) that aim at being open in their relations with their stakeholders about their performance as regards sustainable development.

SUEZ commitment is recognized by the financial markets. In 2001, it was the only French company providing services to the industrial and community sector to be listed in the ASPI Eurozone and the Dow Jones Sustainability Index (DJSI), the sustainable development value indices launched by the European agencies Arese and SAM. In 2002, SUEZ joined the very selective club of companies in the SAM world index, the DJSI World 03, and in 2003 it confirmed its presence in the DJSI World 04. ■

SUEZ' social rating

SUEZ' corporate social responsibility performances are rated by Vigeo, a European social and environmental rating agency, in the declarative rating that it provides to investors. The table below shows the latest ratings of the relative sector benchmark achieved in September 2003:

Criteria (min --/++)	Previous rating	Current rating
Human Resources	+	+
Environment	+	+
Clients	+	=
Corporate Governance	+	+
Commitment	+	++

Company: -- not concerned, - below average, = average, + leading, ++ pioneer

At the end of 2003, Vigeo also carried out a rating at the request of Lydec, SUEZ Environment's subsidiary holding the concession for the distribution of water and electricity in Casablanca. The evaluation, which was made using the entire Vigeo benchmark (38 criteria), gave the results shown below:

Human Rights (HR)	■ ↗
Human Resources (HR)	■ ↗
Environment (ENV)	■ ↗
Clients Suppliers (CS)	■ ↗
Social Commitment (SC)	■ ↗
Corporate Governance (CG)	■ →

■ Prudent, ■ Active, ■ Committed, ↗ Rising, → Stable

Lydec's performance has improved in five out of the six areas examined. Vigeo noted that in its public communications, Lydec gave priority to the areas of social responsibility where its managerial system was based effectively on tangible processes, resources and results.



Action plan: objectives achieved earlier than forecast

The key feature of 2003 was the Group's financial restructuring thanks to early completion of the action plan for which the cost and debt reduction objectives were surpassed.

Between 1997, when SUEZ was founded, and 2001, the Group took advantage of the growth in the global economy to establish leading positions internationally in Energy and Environment and to build a base for future development. However, this rapid growth also led to increased debt that reached €28 billion at June 30, 2002. In September 2002, the uncertain economic environment and the market downturn prompted SUEZ to center its strategic priorities on organic growth, on strengthening its financial structure and on refocusing on its Energy and Environment business lines. In January 2003, these priorities were reflected in the implementation of a robust action plan prioritizing management and control during the period 2003-2004. The emphasis of the plan was to boost profitability of the current underlying business and improve the stability and consistency of the Group's results based on five objectives:

- ▶ Pursuit of debt reduction begun late in 2002 notably via the sale of non-strategic assets but also certain assets in Energy and Environment;
- ▶ An operational improvement program known as Optimax, covering both head office and operating expenses designed to save €500 million starting in 2003;
- ▶ A simplified and more integrated organization combining central functions in a single dual-location head office in Paris and Brussels;
- ▶ Ensuring the business lines are self financing via a reduction in average annual capital expenditure from €8 billion to €4 billion over the period 2003-2005;
- ▶ Reduction in the Group's exposure to risks in emerging countries and a business focus on the most stable and consistent markets.

2003, a turning point for the Group ■ In 2003 the action plan was implemented more rapidly than forecast.

In the first half, the Group decided to prioritize the sale of assets with the highest capital employed and offering the lowest return, or which were the most removed from its core business. Accordingly, SUEZ reduced debt following the sale of most of its non-strategic investments, specifically the sale of its 75% stake in Northumbrian Water and the sale of CESP in November. The Group also strengthened its financial structure by taking out a syndicated loan over five years of €2.5 billion and by floating a €3 billion bond issue, thereby extending its average debt maturity while diversifying its sources of finance.

During the second half, SUEZ made two decisions establishing the strategy and the scope of its business lines and enabling it to exceed its debt reduction objective. Following the sale of Nalco, the U.S. subsidiary specializing in chemical treatment of water for \$4.35 billion, the Group managed to improve its return on capital employed and its financial structure.

SUEZ also confirmed the progressive sale of all its communication assets, a decision made in accordance with its policy to refocus on its Energy and Environment business lines.

Developments in internal control

Over the course of 2003, SUEZ achieved or surpassed the objectives of the action plan and closed the year with a strengthened financial structure. In particular, the Group's objective to cut debt by a third was exceeded, given that debt fell from €28 billion at June 30, 2002 to €15 billion as of December 31, 2003 and €13.9 billion after the sale of its M6 stake.

The Group's asset sales during 2003 covered Environment (Northumbrian, Nalco and Cespa), non-strategic investments (Fortis, Axa, Total, Vinci) and various communication assets in Belgium (Coditel and Codenet). The total of all asset sales amounted to €7.8 billion plus €2.1 billion in debt reduction arising from the deconsolidation of sold companies.

Financial and operational objectives exceeded ■ Pursuant to the objectives announced in January, SUEZ prioritized organic growth for its business lines in 2003. Pursuing a very strict capital expenditure policy, the Group reduced capital expenditure from €6.7 billion in 2002 to €4.3 billion in 2003. Efforts in cost reduction, simplifying the organization and maximizing return on capital employed in conjunction with the Optimax program boosted operating margins in excess of the objectives announced thanks to savings of €585 million. At the same time, Group capital employed in emerging countries totaled €6.2 billion at year-end 2003, down from €10 billion as of year-end 2001.

The simplification of the organization was reflected in the merger in October of the legal entities Société Générale de Belgique and Tractebel and by establishing a single dual-location head office in Paris and Brussels. The Group's activities are now organized into four business lines: Electricity & Gas Europe, Electricity & Gas International, Energy and Industrial Services and SUEZ Environnement.

With the completion of its action plan, SUEZ has achieved its debt reduction objective more rapidly than forecast without hurting its potential for growth or touching its core business. SUEZ was therefore able to begin 2004 by focusing on optimizing its competitive positions in Energy and Environment and improving margins and free cash flow. ■

Since 2003, corporations have to comply with new regulations relating to internal controls both in France (French Financial Security Act) and the United States (Sarbanes-Oxley Act). At SUEZ, which is listed in Paris and New York, internal controls are applied by the Board, the Directors and all personnel in three areas: performance and improvement of operations, reliability of financial information and compliance with current laws and regulations. In 2003, the Group launched a program known as CODIS ("control and disclosure"), designed to develop the Group's principles for internal control and financial reporting. Headed by a program manager reporting to the Group's Chief Financial Officer, this multi-disciplinary working group brings together representatives from finance, legal, audit and information systems departments at head-office and business-line levels. One of its key objectives is to ensure the compliance of SUEZ procedures and internal control with the Financial Security Act and the Sarbanes-Oxley Act. The work performed is primarily monitored by the Control & Disclosure Committee. The Group's Audit and Executive committees are also informed of all progress within the CODIS framework.

2003 trend in SUEZ share price

After an unsatisfactory first quarter, the second quarter saw the price of the SUEZ share rebound in line with the progress of the action plan.

The beginning of 2003 suffered from uncertainty in view of the looming Iraq conflict, and then from the war itself. Global stock markets reached a low during the first quarter while remaining extremely volatile, with increased trading by short-term investors and hedge funds. SUEZ stock was particularly affected, suffering from unjustified rumors and comparisons with companies whose situation hardly applied to the Group. SUEZ stock reached a low of €8.7 in March 2003.

A rebound in line with the progress of the action plan ■ The determined and rapid implementation of the action plan – particularly debt reduction measures – gradually led to a recovery in the share price as major financial transactions were undertaken during the year including the following notable asset sales:

- ▶ Sale of the Group's main financial investments: Fortis, Axa, Vinci, Total, Iberdrola and SES Global for €2.9 billion (reduction of net debt). These asset sales not only led to debt reduction, but also reduced the level of volatility caused by the volatility inherent in some of the investments, especially those from the insurance sector as the Iraq war approached.
- ▶ Sale of Northumbrian Water and Nalco which together led to debt reduction of €6.7 billion while also reducing the Group's exposure to currency risks of the U.S. dollar and pound sterling and improving the Group's return on capital employed and liquidity ratios.

SUEZ share trend from December 31, 2002 to February 27, 2004

(Base 100 on December 31, 2002)

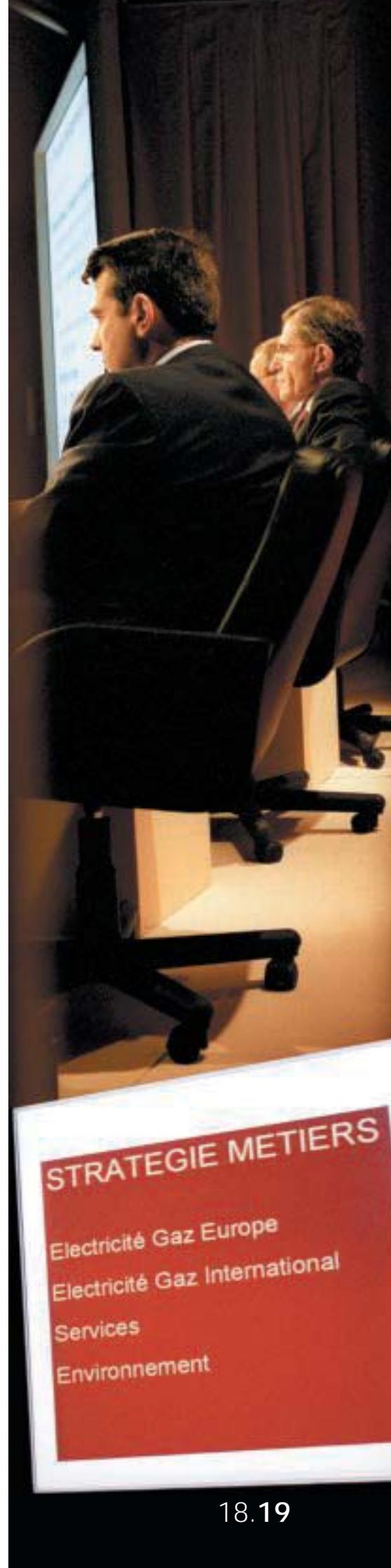


A turnaround at the end of the year ■ From mid-November to end-February 2004, the share price continued to rise, interrupted by the bombs in Madrid on March 11, 2004 and the ensuing correction to the financial markets. This new phase confirmed the stock's recovery Date in source. Experts and observers of the financial markets have mentioned a number of reasons for this recent rise.

Firstly, the success of the action plan, for which the objectives were met or exceeded, was forecast from the end of 2003 onwards due to the successful completion of the various financial transactions during 2003. This success was confirmed for all the objectives at the Group's results announcement on March 4.

Secondly, the quality of the operating results in 2003 and the extent of the debt reduction exceeded expectations of most financial analysts at the principal brokers. Following the results announcement, many brokers raised their target prices and/or estimated valuations of the share.

Thirdly, the announcement at the beginning of 2004 of the sales of M6, Paris Première and Noos completed the Group's exit from the communications sector, which was perceived as the final stage in the Group's refocusing on Energy and Environment. Lastly, the rise at the beginning of 2004 can be explained by keeping the dividend at a high level and by SUEZ affirming new earnings and cash flow targets for the period 2004-2006. ■





An increasingly targeted environmental policy

In 2003, SUEZ strengthened its environmental organization and the operating units refined their policies based on local economic conditions and customer expectations.

The first task of SUEZ' network of environmental coordinators is to encourage operating units to follow an adequate policy with regard to their business, local economic conditions and expectations of their industrial and local authority customers.

These policies may lead to the implementation of certified environmental management systems based on the economic conditions and the reasons for taking such action. These systems – ISO 14001, ISO 9001 version 2000 with environmental scope, EMAS registrations, local certifications – are based on documentation, a complete package of procedures, and on defined objectives in conjunction with a program for continuous improvement.

For 2003, 42.7% of the relevant amount of sales in terms of the Group's environmental impact were covered by environmental certifications. The Group now holds 262 ISO 14001 certifications, 233 ISO 9001 version 2000 certificates with environmental scope, seven EMAS registrations and 82 local certificates. Units having made an environmental commitment statement accounted for 80.7% of the relevant amount of sales.

Active prevention of risks ■ In 2003, business lines pursued their program of environmental audits at their sites. Specific internal procedures are now deployed at most sites of the Energy business with two objectives in mind: defining responsibilities for environmental management and control of environmental audits to monitor environmental compliance of the plants.

These procedures are designed to minimize the risk of non-compliance with regulations or operating licenses, in line with the Group's commitment to environmental protection and personal safety. The audits are performed on request from senior management of Electricity & Gas Europe (EGE) and Electricity & Gas International (EGI) to verify that actual procedures comply with the relevant directives and guidelines.

Particular attention is paid to certain aspects of the operating licenses, notably the effects on air, water, waste and noise. Other aspects are also assessed, such as procedures followed by sub-contractors, prevention of waste from accidents, temporary on-site storage of hazardous waste and provisions made for management of serious incidents.

Within SUEZ Environment, environmental risks are addressed based on a methodical approach: every waste treatment site has undergone at least one environmental audit in the last three years. These audits reveal any areas of non-compliance with current regulations and specific risks leading to action plans for their correction.

When SUEZ Environment staff take charge of the management of facilities, some do not comply with regulatory requirements. Various actions are then undertaken: improvement of operational management of the site, investment to buy or replace equipment etc. For facility management contracts, these decisions must be made with the agreement of parties to the contract, both in respect of local authority and industrial customers, since certain types of investment remain their entire responsibility.



Continuous improvement in customer service

Anticipating new standards ■ The Group is committed to warning customers so that they can prepare for future standards. SUEZ Environment has launched a major program to keep local authority customers for management of their domestic waste incinerators informed so that they can prepare for new European regulations lowering the thresholds for emissions with effect from December 2005. There have been occasions when SUEZ Environment has terminated the management of a facility because the customer did not invest to make it comply with the standards.

In Water, each subsidiary is responsible for management of its own environmental risks. A centralized audit process similar to the process implemented for waste services will begin in the near future. Audits will be performed primarily on sanitation, water treatment and sewage management facilities. Lastly, risk prevention plans are developed prior to or during the implementation of all environmental management systems. In 2003, the low number of complaints (94) and penalties (22) in relation to the Group's size and level of direct expenditure on the environment is a result of the action taken.

Environmental spending (capital expenditure and ongoing operating costs linked to protecting the environment) amounted to nearly €173.5 million for Energy businesses and over €2,114 million for water and waste services. ■

Since 2001, Pécs Waterworks, a Hungarian subsidiary of SUEZ Environment, has deployed a management system based on principles of the EFQM model. Self-evaluations conducted every year have led to the development of various action plans for improvement. Customer satisfaction was the subject of specific surveys designed to assess the quality of the service provided. A particular program for environmental protection has been implemented, focusing largely on recycling, reduction in energy consumption and improving dialogue with local residents. Pécs' commitment was rewarded by winning the National Prize for Quality in the services sector.

Improvement in managerial performance

(% relevant sales)



The improvement in performance indicators in 2003 reflects the Group's efforts in environmental management on behalf of its customers.

Control of risks



Nearly 50% of the relevant amount of sales are covered by plans for the prevention of environmental risks and over 78% by crisis management plans.

Management of “high-threshold” Seveso sites

At the end of 2003, the Group operated six “high threshold” Seveso sites within the European Union. In the Environment business, Teris operates sites at Pont de Claix (incineration of chlorinated solvents) and Loon-Plage (incineration of hazardous industrial waste) in France, SITA Remediation manages the plant at Herne (treatment of hazardous industrial waste) in Germany. In Energy, Fluxys and Fluxys LNG operate sites at Zeebrugge (LNG terminal), Dudzele (LNG storage unit) and Loenhout (underground natural gas storage) in Belgium.

These plants follow a deliberate policy to prevent major accidents ensuring a high level of protection for people and the environment. Safety management procedures form an integral part of the overall “Health, Safety, Environment & Quality” system. Within these units, staff have received specific training in the management of crises arising from Seveso-related serious incidents and major accidents.

Identifying risk for better management

SUEZ is constantly looking to optimize its environmental performance measurement and control systems. Its operating entities apply risk management and environmental protection on a daily basis.

In order to ensure continuity in its operations, SUEZ encourages all operating entities to establish contingency plans based on the following: a stand-by system for immediate mobilization of crisis management resources and an actual crisis system for effective management throughout the duration of a crisis. These plans include the establishment of a crisis unit able to assess both internal and external impacts involving technology, personnel, health, economics and the company’s reputation. Particular attention is paid to training and informing the crisis management team members, e.g. through simulations, and promoting a culture of dialogue between local personnel and their outside contacts.

Starting in 1999, SUEZ began implementing a specific reporting system to oversee the roll-out of its environmental policy, manage environmental risks and promote communication of its environmental performance to stakeholders. The reporting system is based on work performed by international bodies such as the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD).

Pursuant to its commitments, SUEZ strengthened its internal control procedures for certain activities in 2003 by deploying a system known as CERIS for collecting, processing and recovering environmental data entered by operating entities. This environmental reporting system includes a range of functionalities: administration of the network of environmental contacts and coordinators; management and documentation of the environmental reporting scope; input, control and consolidation of performance indicators; and production of the documentation required to collect the data, in order to control the flow of information and produce reports.

Management of carbon restrictions ■ The battle against climatic changes is a major issue for all SUEZ entities (see also pages 50-51). In 2003, the entire Group’s emissions of greenhouse gases (GHG) amounted to 79.6 million metric tons equivalent of CO₂, including 72.1 million metric tons equivalent for the Energy business and 7.5 million metric tons equivalent for Environment.

SUEZ’ business lines contribute to the effort to combat changes to the climate in several ways. First of all, the Group encourages energy rationalization and optimal use of energy for its diverse range of facilities. The variety of its production facilities of its EGE and EGI business lines (nuclear power stations, conventional power stations, steam turbines, cogeneration plants, turbojets, renewable energy sources) allows them to adapt to national requirements to reduce GHG emissions while reflecting the cost of its various sources of energy in relation to the carbon restriction. Secondly, EGE and EGI actively participate in the development and promotion of renewable energies, which in 2003 represented over 6.3 GW of equivalent installed power capacity (see box page 39).

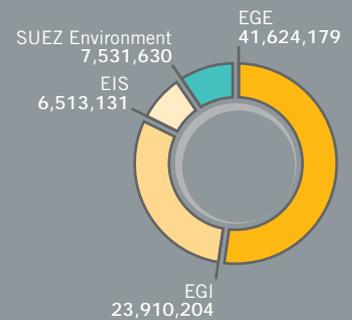
SITA, SUEZ Environment's waste services subsidiary, has also launched a program to control its GHG emissions focusing on the emission sources. SITA managed to reduce emissions generated by its collection activities by increasing the proportion of "green" vehicles – i.e. driven by electricity or natural gas – in its total vehicle float (69% in 2003 and 2002 vs. 44% in 2001) and by improving the collection schedule via computer systems, which additionally reduced fuel consumption and noise pollution. SITA has also begun a program for the recovery of methane in conjunction with its waste treatment activities: the methane recovered is burned which produces lower GHG emissions and, if economically viable, can be harnessed to generate power. In the United Kingdom, SITA Power is responsible for providing 6,000 households with energy from biogas.

Management and preservation of natural resources ■ The depletion or deterioration in the quality of water in certain countries prompted SUEZ to make the need for integrated management of water resources a high priority at the operations affected. The approach adopted covers all issues relating to water and sanitation services (water preservation, agriculture, layout of the land) as well as resolving potential conflicts through negotiation. This policy enables Group entities to deepen their understanding and improve control of risks arising from their activities, to establish credibility as important water management companies and as partners to the public authorities, and last but not least to anticipate trends and future markets.

The Group also preserves natural resources by encouraging recycling of non-hazardous industrial waste (NHW) and hazardous industrial waste (HW). Recycled waste accounts for 44.6% of the total of waste produced by Group activities (NHW, HW fly ash, combustion residues and desulphurization by-products). SUEZ Environment considers moreover that the recycling of treated sewage sludge (27.3% in 2003) in the form of fertilizers for agricultural use constitutes a growing market. In 2003, the Operations and Research Department of SUEZ Environment developed a compostability test for sludge to ensure the quality of finished products particularly when spraying. ■

Total GHG emissions

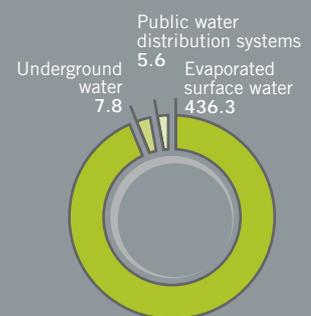
(T eq. CO₂)



In 2003, the entire Group's emissions of GHG gases amounted to 79.6 million metric tons equivalent of CO₂, including 72.1 million tons for the Energy business and 7.5 million tons for Environment.

Water consumption – Cooling water

(Mm³)



Air compressors, which use ventilated air as a means of cooling, limit consumption or enable the reuse of cooling water.

A year focused on preparing for change

In 2003, SUEZ's Human Resources Departments largely worked on changes and trends in the units in line with the action plan announced in January.

One of the priorities of the Group Human Resources Department in 2003 was to pursue its policy to improve and optimize staff skills throughout all operating entities, with a view to ensure the personal development of the Group's 172,300 employees throughout the world. Particular attention was also paid to health and safety at work in accordance with the commitments made under the Health and Safety Charter signed in October 2002.

In October 2003, the Group HR Department issued the SUEZ Human Resources Guidelines which formalized key principles and broke new ground by defining six major priorities.

Human resources management ■ In anticipation of the demographic turnaround in 2006, SUEZ has implemented a policy to transfer and renew skills both for technical functions and senior management. Using age pyramids of Group companies, the Group identified those entities requiring the most focus. This future HR policy, one of the six HR priorities for 2004, is based on the following three objectives:

- ▶ Empower key functions in the Group and, in cooperation with operational units, continue to focus on specific processes such as Career Management Committees and Succession Planning, in order to prepare for the demographic transition of the years 2006 to 2010 as best as possible. 2004 will be dedicated to pursuing harmonization of the notion of key functions, performance evaluation criteria for the employees concerned (and generally for other employees) and pay and benefits. This work involves several approaches: The Leaders For the Future (LFF) program designed to identify future senior managers and executives; the SUEZ Center for Development & Assessment, designed to identify the Group's key areas for employee development; programs specific to SUEZ University and the Training & Development Committee. For 2004, the department will focus on formalizing development plans and mobility for LFF.
- ▶ Pursue the development of staff in key functions in cooperation with operating management. In this regard, senior managers have access to the Executive Career Management Program which is largely based on the Annual Performance Appraisal and the SUEZ Center for Development & Assessment.
- ▶ To attract, develop and grow high-quality staff, the business lines can use Recruitsoft, a standard computer system implemented during the year that is available throughout the Group for recruitment and mobility, as well as the SUEZ Campus designed for young graduates in Europe. Internally, employee development is based on training plans determined by the local entities, with the exception of SUEZ University programs designed for all Group managers. Training thus continued to be a high-priority focus of the HR policies applied throughout SUEZ companies.

In 2003, more than 75,000 employees out of the 130,000 employees for whom the Group has information, underwent training. The training mainly covered technical aspects of the business lines and the environment, quality and safety, which together accounted for 77.2% of training for Electricity & Gas International (EGI). Energy and Industrial Services also dedicated a major proportion of training to these themes (78.5%) principally by working with external organizations.

Training was also used to a large extent in conjunction with the Group reorganization. For example, Electrabel Netten Vlaanderen, founded in 2003 by taking over the staff of Electrabel, which manages technical network operations on behalf of distribution network operators, trained all its staff to ensure they were properly prepared to use new systems specific to the business. It also met its target of 38 hours training per person per year, the 2,669 employees each undergoing an average of 38.9 hours training in 2003.

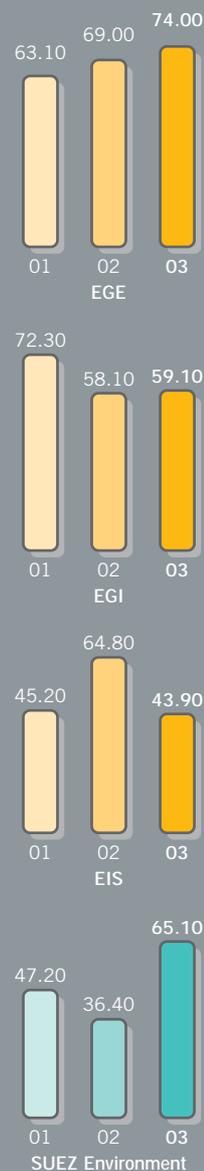
Belonging to the Group and adhering to its values ■ In order to ensure high-quality customer service during the transitional period of 2003, the Group paid particular attention to fostering company cohesion and adherence to its values by employees. One of the HR departments' functions is to disseminate these values, in conjunction with internal communication, for example during employee recruitment interviews and annual performance appraisals. The HR departments, collaborating with the European Consultative Committee, also monitor compliance with commitments established under the various charters (International Social Charter, Ethics Charter etc.).

One of the Group's key commitments is the Health and Safety Charter, which came into effect in 2003 and which strengthened local action plans for safety. Monitoring of this Charter is performed by the Health and Safety Steering Committee, comprising representatives from safety departments, human resources and risk and insurance departments, and representatives from the European Consultative Committee. Firm commitments taken by the Group for the ongoing improvement of safety together with audits conducted by the safety departments of the business lines led to a sharp improvement in performance since 2001. The Group deeply regretted 11 deaths among its employees in 2003 compared to 18 in 2001 and 2002. The "rate of frequency" and "rate of seriousness" both fell by 45% and 35% respectively between 2001 and 2003.

While the expansion of entities included boosts the representivity of the 2003 data, a comparison from one year to the next is still relevant with respect to these changes in scope of the data covered (see table pp. 68-69). This marked improvement, which should not mask the need to strive for zero accidents (and zero deaths), is primarily due to the efforts of SITA, a subsidiary of SUEZ Environment. Over the same period, there were six accidental deaths at SITA, down from 12 in the previous two years. The rate of frequency for this activity fell nearly 55% between 2001 and 2003 while the rate of seriousness dropped by nearly 35% based on 95% equivalent scope.

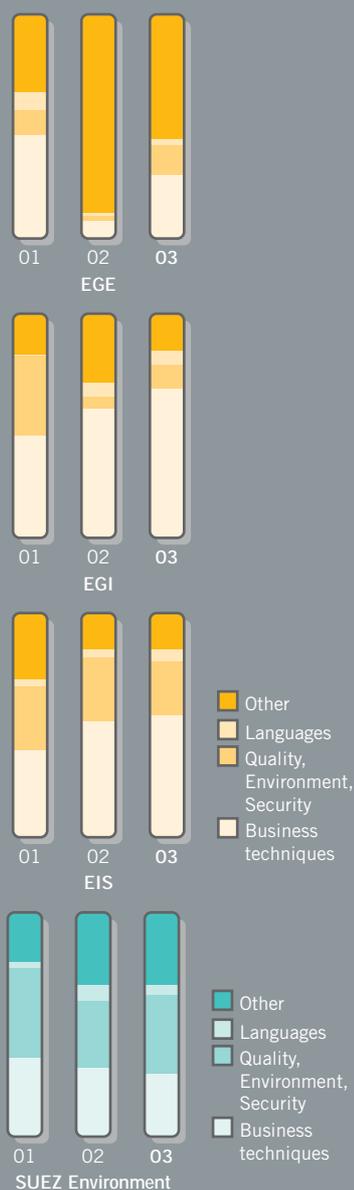
With respect to safety reporting, monitoring compliance with SUEZ commitments is largely based on social indicators and on warning processes and in 2004, the Group plans to focus more specifically on deploying reporting and monitoring systems.

Percentage of personnel trained



The figures for 2003 are the most representative of the current operating of the business lines, given the global expansion of the scope of data provided. The figures for 2001 and 2002 are intended as a guide only, and do not provide a basis for comparison.

Distribution of training by theme



The distribution of training by theme reflects the degree to which the various businesses are technically oriented, as well as the diversity of regions where the facilities are located. The breakdown also reflects the considerable efforts deployed by SUEZ Environment in the areas of health and safety.

Promoting HR as a partner for change ■ Technological developments, notably in Energy, and public-private partnerships or on-site subcontracting contracts lead to permanent changes in the operations of SUEZ business lines. HR departments facilitate the management of these changes bolstered by training, skill renewal and social dialogue policies. SUEZ also planned to establish the Community of Practice of Change Management, an organization dedicated to managing change caused by trends in the competitive and economic environment, which boosts the contribution of HR departments in organizational formalization and in assisting changes required by the HR policy.

With this contribution the HR departments became the preferred partners of the Group's refocusing. Since the launch of its action plan in January 2003, SUEZ has sold off several businesses leading to 28,000 employees leaving the Group. These sales were discussed with staff representatives of the businesses sold and with the European Consultative Committee. In addition to the statutory obligations for information and consultation with staff representatives concerning these sales, the objective was to communicate the strategic and financial reasons for making these decisions. Despite this, the breakdown of Group employees by major geographical area remained relatively stable in relation to 2002, with 83% of employees in Europe and North America, whereas the breakdown within each zone varied to a greater extent. The difference in scope of reductions in force in the European Union and the UK can be explained by the sales of CESPAs and Northumbrian respectively. In North America, the sale of Nalco was partially offset by the incorporation of SITA USA and the growth of EGI in the USA.

	2001	2002	2003
France	59,300	60,550	60,850
Belgium	31,600	29,900	27,800
UK	12,100	12,650	7,550
Rest of European Union	39,900	39,900	28,300
Rest of Europe	3,560	6,800	6,900
North America	10,060	17,850	11,800
South America	20,340	20,500	20,250
Africa/Middle East	4,440	4,600	4,100
Asia/Pacific	6,750	6,000	4,750
Total	188,050	198,750	172,300

The role of the HR departments in 2003 also included assisting in the reorganization of the 13 major corporate head offices. For the head offices in Paris, Brussels and for SUEZ Environment, the solutions proposed called for 308 job losses, including 95 to be reclassified internally, and 59 to leave on early retirement. In order to maximize internal reclassifications and optimize the transfer of skills within the Group, external recruitment was limited in 2003. Despite this restriction, the Group's organic growth in France generated more than 1,000 jobs.

Optimizing and standardizing ■ In 2003, SUEZ focused on simplifying HR management by the use of standard performance measures and by rolling out standard systems such as Recruitsoft. The Group also attempted to optimize relations with its external partners by establishing a list of "preferred suppliers" and by increasing standard programs for retirement, death etc.

For 2004, SUEZ has developed use of benchmarks in order to be able to choose

the most appropriate service among internal and external services available. Administrative management of expatriates is also in the process of being simplified, in order to ensure greater consistency and to boost economies of scale.

Consolidating and controlling employee information ■ The implementation of Topaz, the social reporting system, in 1998 enables SUEZ to currently cover 80% of fully consolidated companies for purposes of social data (100% regarding workforce). One of the Group's priorities in 2003 was to reinforce the appropriation of Topaz, an effort will be pursued in 2004. SUEZ will also acquire additional systems in 2004 to measure HR performance and employee costs as well as costs of HR management.

Developing social responsibility ■ SUEZ's commitment to social responsibility involves a dialogue based on trust regarding compliance with the Group's commitments with the staff representative bodies in countries where the Group operates, but also with all business partners and employees. This dialogue is reflected in particular by actions aimed at promoting social inclusion of people in considerable difficulty (SITA Rebond) and an active policy related to regional needs.

Given the Group's diversity and number of sites, SUEZ will adapt its reporting systems in 2004 in order to better anticipate and prevent risks related to employee relations. The Group will also progressively implement an HR expertise network in Europe in offer-to-offer support to far removed locations in terms of law and management.

Lastly, SUEZ continues to work with partners from the International Social Observatory in Europe, Morocco, Argentina and USA on topics regarding Corporate Social Responsibility. In Europe, the signatories to the commitment notably share their experiences in lifelong education and training. In Morocco, the accent was put on establishing HR, education, training and reading/writing performance indicators and strengthening social dialogue. The actions of the International Social Observatory Morocco are part of the government's studies on "social assistance". ■





Developing activities over time

SUEZ's history has always been linked to the combination of Energy and the Environment. In addition to obvious similarities, the Group's activities are also characterized by their great potential for development.

In February 2004, SUEZ announced that the objectives of its action plan had been reached ahead of schedule. It was an opportunity for the Group to strongly reaffirm the strategy it had set for itself in 1997, i.e. the simultaneous and sustainable development of both its areas of activity: Energy and the Environment.

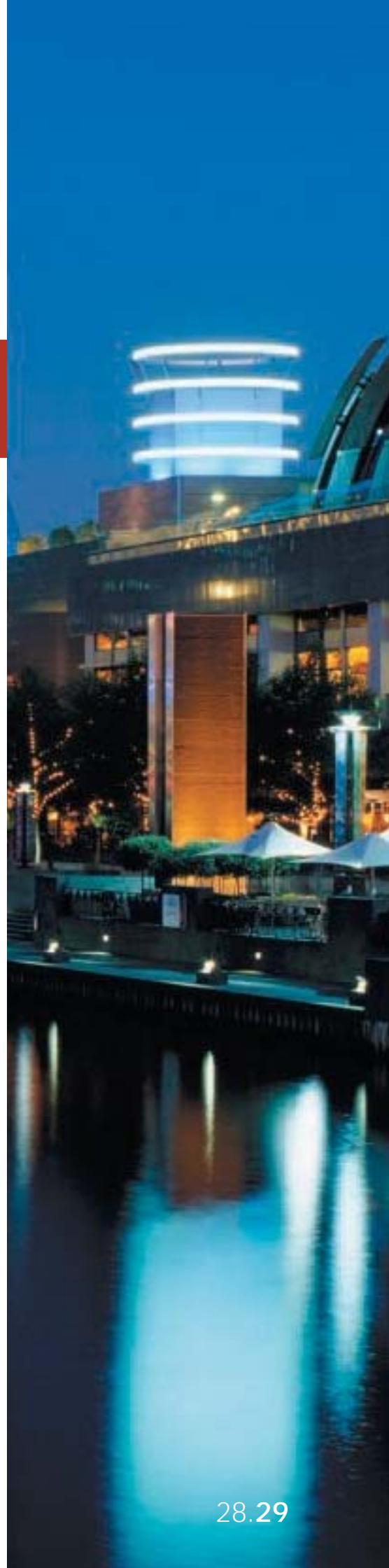
The combination of SUEZ activities is the fruit of a well-planned evolution. During the 19th Century, the Group's founding companies linked activities in France pertaining to water, energy and waste services, while in Belgium, they focused on electricity, gas and waste services. With this strong history, the Group now has unique world experience with regard to the management of large public utilities

This combination of expertise in electricity, gas, water and waste services is based on certain shared characteristics. They are activities involving networks, proximity and land that meet the needs of the same types of clients: communities, industrial and commercial companies. These are long-term activities based on the operational life of infrastructures and the duration of contracts, which often have the same legal frameworks.

Benefiting from experience to further growth ■ With the European energy market slated to open up, the experience and technical reputation that SUEZ had acquired at hundreds of assigned public utilities puts it in a good position to penetrate the electricity market in France, via Compagnie Nationale du Rhône and Société Hydroélectrique du Midi. The Group is armed with comprehensive offerings in addition to particularly flexible facilities with nuclear, thermal, and now hydraulic potential. In the area of liquefied natural gas, the experience acquired by the Group in the United States has strengthened its position in Europe, where the LNG market is poised for considerable development over the next decade. In environmental services, the subsidiaries are developing new services for clients in order to respond to new requirements for quality of life in water and waste services.

SUEZ owes its longevity to transparency, service quality and the determination shown by all teams on the ground, who provide clients with their technical expertise and managerial experience in the design, development, modernization and operation of networks that are often highly complex. A fine example in 2003 was the success scored in Toulouse on the assembly line of the Airbus A380, the largest industrial construction site in Europe, which taps into all of the Group's competencies (see inset, page 49).

Sustainable development has been SUEZ's mission and reality for more than 150 years. It lies naturally at the very heart of daily activities executed with pride by the Group's employees around the world, as they monitor the quality of drinking water and air, ensure the cleanup of rivers and soil and work to protect the environment, preserve nature, produce green energy and above all, provide water and light to the largest number of people. That is what sustainable development really amounts to.





Engineering, research and marketing for long-term solutions

To bolster customers' confidence and promote partnerships based on sustainability and profitability, the staff of SUEZ faces a twin challenge every day: combine technical reliability with economic viability.



The crucial element of any commercial relationship, confidence arises from several factors: technical competence to reassure the client, taking account of social and environmental issues, and a proven ability to make long-term commitments via economically viable solutions.

Technical and economic skills ■ SUEZ' know-how is applied in the same way in each of its business lines – engineering, construction, long-term operations. And both local authorities and industrial customers seek the same technical, managerial and commercial skills. In addition to their technical skills, Group companies are bolstered by an economic competency, which boosts the attraction of their offerings: the ability to minimize costs, anticipate future revenues and manage prices over time in the interests of customers and, if applicable, their users.

Operating from its own sites, SUEZ is highly involved in the defense of the environment, applying it via its support for the Kyoto Protocol, striving for energy efficiency and savings and the development of green energies (wind, hydraulic energy), and via its management of water and waste, as borne out by the procedures to treat sewage sludge and burnable waste.

R&D: responding to market needs ■ An innovative policy must go hand in hand with customer requirements. This is the underlying logic of the marketing approach developed by SUEZ for its research and development policies, ensuring that work performed is closely tied to customer needs and commercial activity.

SUEZ Environment has five technical centers in France, Europe and the USA which focus for instance on the standardization of procedures in the water and waste businesses. This is a constant industrial challenge given that solutions are naturally linked to local conditions, such as the geography, hydrography, population etc., and improvements must be made within the context of a given environment and therefore, a specific demand.

In Energy, Electrabel is working on products and services to bolster sales and respond to customer demands. The priorities for Laborelec, its technical-scientific center near Brussels, are based on market realities broken down into four criteria: equipment assessment; care for the environment; quality of supply; and rational use of energy. In energy services, Elyo Cylergie, the technical center based near Lyon, focuses research specifically on monitoring performance commitments and control of environmental impact. ■



Customer dialogue: imagining new practices

For an international services group such as SUEZ, offering tailor-made customer solutions requires understanding of the local environment as well as technical expertise.

At the present time, control of energy consumption, management of water and sanitation, and reduced waste generation are major issues. SUEZ business lines support their customers to meet the challenges represented by the principles of sustainable development in their daily operations. While the solutions proposed are based on leading-edge technology, they are also a result of ongoing communication between SUEZ staff, customers, and the regulatory, social and economic environment where the locations are based.

Action for local development ■ In Brazil, where the waste-services market is increasingly sophisticated, VEGA, SUEZ Environment's local subsidiary, bases its technical and environmental solutions on a policy of listening to its end customers and educating the local population. The first company in South America to be awarded the ISO 9002 certificate for its entire operations, VEGA has strengthened its quality program by establishing a help service for users.

This service is especially essential for merchants and manufacturers since they are legally responsible for the disposal of waste once it exceeds 200 liters a day. VEGA also launched awareness campaigns for sorted waste collection in the communities where it operates. In São Paulo, these programs have been established in partnership with local NGO Recicle Milhoes de Vida.

In Freeport (USA), United Water manages a water and sanitation contract on behalf of 28,000 inhabitants. United Water, a subsidiary of SUEZ Environment, works in close collaboration with specialized public services. As Public Works Manager, it coordinates the various services with a view to developing a genuine local service for users. United Water is also a driving force in the city's local economic development.

Offering innovative financing solutions ■ In Peru, EnerSur, a subsidiary of EGI, won a 30-year concession contract in February 2004 to operate the hydroelectric power plant at Yuncan following a long bidding process. The project, which is part of the Peruvian government's new privatization program, represents an innovative solution both for the central government and the region of Pasco. The central government continues to own the infrastructure while EnerSur will pay \$22.9 million to the Pasco region over 17 years.

At the same time as this deal, the Peruvian Pension Funds acquired a 21.05% equity stake in EnerSur for \$48 million, convinced by the company's prospects for growth and style of management. This capital injection provides EnerSur with practically all the funds required to launch the project, while enabling nearly 3 million Peruvian citizens to become shareholders and indirect partners of EnerSur. ■

Closer involvement with customers

In 2001, GM Powertrain, a General Motors subsidiary, awarded SITA a contract for the collection, separation and treatment of 600 tons per month of waste prior to transport from its single French factory in Strasbourg. The eight SITA staff allocated to the project had to substitute for GM employees while avoiding any disturbance to production. To put this in practice, they underwent in-depth training to ensure they were able to take on any task throughout the site: delegated operations, safety, type of waste, use of GM machines, etc. SITA is also charged with advising its customer on the best and most profitable ways to reduce waste, in particular by means of technological and regulatory monitoring. From the first months, the cost of waste collection fell 18%.



The day-to-day activities of SUEZ



A year dedicated to the action plan

By launching an ambitious action plan in January, SUEZ strengthened its financial position and refocused on the Energy and Environment business throughout 2003. In September, the Group announced the sale of Nalco and its communication assets, reducing debt further.

■ **SUEZ launches an action plan aimed at reducing debt, boosting margins and refocusing on the Energy and Environment business.** ■ **Distrigas** christens Berge Boston, an LNG carrier of 138,000 m³ leased from Tractebel LNG North America under a long-term charter. ■ **Tractebel EGI** begins the commercial operation of the 713 MW Glow IPP power plant in Thailand. ■ **Elyo** wins a €11.5 million contract over 10 years for the outsourcing of utilities on the NaturFruit business park near Volvic (France). ■ **Elyo** signs a €11.3 million contract over five years for facilities management at BP France's head office in Cergy-Pontoise (France). ■ **Axima Services** begins work on a contract of over €20 million over 10 years for technical management of the SIDMAR site at Zelzate (Belgium). ■ **Tractebel Gas Engineering** signs a contract with Reganosa for the construction of an LNG terminal at La Coruña (Spain). ■ **Ondeo Italia** and **Acea** win a €1.2 billion concession contract over 20 years for the region of Pisa, Italy (population: 800,000). ■ **SITA Sverige** buys Enista, industrial and municipal waste collection business at Norrköpping (Sweden). ■ **SUEZ Environment** finalizes the sale of SITA Ireland for €6 million. ■ **United Water** and the city of Atlanta mutually terminate the operating contract for the city's drinking water.

■ **SUEZ** sells interests in AXA and Vinci and reduces stake in TotalFinaElf, cutting debt by €400 million. ■ **Electrabel** and **SPE**, Belgian publicly-owned generator, mutually terminate their industrial partnership within CPTe, giving birth to an independent generator with a capacity of 1,600 MW on the Belgian market. ■ **Tractebel Mexico** inaugurates a cogeneration plant of 245 MW providing electricity and steam to 38 industrial facilities in Monterrey (Mexico) over 15 years. ■ **Degrémont** begins several contracts: in France, €13 million contract to upgrade the purification plant at Tours; in Libya, construction and operation of purification plant at Tripoli and Chekka (€38 million); and construction of a drinking water production facility in Chennai, India (€21 million).

■ **Electrabel** increases its equity interest in **Acea**, Italian company specializing in power and water, to 2.6%. ■ **CORYS T.E.S.S.**, subsidiary of Tractebel Engineering, signs a contract with Indian Railways for the turnkey supply of locomotive driving simulators in India. ■ **Degrémont** wins an €8 million contract for modernizing the drinking water production facility in Lamaload (UK).

■ **SUEZ** reduces its stake in Fortis to 1.5%, receiving cash of €1.8 billion. ■ **EDT** equips the power plant at Punaruu with two new units, each of 17 MWe, to satisfy the requirements of Tahiti (French Polynesia). ■ **TERIS** buys toxic waste incinerator at Loon Plage (France) from DuPont.

■ **SUEZ** sells 75% stake in Group Northumbrian (UK), reducing debt by €3.1 billion, still remaining its largest and only industrial shareholder. ■ **Electrabel** buys future generation capacity from SHEM (773 MW via 49 hydroelectric power plants) and takes over operations. ■ **EGI opens Al Taweelah plant in Abu Dhabi generating 1,360 MW of power and 385,000 m³ of desalinated water.** ■ **Elyo** wins a €21 million contract over 10 years in France for energy and utilities management on behalf of Coop d'Or. ■ **Axima Services** wins renewal of a technical management contract in the Netherlands for fixed-line and cellular telephony covering all buildings and sites of KPN. ■ **Fabricom** wins a contract to supply 56 modules to Statoil's liquefaction factory to be built on the island of Melkøya, near Hammerfest (Norway). ■ **SITA Deutschland** wins two contracts worth €15 million over 15 years for the treatment of domestic waste via incineration in the Leipzig region (Germany) starting June 2005. ■ **SITA Deutschland** and operators in the sector are awarded 30% of the lots allocated from the call for bids covering the whole of Germany.

■ **SUEZ** sells its remaining stake in TotalFinaElf for €500 million. ■ **Electrabel** opens a wind farm in Bütgenbach of 8 MW installed capacity, its largest wind farm in Belgium. ■ **Tractebel LNG North America** and shipping company Bergesen launch Berge Everett, a new LNG carrier of 138,000 m³. ■ **Elyo** extends partnership with GEKA Brush for the supply of energy and utilities on the Waizendorf site (Germany) by 10 years. ■ **SITA UK wins a €12 million contract over five years for the collection of domestic waste for 208,000 residents in Newcastle.** ■ **Degrémont** wins a €13 million contract for the construction of the drinking water facility in Saint-Cloud (France).

■ **Electrabel** progressively takes over the customer sales activities of public-private intermunicipal partnerships in Belgium as the market is deregulated. ■ **Ondeo Industrial Solutions** and **Surca** sign a €5.6 million contract over 10 years for the construction and operation of the purification plant and management of industrial waste at the site of EADS in Toulouse (France). ■ **SUEZ Environment** sells its waste services activities in Denmark for €10 million.

■ **Electrabel** increases its equity stake to 100% in the power plant of 1,654 MW at Polaniec (Poland). ■ **Fluxys LNG** begins negotiations with gas transporters in view of the potential doubling of capacity of the LNG terminal at Zeebrugge by 2006. ■ **Degrémont** begins a €61 million contract for the construction at Valenton (France) of the largest sludge treatment facility in Europe. ■ **Degrémont** signs a €15 million contract for the construction of four drinking water facilities in Egypt.

■ **SUEZ** sells U.S. subsidiary Nalco for \$4.35 billion and its 79.46% stake in Coditel, the Belgian cable operator. ■ **Tractebel EGI** signs a contract with Statoil for the supply of 36 MMBTU per year of LNG at the Cove Point terminal (USA). ■ **Tractebel LNG** signs an agreement with Peru LNG for the supply of 2.7 million metric tons per year of LNG over 18 years, with EGI providing transport of the LNG between Peru and Mexico. ■ **Belgatom** performs the reception and start-up of the plant for the recovery, treatment and conditioning of "historic" radioactive waste stored on site 2 of Belgoprocess. ■ **Elyo Services extends its €14.4 million technical maintenance management contract over nine years for Lehman Brothers head office in London (UK)**. ■ **Coyne et Bellier** wins the management contract for work on the dam and hydroelectric power plant at Zhongliang in China. ■ **Lyonnaise des Eaux France** implements a new communication/prevention system for 14 million people providing real time information in the event of health risks. ■ **Degrémont** wins a €21 million contract for the construction of a drinking water production facility via sea water desalination at Curaçao (Dutch West Indies). ■ **Degrémont** begins a €33 million contract for the design, construction and operation of the Wadi Ma In drinking water production facility via brackish water desalination in Amman (Jordan).

■ **Electrabel** lays the first brick for the 760 MW power plant in Castelnou, its first in Spain. ■ **Elyo Italia** signs a €91 million contract over 15 years to manage the maintenance and supply of thermal power at the Rockwood Italia site in Turin. ■ **SITA France** is chosen as buyer of the Metaleurop Nord site in Pas-de-Calais for its depollution and reconversion covering 35 hectares. ■ **Degrémont opens La Farfana, the largest waste water treatment plant in Latin America. Managed by Aguas Andinas, it will purify waste water for the 3.3 million inhabitants of Santiago (Chile)**.

■ **Fluxys** and GTS sign an agreement for the construction of a gas pipeline between the Netherlands and the United Kingdom. ■ **Electrabel**, through its partner Generg, puts into service a wind farm of 13 MW at Vergao (Portugal). ■ **Tractebel North America** inaugurates the 520 MW Chehalis power plant (USA). ■ **Elyo** puts into service Airbus' technical center at Toulouse (France) following 15 months construction. ■ **Axima Services** is awarded the renewal of a service contract for the new international airport in Athens. ■ **SUEZ Environment** and Agbar sell their equity interest in CESPAC covering their waste services activities in Spain and Portugal for €519 million. ■ **Lyonnaise des Eaux France wins an outsourcing public services contract of €10 million over 12 years in Toul (France)**. ■ **SITA UK** is awarded a seven year extension to a contract totaling €34 million for the treatment of waste in North Lincolnshire (UK). ■ **Degrémont** wins a €17 million contract for the supply of drinking water in a district of Mexico and begins work on two contracts of €6 million and €7 million respectively in Tiebas and Pineda (Spain) and a €13 million contract at Yiangju (Korea).

■ **SUEZ** concludes the sale of Codenet, the national fiber optical network in Belgium. ■ **SUEZ** increases its direct equity interest in Electrabel to 50.01%. ■ **Electrabel organizes the initial bids for 250 MW of virtual generating capacity in Belgium**. ■ **Electrabel** holds a 47.88% stake in Compagnie Nationale du Rhône, which will be increased to 49.4% at the beginning of 2004. ■ **EGI** finalizes sale of its minority interests in three joint ventures in Singapore for €93 million. ■ **Tractebel Gas Engineering** opens a terminal at Sines, Portugal with a capacity of 5.2 Gm³. ■ **Lyonnaise des Eaux France** wins a service contract of €12 million over 12 years for the Syndicat Départemental de Vendée (France). ■ **Lyonnaise des Eaux France** takes over the customer management and meters activities of the rive gauche area of Paris (France). ■ **Eurawasser** acquires a 28.9% stake in LWG (Lausitzer Wasser GmbH) managing water and sanitation for a part of Cottbus (Germany). ■ **Degrémont** begins a contract for the entire sanitation of Grand Amman (Jordan) over 25 years.

■ **SUEZ Environment** and the government of Puerto Rico agree mutually to terminate the contract for management of the island's water and sanitation services. ■ **Tractebel North America** sells two cogeneration plants in California for \$80 million. ■ **Ondeo Industrial Solutions** and **Elyo** sign 16-year contracts with Ascometal for the management of industrial waste water and production and distribution of steam on its site at Fos-sur-Mer (France). ■ **Degrémont**, within a consortium, begins a reuse contract worth €263 million over 20 years for the construction and operation of the purification plant at San Luis Potosi (Mexico).

■ **SUEZ** places its 29.2% stake in M6 for a net capital gain of €750 million. ■ **Electrabel** gains free access to the French grid for power generated at Tricastin following amendment of agreements with EDF concerning nuclear power plants. ■ **EnerSur** wins a 30-year concession in Peru to operate the hydroelectric power plant at Yuncan (130 MW). ■ **Fabricom GTI** wins a €103 million contract in Algeria for the renovation of 20 of Sonatrach's gas compression plants. ■ **Ondeo Industrial Solutions signs a €120 million contract over 20 years for the entire management of water at BP's petrochemical and refining complex at Grangemouth (Scotland)**.

Tailor-made solutions in Belgium

On July 1, 2003, Flanders will completely open its gas and electricity markets to competition, accounting for 80% of the total Belgian market at year-end. Electrabel intends to preserve the significant market position it enjoys throughout the value chain, from generation to sale, including trading and energy portfolio management. For this, it will focus on responsiveness and tailor-made customer solutions in order to stand apart from its competitors, particularly targeting companies challenged by the choice of energy and energy management suppliers for the first time.

Electrabel has also adapted its organization for the arrival of new market entrants: the regulations provide for the creation of independent entities to take over the functions previously performed by Electrabel. The Belgian electricity grid is now managed by Elia which will be responsible for energy transport, while recording consumption has been delegated to Indexis, a company formed by the distribution network managers to ensure the confidentiality and independence of this function. Furthermore, Electrabel has developed a marketing approach taking account of the deregulation timetable and the procedures applied in each region, while ensuring advantage is taken of all experience gained.

A new energy landscape in Europe

In expectation of the total deregulation of the European energy market in 2007, local authorities and businesses in Europe will be free to choose their energy supplier starting in July 2004. A supplier such as Electrabel...

In order to bring about the effective deregulation of the electricity and gas markets, two European directives of 1996 and 2003 impose certain principles on member states including the 10 countries joining the European Union on May 1, 2004:

- ▶ Division of the energy value chain between regulated management of the transmission and distribution networks, on the one hand, and generation, trading and supply of energy subject to market conditions, on the other;
- ▶ Appointment of a legally independent distribution network system operator responsible for the operation, maintenance and, if necessary, extension of the network in specific zones, and for connections with other networks.

The directive dated June 26, 2003, completed the legal process by setting the deadline for deregulation of the non-residential market in July 2004 and the residential market in July 2007. Local situations vary considerably depending on the application of the European directives in each country.

In Belgium, the electricity and gas markets opened completely to competition in 2003 in the Flemish region. The proportion of the Belgian electricity market open to competition now stands at 80%. In France, the second largest European market in terms of volume, the deregulated market will account for more than 60% of the total market and the number of eligible customers will be multiplied by 1,000. Lastly, in the Netherlands, having once postponed the complete deregulation of the market to July 1, 2004, it is currently considering another postponement.

Electrabel, a European force to be reckoned with ■ Market leader in Benelux and present in France via its electricity generation sites and its commercial platform launched in partnership with Compagnie Nationale du Rhône, Electrabel has major competitive advantages to grow as a commercial operator on European energy markets. It is pursuing long-term growth on key markets, while adhering to strict profitability criteria. Its 2004 target is to double revenues earned in 1999.

Supplier of global energy solutions adapted to its industrial and residential customers, Electrabel has a European network of subsidiaries and partnerships with local operators. It manages a varied generation capacity of more than 28,500 MW, consisting largely of high-yield thermal power plants and extremely reliable nuclear power stations. Renewable energies – hydraulic and wind power in particular – represent a major source of growth.

At the same time, Electrabel continues to be active in trading on all energy markets in Europe, from Scandinavia to Spain. ■

A unique position on the French electricity market

Second largest power supplier in France with nearly 7% of the total generation capacity, SUEZ has prepared for deregulation of the energy market. Its strengths include a diversified offering, local units and many industrial accounts.

At year-end 2003, more than 50 power operators had registered with the Commission de Régulation de l'Énergie (French Energy Regulation Commission) to develop in France, of which only 17 supply end customers. SUEZ is the only one among them to have sufficient generation capacity to satisfy 10% of the 3.5 million eligible customers in France, which alone will account for nearly 20% of the total European market.

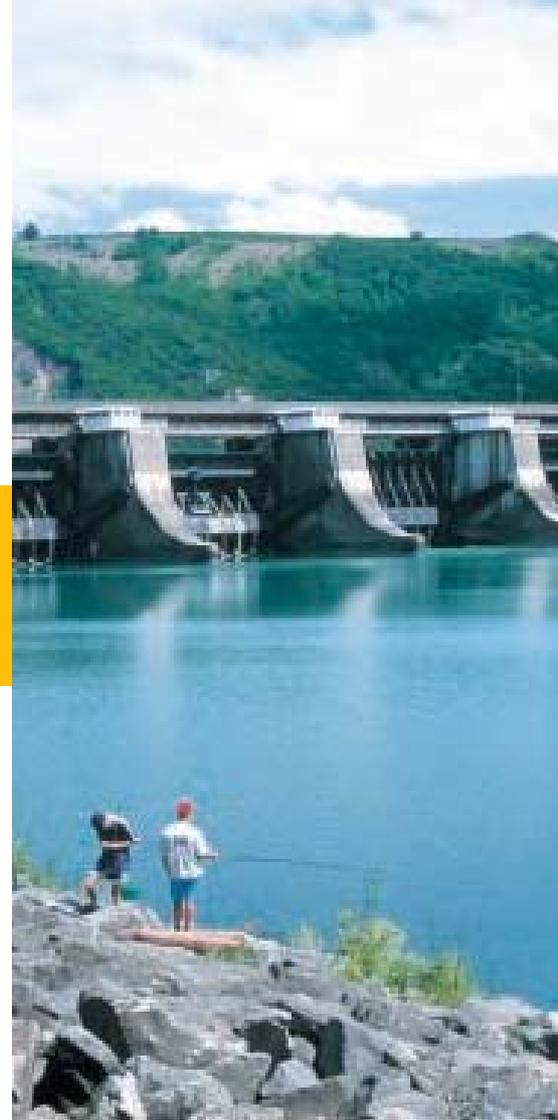
The Group has been preparing for deregulation for several years: equity stake in Compagnie Nationale du Rhône (CNR) and creation of a marketing and sales platform; commercial agreements with the SNCF (French railways) via the company Société Hydroélectrique du Midi (SHEM); equity stake in the EDF nuclear power plants Chooz B and Tricastin; and more recently, partnerships signed with local distribution companies. Adding all sites managed by Elyo, SUEZ has production capacity of over 6,500 MW, consisting largely of hydraulic or nuclear energy and cogeneration.

The Group deliberately follows a regional policy to optimize customer service. Electrabel has a permanent presence in the French regions via its offices in Paris, Lille, Nancy, Nantes and, in the near future, Aix-Marseille and Toulouse. Currently, it has over 200 customers in 36 French départements (counties) including leading accounts in each major sector: agri-food, chemicals, metallurgy, public construction and ship building. These include Casino, Sony, Bercy and the Lyon Saint-Exupéry airport.

An innovative offering adapted to customer requirements ■ SUEZ is positioning itself as an energy partner providing customers with a complete service focused on the supply of energy and energy consulting. In this respect, a major strength is the joint offering of electricity and natural gas developed with Distrigas, which trades in natural gas on the large European gas markets. Distrigas currently supplies around 20% of the French eligible market by volume including five large industrial sites.

Electrabel has also designed an innovative offering under the Alpengenie label with power certified 100% renewable. Part of the revenues will be invested in energy from wind, solar and hydraulic power from small dams. This "green" power offer includes three types of contract: Alpengenie 25 (25% renewable energy at a guaranteed fixed rate); Alpengenie 100 (100% renewable energy, with a price supplement of €1.20 per MWh); Alpengenie 1,000 (100% renewable power, of which 5% from wind, solar and hydraulic power from small dams at an additional cost of €3 per MWh).

Energy consulting, at a very high technical level, assists customers in their long-term research to optimize energy aspects of their processes. In this area, SUEZ recommends solutions to rationalize use of energy and control of energy quality. The Group is also active in the area of technical consulting, offering electricity and industrial expertise for production plants. ■



The development of EGE on more open markets

Synergies, quality, proximity: on the point of market deregulation these are the key themes for the growth strategy of Electricity and Gas Europe, which intends to profit from the integration of energy business lines and services to boost its position.

Electricity & Gas Europe, one of the four business lines of SUEZ, includes three major Energy subsidiaries: Electrabel, European provider of energy solutions, Distrigas and Fluxys, which were born from the separation in 2000 of gas trading and transportation.

In addition to these three subsidiaries, the Group holds equity stakes in Europe which have had a varied experience in 2003: in France, Electrabel took operational control of Compagnie Nationale du Rhône (CNR) and markets production and manages the operations of Société Hydroélectrique du Midi (SHEM); in Poland, the Group is now the sole shareholder of the power plant of Polaniec; and, in Italy, Electrabel and Acea, its partner, have acquired Interpower in association with Energia Italiana, and have now renamed the company Tirreno Power.

A targeted deployment strategy ■ The complementary nature of all these companies enables EGE to hold a major market position on the European energy market, which is in the midst of a transformation; a prospect the Group has been preparing for several years by following a deployment strategy, which it has strengthened in the last few months. Accordingly SUEZ has set the following priorities:

- ▶ Maintain its position as No. 1 energy supplier in Benelux, notably by exploiting synergies between gas and electricity;
- ▶ Consolidate businesses in France: following the investment made in 2003 in CNR, Electrabel will market the entire production of SHEM;
- ▶ Grow in Southern Europe, where the rate of increase in demand for power exceeds that of the rest of Europe: in Italy, following cooperation agreements with Acea in 2002, the Group, in alliance with Energia Italia, has acquired additional resources with an investment in Interpower's business (renamed Tirreno Power), the final installment of production capacity sold by Enel; in Spain, Electrabel, as advanced support for future sales, is pursuing various ambitious projects for new power plants, the first entering into service at the end of 2005.
- ▶ Adopt a selective policy in Northern Europe and other European countries, ensuring transactions maintain a constant level of capital.

Turning to Distrigas, EGE plans to maintain a market share of at least 5% in countries of the European Union, where dynamic demand offsets the slower growth in Belgium. The trading objectives in natural gas consist in ensuring the security of supply to its customers and improved environmental protection. ■



The environment: deep involvement

In order to have a balanced generation capacity, Electrabel has made considerable efforts to implement best practices in terms of the environment in its businesses and its choice of capital expenditure. The high proportion of energy generated by nuclear, hydraulic and natural gas plants – and the growing share of renewable energies – results in a high level of performance for Electrabel while sticking to ambitious environmental objectives. Branch agreements, green certificates and the forthcoming implementation of the CO₂ gas emissions influence capital expenditure decisions. This is borne out by the future installation of a “DeSO_x-DeNO_x” desulfuration/denitrification unit for the coal-fired plant of Ruiien, the priority given to natural gas, leading-edge analysis of any new opportunity in terms of thermal use of biomass in the coal-fired power plants, as well as an increased use of low-sulphur coal. The same applies to a growing use of renewable energies, the modernization program for the Italian plants of Tirreno Power and the vast wind projects in Italy and Portugal (see box page 41).

EGE: Growth despite unfavorable conditions

Despite the depressed economic environment in 2003, SUEZ European Energy businesses were buoyant. EGE posted organic growth of 4%, largely due to sales outside Belgium.

The key feature of 2003 for Electrabel was the operations arising from the deregulation of the Belgian market and the resulting segmentation of its activities. In February, Electrabel and SPE, the publicly-owned energy generator, terminated their industrial association in order to promote the conditions necessary for the emergence of a competitive and transparent market. This decision, approved on July 4, marked the birth of an independent producer with a capacity on the Belgian market of 1,600 MW. Similarly, since December 2003, Electrabel has been progressively selling off its virtual generation capacities by a bidding process and plans to have sold 1,200 MW of capacity by year-end 2004.

Electrabel's takeover of the sales activities to eligible customers of all the intermunicipal companies was approved by the competition authorities. These activities are now carried out by a dedicated entity, Electrabel Customer Solutions.

In France, Electrabel pursued its deployment operations – equity investments, commercial agreements, winning new customers – with a view to establishing itself as a leading player on the French power market. Since May 1, Electrabel has bought the entire power generation capacity of Société Hydroélectrique du Midi (SHEM) while assuring operations for its 49 hydroelectric power plants.

A year of partnerships ■ In June, six SICAEs (agricultural electricity cooperatives) in the French region of Picardie du Nord chose to team up with Energie du Rhône, the sales entity of Electrabel and Compagnie Nationale du Rhône (CNR). In November, the Régie du Syndicat Intercommunal d'Electricité et de Services (intercommunity authority for electricity and services) in Seyssel signed a global partnership agreement. Lastly, in December, the Syndicat Intercommunal d'Energie des Deux-Sèvres (SIEDS) (intermunicipal syndicate in Deux-Sèvres), Electrabel and CNR established Ouest Energie, a local public-private partnership supplying energy. Furthermore, at the end of 2003, Electrabel became the largest shareholder of CNR with a 49.4% equity stake following its acquisition of shares held by Electricité de France and the Chamber of Commerce and Industry in Beaujolais.

In Northern Europe, Electrabel increased its investment to a 100% interest in the power plant at Polaniec in Poland. This coal-fired plant, consisting of eight units amounting to a total installed generation capacity of 1,654 MW, accounts for 6% of total power production in the country.

Southern Europe is a region representing high growth potential for the power market. Electrabel has therefore made it a cornerstone of its strategy. In Spain, where production capacities are growing, the laying of the first brick in the power plant at Castelnou marked an important step. The site, which represents an investment of €320 million, is contractually scheduled to go into service at the end of 2005.

Wind power comes to Europe

In Italy, Electrabel increased its equity interest in Acea, a major player on the Italian water and power markets, in which the City of Rome has a controlling interest of 51%. This transaction followed a strategic alliance signed in 2002 concerning the production, sale and trading of electricity.

In March, Acea/Electrabel and Meta, a multi-service company, signed a draft agreement to create a joint venture. Its objective is the supply of power and natural gas in the region of Emilia-Romagna, in Northern Italy.

The beginning of gas deregulation ■ In 2003, sales by Distrigas accounted for some 5% of gas volumes consumed in Western Europe, 37% of these sales made outside Belgium.

Distrigas' trading activities were naturally linked to the European gas market deregulation. A new directive was passed in June 2003 in order to accelerate the market deregulation and it must be adopted by the member countries by July 2004, when all non-residential customers will be eligible.

In France, where the threshold for eligibility reduced from 237 GWh to 83 GWh per year and per site, Distrigas began to market natural gas. In Belgium, a code of good conduct, prepared in April 2003, now governs the rights and obligations of Distrigas and users of the grid. A temporary license for the supply of gas was granted to Distrigas by a ministerial decree on December 17, 2003.

In addition to the purchase and sale of natural gas in Europe, Distrigas also carries out arbitrage activities on the spot markets on contracts for transit management in Belgium, sale of transportation and storage capacity outside Belgium, and maritime transportation of liquefied natural gas (see pages 46-47). In this respect, Distrigas signed several framework contracts in 2003 for the purchase and sale of cargos of LNG. ■

Electrabel uses a range of primary energies in which renewable energy accounts for an ever-increasing share. The key objective is to achieve the best margins and productivity while impacting the environment as little as possible. In this context, Electrabel has launched a number of projects related to wind power. Several wind farms were put into service in Belgium in 2003, with a total capacity of 22 MW: four 2MW turbines in Bütgenbach, two 2MW turbines in Rodenhuize, two 2MW turbines at Wondelgem and four 1.5MW turbines in Gembloux in partnership with Air Energy. Requests for construction permits have also been made throughout Belgium for a total capacity of more than 100 MW. In Portugal, Electrabel's partner, Gengerg, began operating a wind farm of 13 MW at Vergao. In France, the installation of approximately 15 wind turbines of 2 MW each is under review in partnership with Compagnie Nationale du Rhône. Currently, most power generated in France can already be traded by Electrabel in conjunction with purchase obligations relating to renewable energies. The partnership between Electrabel and Gamesa, covering a program of over 400MW of wind power, will lead to the first industrial operations in 2004 in the Iberian Peninsula, followed by Italy.

Electrabel: renewable energy capacity

Belgium

Wind 30 MW
Hydraulic 22 MW
* Wind 34 MW
* Wind 300 MW

France

CNR hydraulic 2,937 MW
SHEM hydraulic 773 MW
* CNR wind 100 MW

Portugal

Gengerg wind 13 MW
Gengerg hydraulic 33 MW
* Wind 130 MW
* Wind 350 MW

Italy

Tirreno Power hydraulic 32 MW
Acea/Electrabel hydraulic 141 MW
* Wind 200 MW

* Under construction
* Project



EGI: a strategy based on acquired strengths

Internationally, SUEZ's growth targets in Energy are driven by a dual objective: conduct operations based on the Group's assets while taking advantage of local knowledge and synergies with existing businesses.

Electricity & Gas International (EGI), SUEZ's international branch for Energy, is engaged in power production, trading, marketing and sales of energy and management of transportation and distribution networks.

EGI is structured around four large regional entities:

- ▶ **Tractebel North America (TNA)**, for the United States, Canada and Mexico;
- ▶ **Tractebel South America** present in Brazil, Argentina, Peru and Chile;
- ▶ **Tractebel Middle East-Asia**, present in Thailand, South Korea, Laos, Oman, Abu Dhabi, Turkey and China;
- ▶ **Tractebel LNG**, responsible for coordinating the Group's short-term worldwide activities in Liquefied Natural Gas (LNG).

Aiming to take maximum advantage of the Group's competitive strengths, EGI pursues its "smart play" strategy to grow the existing business backed by a solid base rather than to aim for size. In conjunction with the action plan launched by SUEZ in January 2003, this strategy is reflected in four major objectives.

The first objective is to add value via organic growth based on existing positions. EGI's growth depends on four key markets: North America, Brazil, Thailand and LNG. The Group has built up strong positions over the last decade in these markets, which offer attractive development opportunities due to growing demand for energy (6% to 7%).

EGI's growth strategy consists of adding value based on these positions in order, on the one hand, to take full advantage of the Group's in-depth local market knowledge, its capacity for growth and its reputation and, on the other hand, to maximize synergies between activities. EGI nevertheless will also expand in other markets if attractive opportunities arose.

EGI's second objective is to maintain a balance between profitability, country risks and commercial risks. In many areas of the world, energy markets have been unstable since 2002. However, EGI has a strong position enabling it to overcome these hurdles, as borne out by its financial results. The branch has shown that business in emerging countries generates profits and offers higher returns than mature markets.

The success achieved requires strict risk management taking account not only of country risks, but also commercial, financial and contractual risks. EGI constantly tries to avoid being exposed to external and uncontrollable decisions by concentrating on a limited number of countries and by maintaining an appropriate balance between risk and profitability.

Third objective: growth in sales based on commercial and industrial customers. This objective requires a proactive approach with innovative solutions and high-quality services fully meeting customer expectations.



The fourth objective is an active portfolio management designed to improve returns based on rotating assets. Although it is a long-term operator in its key markets, EGI also tries to stay flexible and seize opportunities to sell assets that no longer fit with its strategy.

The sale of assets is an effective means to refunnel capital into new projects thereby adding value via its expertise in development. This rotation of assets is not designed to sell projects whether good or bad, but to sell projects that do not have or no longer have synergies in order to create additional value through the development of new projects.

In accordance with this approach, EGI sold various projects in 2003 under interesting conditions. ■

TESI: a promising first year

Based in Houston, Tractebel Energy Services Inc. (TESI), a subsidiary of Tractebel North America, sells retail energy directly to commercial and industrial end customers. Activities began in December 2002, and since that time, business has surged in the four U.S. states where the company is present: Massachusetts, New Jersey, New York and Texas.

In its first fiscal year, its results significantly exceeded original forecasts with a total value of contracts booked of over \$500 million representing more than 1,200 MW and 2,500 customer accounts (industrial sites, hotels, shopping malls, supermarkets).

This success is largely due to the business model recommended by SUEZ, namely an integrated approach to manage and improve activities at each point in the value chain. It also proves that the creation of TESI was fully justified and entirely consistent with the expectations of commercial and industrial customers, with a rough forecast for 2004 as positive as 2003. It plans to broaden its offering by including natural gas and information services linked to energy. It also plans to develop in countries with newly deregulated markets.

Challenges that turn into opportunities

While the global market remained sluggish, Electricity & Gas International turned in remarkable results in 2003, with revenue growth of nearly 40%, making a significant contribution to SUEZ' overall results.

While Energy represents the majority of SUEZ' business, international operations made a particularly dynamic contribution in 2003: despite a difficult international economic context and the entire energy sector facing various risks and uncertainties, EGI posted an organic revenue growth of 39.7%.

Several factors played a part in these results: improved performance, buoyed by steps taken to reduce risk and generate savings in conjunction with SUEZ' action plan, thereby demonstrating the organization's flexibility to adapt rapidly to major changes; external factors also played their part, with the new power plants going into service, an increase in sales of liquefied natural gas (LNG) in the USA and the favorable impact of an economic turnaround in Asia and South America.

Strengthened positions ■ In 2003, EGI concentrated on organic growth and development of sales and marketing activities based on strong market positions – North America, Brazil, Thailand and LNG. In the USA, Tractebel Energy Services Inc., an energy sales subsidiary, exceeded its revenue target by 22% in its first year of business (see box page 43).

In Brazil, in the context of a progressive liberalization of the power market, Tractebel Energia replaced its initial contracts with new ones at higher average prices. It thus managed to sell its entire capacity until 2006 and partially beyond. In Thailand, Glow began construction of additional capacity in order to keep pace with the expansion of its industrial customers in the industrial zone of Map Ta Phut.

In LNG, EGI posted a sharp revenue increase in 2003 largely due to increased capacity at the Everett terminal in USA, the launch of two new LNG carriers and new contracts signed for LNG shipments to Cove Point (USA), South Korea and Japan.

In conjunction with its portfolio management and asset rotation policy, EGI also sold some investments to refocus on and strengthen a limited number of market positions. It sold minority interests in three joint ventures in Singapore to its partner SembCorp Utilities for €93 million.



Al Taweelah: producing more and better

Inaugurated in May 2003, the new production plant of Al Taweelah A1 will meet 25% of the water and electricity needs of the United Arab Emirates. Located in Abu Dhabi, it includes a power plant of 1,360 MW and a water desalination facility with a daily capacity of 385,000 m³. The project was headed by a joint venture between SUEZ-TRACTEBEL and Total on behalf of the Abu Dhabi Water and Electricity Authority (ADWEA). Representing an investment of \$1.5 billion, it combines renovation of existing facilities with an extension, in order to boost the power capacity of the site by a factor of five and water production by a factor of three. It also constitutes an important step forward in environmental protection: equipped with one of the largest cogeneration facilities in the world, Al Taweelah cuts carbon dioxide emissions per kWh by 50%, while emissions of nitrogen oxide have been slashed by 90%.

Al Taweelah also features a technical solution, which the venture partners were the only parties to offer: taking in the entire project, the two facilities are connected by a high-pressure steam loop. This approach takes advantage of synergies between the sub-systems optimizing the overall efficiency of the water and power production.

New cogeneration plants ■ EGI put into service more than 3,500 MW of new power capacity in 2003. In January, the Glow IPP power plant in Thailand began commercial operations to supply electricity to EGAT (Electricity Generating Authority of Thailand). A month later, Tractebel Mexico inaugurated a new cogeneration power plant of 245 MW in Monterrey. The electricity and steam generated will supply 38 neighboring industrial facilities under 15 year supply contracts.

Another cogeneration plant was put into service in May, this time at the site in Al Taweelah, which now boasts the largest independent water and power plant in the United Arab Emirates. This major operation is the result of a long-term presence in this region of the world (see box opposite). Finally, in November, Tractebel North America inaugurated the 520 MW Chehalis power plant in the state of Washington, USA. ■

A unique position on the natural-gas market

With steady demand for natural gas and the dwindling of available resources in consumer countries, the importing of LNG is a growing business for SUEZ, one of the key players in the United States.

SUEZ is present on the entire liquefied natural gas (LNG) chain, from liquefaction, achieved by bringing the gas to a very low temperature (-162°C), to the transportation in liquefied gas tankers, right up to the delivery to the receiving terminal and regasification. Transportation over long distances from the producing countries to the importing countries is at the heart of this business, which specialists consider to be an avenue for the development of the natural gas business because of its competitiveness. Forecasts point to the rapid increase of LNG by 2010 (50% above 2002 figures), and in particular, the sharp growth of the North American market.

It is with this in mind that the Group has acquired resources that make it one of the key global players of the LNG market. It has given priority to reinforcing its positions on the Atlantic and is today the only operator with terminals on both sides of the ocean. In addition to these sites, the Group also has a fleet of eight LNG carriers and a stake in a liquefaction plant in Trinidad. This places SUEZ in an unrivalled bargaining position.

Involvement of all subsidiaries ■ In its desire to develop from solidly established foundations, SUEZ has based its gas strategy on the optimization of its expertise and installations as well as the search for alliances that enable it to share opportunities as well as risks. It is Tractebel LNG, the EGI subsidiary, which acts as coordinator from its London head office, managing short-term trading activities worldwide, the fleet of LNG carriers, developing new sources of supply and promoting EGI's participation in liquefaction projects.

In Europe, it is Distrigas and Fluxys, subsidiaries of EGE, who are in charge of trading and gas transport respectively. Fluxys LNG owns and operates the LNG terminal at Zeebrugge. In the United States, where SUEZ is one of the leading LNG importers with nearly 5 billion cubic meters per year, Tractebel LNG North America (TLNGNA) has been in charge of the Everett terminal near Boston since 1971. TLNGNA also supplies LNG to facilities located in Penuelas (Puerto Rico), Lake Charles (Louisiana) and Elba Island (Georgia) and has concession capacity rights at the Cove Point (Maryland) terminal, which was reactivated in August 2003.

With 40 shipments during the first half, versus 26 for the same period the previous year, 2003 was marked by the sharp growth in sales volumes in the United States. This rise was due to the increase in capacity of the terminals and the reinforcement of transportation resources. TLNGNA also increased the vaporization capacity of the Everett terminal, raising it from 435 million to 800 million cubic feet per day.

These results lie within the framework of the booming LNG market, which is steadily growing in North America. Given the dwindling of local gas resources, the United States should become a major importer of natural gas by 2010. In line with these future developments, SUEZ, which has supplied half the LNG imported into the United States since 1971, started to prepare the ground in 2003.

For example, it signed a three-year contract to deliver 36 million MMBtu (750,000 tons) of LNG per year to Statoil at the Cove Point terminal. It has new LNG terminal projects in the pipeline to reinforce its facilities portfolio in North America: one in Freeport (Bahamas) to serve Florida, and the second in Lazaro Cardenas (Mexico), which will receive LNG from Pampa Melchorita (Peru), according to the terms of the agreement signed in 2003 with Peru LNG to deliver 2.7 million tons per year for 18 years.

When it comes to supply, although Trinidad continues to be the main source of Tractebel's imports to the United States, it has organized additional deliveries from Qatar, Oman and Algeria. In 2003, Distrigas also signed framework agreements with several contra-parties for the purchase and sale of LNG cargos in the Atlantic basin and carried out a large number of transactions.

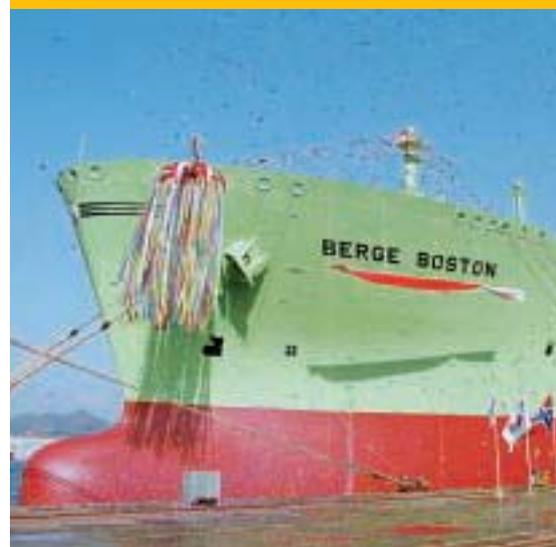
Fluxys: aiming for 2006 ■ After market consultations to determine the LNG terminal capacity requirements in Zeebrugge after 2006, Fluxys LNG has started negotiations with interested ship owners. It has emerged from these negotiations that to meet market requirements, it may be necessary to double the terminal's capacity and this may mean building a fourth storage tank and increasing emission capacity. The extension of the terminal's capacity after 2006 should reinforce Zeebrugge's role as a hub for the supply and transport of natural gas in Europe.

The aim of Huberator, a subsidiary of Fluxys and the operator of the Zeebrugge Hub, is to continue to develop the Hub on a national (key instrument in the balancing of natural gas sale and purchase contract portfolios) as well as an international level. To this end, it is working with other companies to examine the possibility of developing a clearing and online merchant (screen trading) service. The Zeebrugge Hub would thus become a veritable stock exchange for natural gas.

In November 2003, Fluxys and Gas Transport Services (GTS, the transportation arm of Gasunie) signed a declaration of intent to obtain Fluxys' participation in the BBL pipeline that GTS wishes to lay. This is an underwater pipeline linking Balgzand (Netherlands) and Bacton (United Kingdom) that should be commissioned between 2006 and 2007. Fluxys' participation in the second Interconnector is in line with its objective to be actively present in terms of development of the natural gas transportation infrastructure as well as market liquidity in northwestern Europe. ■

A fleet of eight LNG carriers

To anticipate the growth of the North American market, two new vessels with a capacity of 138,000 m³ were launched in 2003 with one of the world's largest ship owners, the Norwegian company Bergesen. The two tankers, Berge Boston (in which Distrigas has a 49% stake) and Berge Everett (wholly owned by Bergesen) are under long-term charter to Tractebel LNG North America. They transport LNG mainly from Trinidad, the United State's core LNG supplier, to the Everett terminal and other North American facilities. These operations have brought the Group's LNG tanker fleet to eight, representing a total capacity of more than 1 million m³. This increase in LNG transportation capacity, together with the doubling of the Everett terminal's vaporization capacities, helped to increase Tractebel LNG North America's sales volumes by 68% in 2003.



An offering supplemented by advanced services

An integrated player on the gas and electricity markets through EGE and EGI, SUEZ's Energy and Industrial Services business line is composed of a vast array of complementary expertise ranging from urban heating and lighting to engineering.

Thanks to the entities in the Energy and Industrial Services (EIS) division, SUEZ is today the leading supplier of industrial energy services in Europe. The combined services of Fabricom, Elyo, Axima Services and Tractebel Engineering enable them to meet the requirements of their industrial and commercial as well as public-sector clients. These services are both upstream (design and installation) and downstream (maintenance), and also include management, supply of utilities and facilities management, all applying the Group's general policy regarding renewable energy and environmental protection.

Fabricom employs most of the 68,200 people working for EIS, and is the leading European provider of installation and maintenance services for industries, infrastructures and the services sector. Its expertise ranges from electrical and electro-mechanical installations (distribution, lighting and electrification), mechanical installations, piping systems and industrial maintenance as well environmental engineering and industrial and commercial refrigeration techniques.

One of the highlights in 2003 was the signing in May of a major contract for the supply of 56 modules to the Statoil liquefaction plant which will be built on the island of Melkøya, in the north of Norway. This contract, which was awarded after an international call for bids, will be executed by Fabricom GTI Major Projects on its module prefabrication site in Hoboken, Belgium. The new plant will produce liquefied natural gas extracted from the Snøvit field in the Barents Sea, in what will be one of the largest industrial projects in Norway's history.

From service client to local community ■ Elyo and Axima Services provide energy services such as management maintenance, management of steam plants and cogeneration, management of local energy distribution networks and facilities management. These services are usually accompanied by long-term contracts.

For Elyo, 2003 was marked by the winning of major industrial contracts in France and Europe. In January, Naturfruit, a subsidiary of Danone and the Italian group San Benetto, entrusted it with the outsourcing of the utilities of its new Volvic industrial site, which produces 300 million bottles of flavored water each year. In June, Elyo signed a five-year multi-technical maintenance management contract with LG Philips Display for its production plant in Dreux (France) that manufactures cathode ray tubes for televisions and computer monitors.

In Germany, Geka Brush, the world's leading manufacturer of makeup accessories, reinforced its partnership with Elyo who will be supplying energy and utilities to a new plant for the next 10 years. The site has two trigeneration units with a total installed electrical power of 1,340 kW, designed, built and operated by Elyo. In Italy, Elyo has been awarded a five-year maintenance management contract for all the public assets of the city of Bologna, representing 250 sites.

EADS: a display of synergy

Elyo has also won major contracts in the service industry, including a facilities management contract in the June for the head office of BP France, located on a 12,000 m² site in Cergy-Pontoise. In the United Kingdom, Elyo was awarded a nine-year contract by the U.S. bank Lehman Brothers for the maintenance management of its London headquarters. To win this contract, Elyo had to meet the stringent reliability and availability requirements linked to the operation of trading rooms and data rooms that are connected round the clock to the international stock exchanges.

Axima Services also successfully launched its technical management activities on the Zelzate (Belgium) site of Sidmar, part of the Arcelor Group and one of the largest European manufacturers of flat steel. The 10-year contract comprises the management, maintenance, total guarantee, energy management and certain renovations. In the Netherlands, the partnership concluded with KPN (the main Dutch mobile telephone service provider) for the technical management of its buildings has been renewed for five years. In Greece, the contract of Axima Services has also been renewed to provide services for the technical installations of the new international airport at Athens that include automated baggage handling.

A resolutely international year ■ Tractebel Engineering, the Group's international engineering arm, covers four main fields of operation: power plants, storage installations and gas treatment, infrastructure equipment and information technologies. Its wide range of services span feasibility studies, construction projects and operations assistance.

In 2003, Tractebel won a number of major contracts and increased the number of installation commissionings. In Spain, the subsidiary Tractebel Gas Engineering was awarded a contract by Reganosa to build a LNG terminal in La Corogne. This site is composed of two 150,000 m³ storage tanks and loading and distribution facilities. In India, CORYS T.E.S.S., a simulation specialist and TECPL, a local subsidiary of Tractebel Engineering, were asked by Indian Railways to supply turnkey train driving simulators. In China, Coyne et Bellier, a subsidiary specializing in dams, won a contract to supervise work on the Zhongliang dam and hydroelectric power plant.

With respect to contract completions, another subsidiary, Belgatom, acting as the prime contractor of the HRA/Solarium project architect, accepted and commissioned the plant that will retrieve, process and condition the "historic" radioactive waste stored on the Belgoproces site 2, after the final radiological characterization. ■

Elyo, Fabricom and Tractebel Engineering are all parties to the framework agreement to appear on the reference list of EADS, the world's second aeronautic and space company. This contract ranges from such activities as the management of energies and useful fluids, to facilities management, water treatment and liquid discharge streams, and the management of solid waste, and is in line with the common policy to streamline purchases. It determines a systematic mode of consultation of partners who have been selected with the aim of cutting back the operating costs of outsourced services. As a preferred partner with a performance bond, SUEZ has a decision-making advantage in the bidding process.

This agreement is in keeping with the existing solid commercial relationships marked by a strong synergy between Group entities that are already providing services to EADS.

On the industrial service side, Elyo, which has been providing services to EADS for more than 20 years, has been charged with the management of Airbus' technical center in Blagnac, near Toulouse. This site, which was commissioned in November 2003, will, after 15 months of renovations, produce the utilities of the Aéroconstallation area that will house the Airbus A380 assembly plant. The construction and installation work was carried out by Ineo and Endel, subsidiaries of Fabricom. G2I, a subsidiary of Tractebel Engineering, is carrying out the certification of the embedded software and the exploitation of the results of aeronautic tests.

SUEZ' water and cleaning businesses are also working with EADS: Ondeo Industrial Solutions is in charge of the fire protection of the Blagnac technical center and the rehabilitation of installations in Nantes, while SITA handles the waste management of all the Airbus sites in France.

Rio, Kyoto... what next?

Published in September 2001, the third summary report of the Intergovernmental Panel on Climate Change (IPCC) notes the existence of an "objective bundle of elements" pointing to the global warming of the earth caused mainly by human activity. As early as 1992, the Rio Summit sounded alarm bells and adopted the framework agreement on climate change. In 1997, the Kyoto Protocol set industrialized countries quantified targets for reducing their CO₂ emissions. In March 2001, the United States, which produces a quarter of the world's gas emissions, announced that they would not ratify the Protocol. The process was launched again with the Marrakech Accords in 2001 which aimed at establishing the rules for implementing Clean Development Mechanism and Joint Implementation projects. The European Union and its 15 member States, Japan and Canada ratified the Kyoto Protocol in 2002.

On November 26, 2003, the "Protocol thermometer" showed 106 signatory countries, representing 43.9% of 1990 CO₂ emissions. It must be remembered that the Protocol sets two conditions for its implementation: it must be ratified by at least 55 parties, and these ratifications must represent at least 55% of the 1990 CO₂ emissions of industrialized countries. Doubts as to whether or not the commitments signed in Kyoto will be extended after 2012, as well as the conditions under which they will implemented have created great uncertainty about the applicable carbon constraint, the future economy and the distribution of efforts.

SUEZ invests in the management of GHG constraints

To fight global warming, SUEZ is organizing initiatives at all levels. While waiting for the implementation of the Kyoto Protocol, SUEZ has assumed its responsibility as an industrial company and is joining the efforts.

Although the role of human activity in climatic change has been clearly proved in the successive reports of the IPCC, the group of experts created by the G7 in 1988, the methods of fighting the process have not been as clearly established. The Kyoto Protocol has been implemented in very varying degrees from one country to another: some countries have undertaken to cut down on GHG emissions while others are simply curbing their increase. Consequently, the threshold required for the Protocol to come into effect has still not been reached.

The most significant institutional advances have been from the European Union, which has been making steady and determined progress in implementing tools, mechanisms and legislative constraints on carbon. The European directive adopted in October 2003 (the "quotas directive") defined the framework in which member states will impose quantitative constraints on the main industrial sources of greenhouse gas (GHG) emissions.

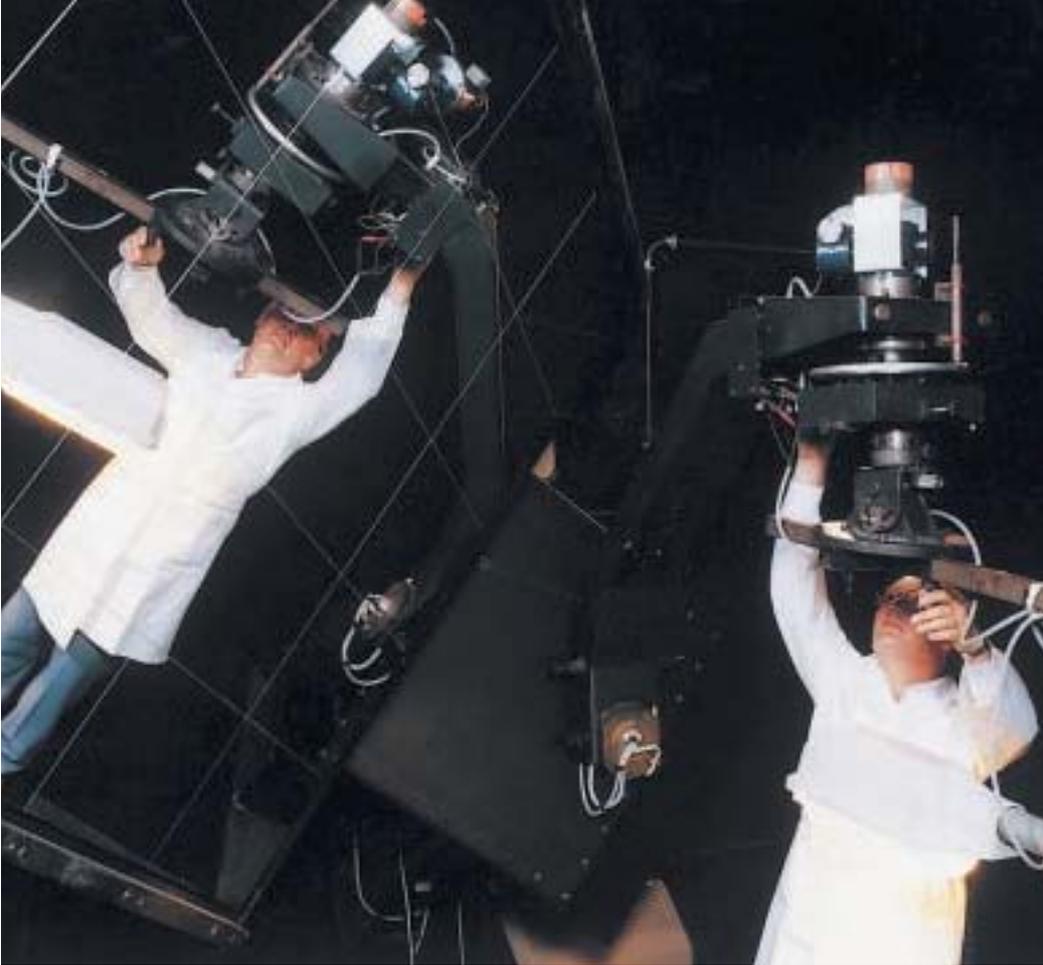
The effort to cut down on emissions ■ In this regulatory framework and in line with the inclusion of sustainable development in its strategy, SUEZ is committed to cutting down on GHG emissions resulting from its operations, preparing it for the requirements that will result from the future carbon constraint economy. The Group has already implemented a series of measures to reduce its GHG emissions and to ensure continuous monitoring and reporting.

Several Group entities are thus doing their utmost to favor production modes that save primary energy or use renewable energies, and protect the environment: combined-cycle gas turbine (CCGT) system, increase in heat and energy cogeneration power and development of renewable energies, with a special emphasis on onshore and offshore wind energy and biomass.

This is the case, for example, of Electrabel, who has signed two agreements with the Dutch government. The first agreement is a covenant that imposes on Electrabel, as an operator of a coal-fired power plant, an annual absolute reduction target of 0.466 million tons between 2008 and 2012. The second imposes on all Dutch electricity producers, the obligation of being among the first 10% of producers worldwide with the best energy-efficient records by 2012.

In Germany, methods are being examined to replace a coal-fired cogeneration unit (CHP) with a combined-cycle gas turbine system (CCGT-CHP). In Poland and Hungary, several projects are being studied or are in the pipeline (biomass, substitution fuel, energy efficiency) to reduce power plant emissions.

Starting in January 2005, the European businesses concerned by the "quotas directive" will have to account for their emissions and have them verified each year. Anticipating the implementation of the directive, the Group has adopted an environmental accounting method for all its activities based on computerized systems that cover CO₂ emissions. By relying on the institutional monitoring of international, European and national developments, the Group should therefore be ready for the entry into force of this directive. Certain elements will be transposed into national law by member States as they see fit.



Efficiency according to Tractebel Engineering and Laborelec

Tractebel Engineering, Electrabel and Laborelec, Electrabel's technical-scientific center, have come together, for the purpose of sharing of expertise to improve the energy efficiency of industries in the Flemish Region. These assignments are carried out for the network manager Elia, and are direct responses to the requirements of the Kyoto Protocol. Its aim is to reduce energy consumption and consequently, the production of greenhouse gas. For each site, the team carries out an audit that consists in assessing consumption, calculating the energy efficiency level, comparing the site's operations with market best practices, making recommendations for improvement, and lastly, calculating the return on investment.

Priority is given to avenues for improvement on the following areas: electric motors, internal combustion motors and turbines, production and distribution of hot water, thermal oil, steam, refrigeration and compressed air, lighting.

Manufacturers who have been audited to date include Bayer, Ineos Phenol, Dow, Monsanto, Pemco, Solutia and Emgo, and assignments have been scheduled in 2004 in the automotive sector at Volvo Trucks, Ford and CNH.

SUEZ is particularly attentive to the development of the European emission rights trading scheme. In addition, the European Union is thinking about opening up its market to the reduction of emissions generated outside Europe. This is the purpose of the "projects directive" that is to amend the "quotas directive" and set out the terms under which companies can use emission reductions generated abroad by Clean Development Mechanism and Joint Implementation Projects defined by the Kyoto Protocol to meet their GHG reduction targets.

Initial experiments with projects: VEGA and Electrabel ■ In Brazil, VEGA, a subsidiary of SUEZ Environment, is developing a CDM (Clean Development Mechanism) project based on improved management of landfill gases (methane). The total emission reduction expected over a period stretching from 2004 to 2019 is estimated at 14 million tons of CO₂ equivalent. The project methodology is one of the first two in the world to have been approved by the CDM Executive Board in July 2003. In 2003, the World Bank's Prototype Carbon Fund, in which Electrabel has a \$5 million stake, continued to select projects to reduce GHG emissions in developing countries and Central and Eastern Europe. The purchase contracts on emissions reductions will reach a total of \$160 million in June 2004, and this will complete the first phase of the Funds (planning and development) with a portfolio of 55 projects. In four years, the Fund will have examined 400 projects, which will enable it to create a diversified portfolio, both in terms of the technologies used and the targeted gases and geographical regions concerned. ■

SUEZ Environment: a reinforced European base

SUEZ' water and waste businesses have solid advantages: the opening of the European market to private partnerships, and the enlargement of the European Union to 10 new member countries in May 2004, have set the stage for a very promising potential market.

SUEZ Environment provides all the equipment and services that are essential to the quality of life and protection of the environment in the water and waste sectors: production and distribution of drinking water, collection and treatment of wastewater, conversion and treatment of waste.

The business line markets its services and equipment under the international brands Ondeo, Ondeo Industrial Solutions, Degrémont and SITA, and capitalizes on the complementary nature of its businesses to make the services more efficient through a decentralized and customer-oriented organization. The grouping of the water and waste businesses under SUEZ Environment in 2002, has led to the creation of synergies, in sales as well as research and development: the Group has thus equipped itself with additional assets to strengthen its position on growing markets.

SUEZ Environment has identified several areas of progress for 2004:

- ▶ continue to improve its profitability worldwide;
- ▶ maintain its organic growth of 5%;
- ▶ develop the technical value of its businesses, based on compliance with regulations, the exchange of best practices, cutting edge R&D, attention to customer needs, innovative and efficient offerings;
- ▶ protect and develop human resources: continue the progress achieved in the area of safety, encourage training and promote mobility.

A European market driven by regulation ■ Europe is SUEZ Environment's domestic base, accounting for 80% of its revenues. It continues to be its priority market. The stringent environmental standards of European Union, the opening up of major water markets to the private sector and the enlargement of the European Union with the arrival of 10 new member states on May 1, 2004 all bode well for SUEZ Environment. There is increasing demand in Europe for environmental services. This is linked both to stricter regulations and the increasingly high expectations of consumers with respect to efficiency and quality. This context is favorable to the development of public and private sector partnerships, especially for countries that are yet to comply with the standards set by Brussels (11 out of the 15 member states before enlargement). In this perspective, SUEZ Environment, with its strategy of profitable organic growth, can take advantage of its position as a leading European water and waste company to seize opportunities, in particular in waste treatment, the management of sludge produced by wastewater treatment plants and on the market related to stricter waste requirements (raising of recycling targets, pressure on landfills). SUEZ is already very well positioned in Germany, with the Rostock contract signed 10 years ago, and in Italy, where its partnership with Acea will enable it to develop in Tuscany. For SUEZ, these two countries, which are currently thinking up new models of public and private sector partnerships, are long-term growth engines.



International: equilibrium and caution ■ In the United States, SUEZ Environment continues to improve the profitability of United Water, whose recovery gives a foretaste of the potential of the North American market. Although the Group can boast of successes such as in Jersey City and Indianapolis, it has encountered difficulties linked to the inexperience of its U.S. clients in preparing the Requests for Proposals that serve as a basis for contract proposals.

In line with its strategy to refocus on its water production, treatment and distribution business (drinking water, industrial water) SUEZ sold Nalco, a specialist in the chemical treatment of industrial processes. This strategic choice, which was implemented as part of the action plan, demonstrates the Group's desire to redefine its scope. It completes the divestiture program that was launched to reduce debt and to refocus SUEZ on its core businesses.

In the rest of the world, SUEZ Environment followed Group policy with respect to the reduction of its exposure, and the withdrawal from contracts where the client did not comply with the initial principles. It has adopted a selective and prudential strategy aimed at consolidating existing positions and to ensure their profitability before embarking on other developments. New projects have to meet stringent legal, economic and ethical criteria: a solid regulatory environment; projects financed in local currencies to avoid exchange rate risks; the systematic search for local partners. This is the case in China, where the Group has established itself by creating Sino-French, an equally owned joint venture with New World. Its stake in the company's capital has been calculated to cut down the financial risk, and its role is more to provide expertise for major environmental projects. ■

Pooling R&D efforts

In 2003, the Group pooled the research activities of the water and waste businesses to offer clients the advantages of the resulting competence synergies.

SUEZ Environment is pursuing four main objectives:

- ▶ improve the performance of operations;
- ▶ provide differentiating offerings that meet the requirements of clients;
- ▶ pre-empt public health risks and environmental impacts;
- ▶ appropriate and develop breakthroughs that enable it to raise tomorrow's challenges.

The Group has, in this way, obtained striking results in several areas:

- ▶ The search for leakages in distribution networks; simulation tools for the rehabilitation of water treatment plants; the characterization of waste before placing it in storage centers.
- ▶ The detection of pathogens in water through molecular biology; the reduction of sludge production; the treatment of legionella.
- ▶ The impact of storage centers on the environment.

The R&D centers are continuing their targeted research in 2004. This mainly concerns the scheduling of intervention work on networks; network status inspection techniques; renewal planning tools; making water production and wastewater treatment plants more reliable; operation of storage centers; the resolution of odor problems in wastewater treatment plants, sludge processing centers and waste treatment platforms.

A year of successes in Europe

In 2003, contracts concluded in the areas of water and waste services confirmed the Group's position as a leader in Europe. Characterized by required arbitration – withdrawals and disposals – international activities remain a source of growth.

In Europe, despite a highly unfavorable economic environment, 2003 was a good year for Lyonnaise des Eaux France, Agbar and Northumbrian Water, in the area of water, and SITA in France, Sweden and the Netherlands in waste services.

In emerging countries, SUEZ froze employed capital in order to avoid increasing its risk of exposure. In Argentina, teams maintained service by continuing to incur operating expenditures while waiting for a possible rate increase and for a decision from international arbitration. The Group exited Manila and Puerto Rico considering that the contracts in these countries no longer provided guarantees of sustainable development.

Despite these problems, there were numerous successes in the international arena: Aguas Andinas in Chile, VEGA in Brazil, Sino-French in China and Lydec in Morocco, confirmed their strong positions. This was also the case for smaller subsidiaries in Bolivia, South Africa, Jordan, Hong Kong, and even Hungary.

Around the world, SITA collected 27.7 million tons of domestic waste, non-hazardous industrial waste and medical waste. With revenues of €5.5 billion, SUEZ Environment is the largest waste services operator in Europe.

As part of the action plan launched in January, SUEZ Environment made a significant contribution to the Group's effort to reduce debt and improve economic efficiency. The partial disposal of Northumbrian in Great Britain (SUEZ remains the lead shareholder of Northumbrian) and of CESPA in Spain made it possible to bring the debt down to a level compatible with the international financial context. Worldwide, productivity gains and economies of scale achieved by subsidiaries bore fruit.

2003: A year of big contracts ■ Some of the most significant new deals worth noting include the Pisa region water distribution concession contract in Tuscany won by Ondeo Italia and Acea in association with local partners, Banque Monte dei Paschi di Siena and Groupe Caltagirone. In April, Lyonnaise des Eaux France and Ondeo Industrial Solutions won the Ascometal water treatment contracts for Fos-sur-Mer in southern France. In December, Eurawasser was chosen to become a 28.9% shareholder in LWG (Lausitzer Wasser GmbH) which manages water and sanitation for part of the town of Cottbus, in Germany.

Degrémont, the subsidiary which specializes in the design and construction of water treatment plants, has grown historically at the international level. The numerous contracts it won in 2003 illustrate SUEZ Environment's key expertise in the areas of drinking water (Saint-Cloud plant outside Paris, Lamaload plant in the United Kingdom and Chembarabakan plant in India, etc.), sanitation (sewage treatment plants in Tripoli and Chekka in Lebanon, Farfana plant in Chile, contract for greater Amman in Jordan, etc.), desalination (Curacao plant in the Netherlands Antilles, Fujairah plant in the United Arab Emirates, Wadi Ma In plant in Jordan), and sludge treatment (Valenton plant in the Paris region).

A unique sanitation advisory system

In addition to the increased expertise of SUEZ Environment, Ondeo Industrial Solutions and Surca, a subsidiary of SITA France in Bordeaux, signed a 10-year contract for the construction and operation of the sewage treatment plant for the BSN bottle manufacturing operation, and for the treatment of hazardous waste.

In waste services, SITA Deutschland won two contracts for domestic waste treatment by incineration in the Leipzig region. It was also awarded 30% of the share for German operators for three years during a country-wide federal call for bids. For its part, SITA UK won a five-year garbage collection contract for Newcastle (208,000 residents). Other large contracts include the remediation and conversion of 35 hectares of the Metaleurop Nord site, in Pas-de-Calais, entrusted to SITA France. This old smelter is the most heavily polluted industrial site in France (see page 61). ■

Dispatch of generators and of mobile water treatment units, reinforced chlorination, distribution of 75,000 bottles of water, use of vac-all vehicles to clean sewers obstructed by mud flow: these were among the many measures which Lyonnaise des Eaux France implemented to provide assistance and information to residents in a difficult situation after the floods of December 2003 affected southeast and central France. All the personnel of the subsidiaries involved, i.e., some 860 collaborators, mobilized to repair the damaged facilities as quickly as possible.

Since the flooding had left the water unfit for consumption, part of Lyonnaise des Eaux France's disaster relief operation included a wide-reaching information system for the 120,000 residents in the communities it serves. By transmitting information via telephone, Lyonnaise des Eaux France was able to notify residents in real time about restrictions in tap water use and then advise them on the return to normal status once the problem was solved.



A fruitful year for Degrémont

2003 was a year in which the international water treatment plant specialist consolidated its position and its expertise by scoring successes in the form of new contracts and new construction.

Created in 1939, Degrémont is the SUEZ Environment subsidiary, which specializes in designing, building and operating drinking-water production plants, desalination facilities, wastewater-treatment plants and sludge-treatment facilities. Its assets include more than 10,000 water treatment plants worldwide.

The demand for infrastructure continues to grow around the world, particularly as a result of higher water quality and purification standards. This demand is notable in emerging countries such as China, Argentina, Chile, Mexico, Egypt and India where urbanization is growing rapidly. Fortified by its historic presence, Degrémont has benefited from the policies of the World Bank and the Inter-American Development Bank in these countries, since these institutions give priority to basic infrastructure while offering financing solutions that enable Degrémont to develop without taking commensurate financial risk and increasing its exposure in these countries.

A major reorganization ■ In the course of 2003, Degrémont modified its structure. It integrated the United States and Canada into the international division, created an Engineering/Procurement/Product Logistics department and divided Europe into two zones (North and South). The goal was to improve efficiency, obtain greater proximity to field operations and reduce costs.

The consumption of high quality water is a necessity shared by all of humanity. Accordingly, Degrémont's objective is to partner with its clients in order to provide access to a growing number of people. Several construction projects were carried out to this end in 2003. At the beginning of the year, the Lamaload drinking plant in Great Britain was modernized and there was a new contract for the construction of a site at Saint-Cloud outside Paris for Sagep (*Société Anonyme de Gestion des Eaux de Paris*).

In August, Degrémont signed a construction contract for four plants with Nopswad (National Organisation for Potable Water and Sanitary Drainage) in Egypt. September's signing of a contract with Uzbek authorities and the Spanish government to modernize the Amou-Daria pumping stations is going to provide a regular and sufficient supply of drinking water to 6 million people in the Boukhara region. Finally, in November, Degrémont won a contract to supply part of the town of Mexicali in Mexico.

Making drinking water from salt water ■ Degrémont specializes in desalination by reverse osmosis*, a state-of-the art technique for increasing the availability of drinking water. The Fujairah desalination plant (United Arab Emirates), which was built by Degrémont and started operations in May 2003 is an exceptional project in terms of processing capacity and construction time. It is the first hybrid plant in the world, making use of desalination by distillation as well as by reverse osmosis. It is also the largest existing reverse-osmosis unit. Furthermore, due to its capacity of 170,000 m³ per day, it is ranked No. 1 in the world in this category.

Farfana: The emergence of a Chilean giant

The Fujairah plant strengthens Degrémont's credibility and expertise in the growing reverse osmosis market, and therefore opens up new possibilities for it. Another notable 2003 success was the construction and operation of the plant for producing drinking water by desalination of seawater in Wadi Ma In in Jordan.

Purification standards continue to rise, particularly in emerging countries. For example, the Farfana wastewater treatment plant – the largest in Latin America – was inaugurated in Chile on October 29, 2003. In December, Degrémont took on a 25-year contract in Jordan. It covers the design, construction and operation of the Khirbet As Samra wastewater treatment plant for 2.5 million inhabitants of the city of Amman, as well as the operation of the Ain Ghazal pre-treatment plant and the pumping stations in the Governorate of Zarqa by the Group.

Sludge, a growing activity ■ Sludge is the end product of wastewater treatment and presents a crucial environmental challenge. While sludge production is on the rise in France, treatment facilities tend to be lacking. In 2003, Degrémont and SIAAP (*Syndicat Interdépartemental de l'Assainissement de l'Agglomération Parisienne*) signed an important contract for the construction of the Seine Amont sludge-recovery unit in Valenton outside Paris. This facility, one of the largest of this type in Europe, will produce more than 200 tons of dry sludge a day. This solution makes all kinds of reprocessing possible for purposes ranging from energy to agriculture. Sludge treatment is becoming a key Degrémont activity in Europe and in North America. In France and Belgium, thermal sludge processing makes up 40% of its portfolio. ■

Farfana is the most difficult challenge that Degrémont has had to face in the last few years.

It was at the end of a huge construction project, completed in two years, that one of the world's largest wastewater treatment plants came into being in Chile, near Santiago. Opened at the end of September 2003 (two months ahead of schedule), it covers the needs of about 3.3 million people, and can process up to 15 m³/s of water during wet weather. Today, Santiago is about to become the first capital in Latin America with a complete water and sanitation network. In addition to preserving the health of inhabitants, the Farfana plant has a positive effect on the Chilean economy. From now on, the country will be able to export its agricultural produce to Europe, the United States and South Korea, where health standards are high. Finally, because it meets the international waste service standards required by globalization, Farfana is also a symbol of environmental credibility for Chile.

*Reverse osmosis involves running water through membranes permeable to water molecules but impervious to dissolved salts. As with osmosis, these molecules migrate to the least concentrated zones. By increasing pressure, the process is reversed, and water and salt molecules are separated.

A major contract in the petroleum industry

Located 35 km from Edinburgh, BP's Grangemouth site processes 40% of the United Kingdom's crude oil from the North Sea. It is comprised of several entities including a refinery which produces over 200,000 barrels/day, as well as BP Chemicals' monomer and polymer plants. It employs over 1,700 people.

In January 2004, BP awarded Ondeo Industrial Solutions a 20-year contract for total management of water treatment at the Grangemouth site. This contract includes services in the areas of cooling water, process water and wastewater, and covers the operation, maintenance and management of the water supply. Most notably, Ondeo IS will be responsible for operating two demineralized water production plants with a daily capacity of 30 million liters, and three effluent treatment facilities. It will also take over management, maintenance and chemical processing at seven cooling water facilities which were designed to recycle and reuse wastewater in the cooling system.

The Grangemouth site is part of a strategic framework for BP: the development of Buzzard, a new offshore oil field in the North Sea, for which Ondeo IS is currently studying the water treatment process, in compliance with upcoming legislation on pollution prevention and control.

Ondeo Industrial Solutions: an increasingly visible profile

Since 2002, Ondeo IS has offered industrials a range of solutions which cover the entire water cycle. This comprehensive approach is now being developed for many clients who are trying to transform a cost center into a profit-making unit.

As an integral part of numerous production processes, water is a strategic industry resource. The comprehensive approach, which consists of managing the water cycle from its source to the effluent, makes it possible to transform this function into a component that adds value. The activities of Ondeo Industrial Solutions (Ondeo IS) center on the design and implementation of innovative solutions for the treatment of wastewater and process water at industrial sites.

As the only European wastewater treatment facility exclusively dedicated to industrials, with a specialized offering for each sector of activity, Ondeo IS helps its clients to overcome environmental problems associated with increasingly strict regulations. By developing long-term partnerships in Europe, Ondeo IS manages and maintains over 200 industrial water treatment plants around the world. It has also built over 2,000 effluent treatment facilities and more than 1,800 process water plants.

Major advances in services ■ In 2003, Ondeo IS earned revenues of €168 million. In accordance with the objective set when the entity was created in January 2002, one third of this revenue was obtained from services. It signed large contracts with BP in the United Kingdom (see inset), Ugine Gueugnon, Osiris (Rhodia), STMicroelectronics and Ascometal in France, Enichem in Italy, Siemens in Spain and M-Real in Germany. In November, Ondeo IS and the Belgian company Antwerpse Waterwerken created a consortium whose first client was Degussa, a chemical company based at the port of Antwerp. ■



Sanitation, a growth market in Europe

Sanitation, which is at the heart of the water industry, involves processing and purifying wastewater before it returns to its natural cycle. The deadline of 2005 set by the European water directive makes this a strong market for SUEZ.

Wastewater treatment is one of SUEZ Environment's key areas of expertise. It will also be a major strategic focus for the Group over the next two years. Although Brussels has given communities with more than 2,000 residents until 2005 to comply with the urban wastewater directive, France's implementation plan is behind schedule. The urgency of the required action gives sanitation strong opportunities for organic growth in a market forecast to reach €5.6 billion by 2005, as estimated by the French Institute for the Environment. Four thousand of the 15,000 sewage treatment plants in France need to be equipped with nitrogen and/or phosphorus treatment systems.

The directive set three levels of requirements:

- ▶ ensuring the reliability of existing sanitation systems, specifically, ensuring the compliance of sewage treatment facility discharge that enters the natural environment, controlling the discharge of industrial effluent into the network and self monitoring of sanitation systems;
- ▶ improving collection and decontamination of rain water;
- ▶ controlling the sludge market (see pages 56-57).

SUEZ outpacing European standards ■ The 32,000 French communities of fewer than 2,000 inhabitants must not be left behind. They represent a quarter of the population and are also required to introduce "appropriate" treatment systems. To accomplish this, they will require solutions that are simple, reliable and within their budgets. An example of one of these so-called "rustic" technologies can be found in the Rhizopur® process developed by Lyonnaise des Eaux France, which combines the use of a bacteria bed with that of a bed of vegetation.

Several large sanitation industry contracts were signed in 2003. In April, Lyonnaise des Eaux France inaugurated a new sewage treatment plant for the community in Béziers-Méditerranée. Surpassing existing European standards with 95% purifying efficiency, the plant offers a 102,000 population equivalent capacity. In Italy, Ondeo and Acea took over management of water and sanitation for 57 communities in the Pisa region (800,000 inhabitants). This 20-year contract falls under the application of the Galli law, which aims to reorganize the water industry in Italy and encourage local authorities to use the private sector. ■

An innovative solution for SMEs

The regulation of industrial effluents is becoming more stringent. It is not always easy or financially feasible for SMEs to become compliant. With this in mind, Ondeo Industrial Solutions designed Ecoflow®, an innovative brokerage solution, which involves reselling underutilized capacity from large purification plants that Ondeo IS operates. Small enterprises therefore have access to a reliable and economical option, while Ondeo IS's clients are able to collect additional revenues. It is a win-win formula. Ecoflow® uses a spectrophotocolorimetry technical device which is able to verify the compliance of effluents collected off site within minutes.

Although brokerage is a new business for SUEZ, it strengthens the value chain of the water cycle and broadens the sphere of activity for large outsourcing services. In a market shaped by regulation, Ecoflow®, which is already in use by several clients in France and is being rolled out in Europe, is an additional growth lever for the Group.



Waste, a source of innovation and performance

Nowadays, a family of three living in Europe produces roughly one ton of domestic waste a year. What becomes of this waste presents major environmental and societal challenges, which SITA responds to, most notably, through recovery.

As the leading operator in Europe and third-largest worldwide, SUEZ Environment subsidiary SITA offers an entire range of waste services: collection, recovery and processing of waste for local communities, health professionals and individuals. Its sphere of activities includes physical, waste-to-energy and biological recovery, storage, green space maintenance, urban cleansing and sanitation as well as industrial waste services. SITA's services have expanded in step with various regulatory, technical, economic and societal advances. For example, in Europe SITA has contributed to developing services for sorting, recycling and waste reuse, by devising innovative and highly effective processes.

Devising new forms of recovery ■ Waste-to-energy recovery is obtained either by incinerating waste which is used as fuel to produce energy, or by transforming biogas into electricity by fermenting waste in storage facilities. In 2003, SITA produced more than 2 million megawatt-hours of electricity in this way. In order to increase this type of energy production, it has introduced innovative techniques, such as the use of a bioreactor, which accelerates the degradation of organic materials buried in waste storage facilities, consequently speeding up the production of biogas for transformation into energy.

Composting is a natural process of biological recovery developed for industrials and made safe by SITA. It makes it possible to recover green plant waste and urban sludge processed in sewage treatment plants by suctioning out the air contained in the fermenting material. This is also known as biological drying. The compost obtained from this process is then tested and graded for agricultural use. In order to protect communities around composting centers from foul odors, SITA has developed a bio-filter that traps the odor particles in the suctioned air.

In the area of physical recovery, SITA collects organic materials, plastics, glass, paper board, metals as well as non-hazardous and special wastes at its 223 sorting and conditioning centers in Europe. These materials are sorted using increasingly effective methods and are then subjected to homogenizing processes before being recast for new use. In 2003, 72% of the waste processed at SITA France's sorting centers was re-used. This percentage was slightly lower than in 2002, as a result of the more selective process that is now employed during sorting.

As recovery constitutes SITA's top priority, research is currently underway to find new ways of carrying out this activity. This is the case for clinkers or residue obtained from the incineration of household waste, for which Novergie, the subsidiary responsible for SUEZ Environment's incineration units in France, is proposing new initiatives. Used for intermediate recovery of layers of waste in the pits of storage centers, they make it possible to process biogas odors and facilitate their collection and conversion into energy. ■



HW and soil decontamination: high-potential activities

The recycling of hazardous industrial waste and the rehabilitation of polluted soils require specialized know-how developed by Teris. In a world of increasingly strict regulations, this also gives Teris a leading edge for the future.

Created in 1992, Teris, a wholly owned subsidiary of SITA France, processes 1.9 million tons of hazardous industrial waste (HW) each year – of which 68% are recovered – and decontaminates more than 1 million tons of earth each year. In the United States, Teris LLC, its sister company created in July 2001, is the third largest operator on the market of HW thermal treatment.

Teris' businesses span the entire range of hazardous waste disposal requirements: high-temperature treatment, reuse of the chlorine and sulfur content, identification and grouping of dispersed quantities of hazardous waste; recycling of solvents; waste-to-energy in cement works; rehabilitation of polluted sites and soils. Teris also offers emergency intervention services in the case of accidental pollution and handles the delegated management of tools on industrial sites.

In April, Teris bought the Loon Plage site near Dunkerque, France, from DuPont. After more than €11 million of investments were injected into it, the former chemical production plant has become a center for the thermal treatment of hazardous waste and the recycling of used solvents. It is also the first Teris center to combine conditioning, regeneration and incineration.

Decontamination: a lever for growth ■ The implementation of soil decontamination techniques makes it possible to rehabilitate sites, either after accidental pollution, or after prolonged use by industrial operations prior to the advent of environmental standards. The regulatory framework, which is increasingly strict, mainly concerns Seveso 2 sites, such as Metaleurop (see box), which are obliged to restore the sites and assume responsibility for the environmental and health impacts of past activities (discharges lead, cadmium, zinc, etc.). The framework also encompasses listed installations with past activities that may have led to soil contamination (waste treatment, chemical operations, hydrocarbon depots, metallurgy, surface treatment, textile, tanneries, wood, crystal glassworks, ceramics, thermal power stations, steelworks, etc.) that could pose a threat to the ground waters that supply drinking water.

This activity, remediation, is a major stake for industrial companies. It is a sector that is expected to develop sharply in Europe and the rest of the world and represents a significant growth lever for SUEZ. SITA Remediation, a Group subsidiary specializing in this activity, operates in various sectors: oil, chemical and mechanical industries, printing works and paper plants, retail sector, cosmetics, automotive, etc. With its 340 engineers and technicians, it delivers turnkey solutions that are adapted to the local legislation of the countries where it operates: France, Belgium, Germany and the Netherlands. It works either directly on the contaminated sites, or by extracting materials that it treats in its network of specialized facilities. ■

A civic project for Metaleurop

How could the former Metaleurop Nord foundry site, the closure of which caused a major economic and social crisis, be revived? Instead of merely decontaminating the site, SITA has decided to create a community-driven project structured around three fundamental principles:

- ▶ environmental and sanitary rehabilitation of the site, by carrying out decontamination complying with the strict requirements of industrial redevelopment;
- ▶ economic and social restructuring of the site, thanks to the reconversion into eco-industries;
- ▶ creation of a business platform combining economic, social and cultural projects, with the promotion of a regional "marketplace" on the site, that will contribute to the emergence of economic, social and cultural initiatives.

This new generation economic model is intended to become an example of sustainable industrial reconversion that can be exported. It is a complete and innovative restoration operation that is open to the markets of the 21st Century: environmental business and new recycling technologies. The Metaleurop Nord site will once again play a key economic role, and at the same time be a social and cultural link between the past and the future.



Unmatched tradition and know-how

The four great companies that came together to create SUEZ in 1997 were all products of the development of public-private partnerships during the 19th Century. Since then, each company has developed know-how and experience in the private management of public utilities. Société Générale de Belgique was created in 1822 to encourage national industry as well as projects in France and China. In 1858, Compagnie Universelle was launched during completion of an enormous planning project – the Suez Canal concession – which reflected the logic behind PPPs. Compagnie Mutuelle de Tramways and Société Générale Belge d'Entreprises Electriques, the two predecessors of Tractebel, were established in 1895 in the context of a "free enterprise and open markets." In 1880, Crédit Lyonnais created Société Lyonnaise des Eaux et de l'Eclairage to respond to the needs of local communities with regards to large network infrastructure, energy, water and especially electricity. Indeed, until the Second World War, Lyonnaise earned 80% of its revenues from electricity and gas through public/private partnerships.

For the development of private management

Public-private partnerships are an old contract form, which have demonstrated their effectiveness in responding to the needs of communities with respect to infrastructure and essential services.

An increasing number of communities are turning to public-private partnerships (PPPs) in order to meet their growing needs. However, these partnerships must necessarily change their approach to operations, so that they can adapt more easily to the needs of communities and ensure a more equitable distribution of risks and responsibilities. Private sector participation in developing infrastructure and managing public utilities is an age-old tradition in many European countries. As early as the 16th Century, public authorities in France were able to resort to private services to provide service for the entire community. In 1554, the first concession was awarded to Adam de Craponne to build the Salon-de-Provence Canal.

This form of PPP was actively developed during the 19th Century to ensure waste management, gas and water distribution as well as railway services, and later, in the 20th Century, to ensure telecommunications and even the construction of highways and bridges.

PPPs: the solution of choice for communities ■ Tougher regulatory standards and development policies, such as the European growth initiative, particularly in the energy and transportation sectors, have identified PPPs as a preferred structure for achieving its objectives.

As communities contend with increasing budgetary constraints, PPPs are able to provide greater efficiency, quality of service and adapted solutions for the financing of new infrastructures, by tapping into the technical, managerial and financial know-how of the private sector.

These PPP contracts are based on specific objectives set by public authorities, clearly defined roles and responsibilities of each partner and transparent procedures for the follow-up and control of activities assigned to the private partner.

The development of PPPs is also related to the changing role of government in the economic arena, following the shift from a direct operational role to an organizational, regulatory and supervisory role.

SUEZ responds to this change as well as to the ambitions of the market by drawing on recognized experience and its position as the second largest operator in environmental services, which most notably enables it to harness the best external financing available – from international and European funds to bilateral aid – for infrastructure projects or contracts executed in partnership with local companies.

Shared risk-taking ■ During the 1990s, many communities actively solicited the help of the private sector to improve the quality of urban services. SUEZ therefore experienced strong demand for delegated management of water and sanitation. Clients counted on its technical ability and financial strength to provide appropriate solutions to often highly complex situations.

The main types of PPP contracts

These types of partnerships cannot work if operators are required to assume a disproportionate level of risk, or if communities are unable to honor contractual obligations especially with regards to rates. Since this was indeed the case in certain countries, the Group decided to reevaluate its position vis-à-vis several large contracts obtained in the arena of international water.

This active management of problem contracts is part of an action plan whose objectives include increased financial health, particularly through improved risk management. As a result, SUEZ has decided to end its contract in Puerto Rico, is gradually withdrawing from Manila and is renegotiating its contracts in Argentina while going through international arbitration.

Today, SUEZ is determined to operate in developing countries only if it obtains sufficient guarantees relating to governance issues and financial risk. In order to do this, the Group has started active dialogue with international financial institutions to ensure that these partnerships are better prepared in terms of governance, more equitable in terms of risk and provide more guarantees in terms of mutual respect for commitments.

Multilateral partnerships ■ The Group's approach is to promote partnerships where the responsibilities and competencies of the various players can be defined and expressed. SUEZ put this approach into practice very early, most notably in its collaborations with local NGOs who carry out essential social work on the ground. Today, during the establishment of PPPs, the participation of civil society is considered to be standard practice in cities such as Buenos Aires, La Paz and Manaus.

These partnerships must also expand into the financing of infrastructures. A major challenge in the coming years will be the ability to link public funds and management with private financing, as this will be the only way to achieve the Millennium Development Goals established by the United Nations in 2000. Several summits, including those held in Monterrey and Johannesburg, have confirmed this position. In March 2003, the Kyoto Summit provided an opportunity to present the recommendations of the Camdessus Report on the financing of water infrastructures. Its general message featured a key innovation: the accomplishment of objectives depends on improved governance and obtaining both public and private financing. SUEZ, which actively participated in the work involved, shares the opinions expressed in the report's conclusions, since they confirm, most notably, that solutions must be implemented by international financial institutions in order to cover financial risks, especially with regards to foreign exchange and contracts, and thereby encourage the required involvement of the private sector.

Today, less than 5% of the world's population is served by the private sector and this figure is only 3% to 4% in developing countries. SUEZ is not proposing to offer a global solution. Instead, in its role as a competent and responsible operator, it is committed to working actively with public authorities, basing its contribution on its core values and commitments, which promote sustainable development. ■

The principle behind PPPs is not rooted in privatization of public assets, but in delegated management, which can be adjusted to suit the local context. Two types of contracts typify the most frequent interventions carried out by SUEZ in the area of water management. In both cases, public authorities are responsible for monitoring and planning the private sector contribution to management and operations, to ensure that delivered products are of good quality.

There are three main types of public-private partnerships depending on client expectations and services offered, which determine the degree of the private operator's commitment, the level of investment required and even the duration of the contract:

- ▶ **Delegated management of services**
 - Leasing
 - Concessions
- ▶ **Service contracts**
 - Operation and maintenance (O&M) or operating agreements
 - Management support
- ▶ **Infrastructure contracts**
 - Build Operate and Transfer (BOT)
 - Design Build Operate (DBO)

2003 social and environmental reporting procedures

To ensure the transparency and reliability of the data disclosed, SUEZ has made a commitment to a progressive program for verification by its auditors of the quality of the environmental and social information publicly disclosed. The first phase, which was carried out in 2002, consisted of a review of the data reporting procedures. In 2003, the work performed allowed the Group to publish a report on the procedures for reporting environmental and social information and certain data. On the basis of the progress objectives adopted and presented in the 2002 Activities and Sustainable Development Report, SUEZ continued to enhance its environmental and social reporting system in 2003.

For the Environment business, the year 2003 was marked by the completion of work in the following five areas: definition of the reporting scope, formalization of reporting procedures, enhancement of performance indicators, definition of a methodology to calculate environmental costs, and the implementation of a computerized environmental reporting solution.

The procedures for defining the **environmental reporting** scope were defined, particularly to cover the operations of Group companies performed on behalf of third parties. In 2003, the legal entities included in the reporting scope are those whose operations are relevant in terms of environmental impact (energy trading and financial operations were excluded), fully or proportionately consolidated (financial consolidation) and for which the Group has technical operational control of the facilities. The relevant revenues are specific to each management indicator. The coverage of the relevant scope for each indicator is specified in the 2003 SUEZ environmental performance summary table. Data labeled "2002 rev" refer to the pro-forma reporting scope (Nalco and Northumbrian Water excluded).

The year 2003 was also an opportunity to review and deploy environmental data reporting procedures. The manual of environmental data reporting procedures now consists of a standard instruction to be implemented at the appropriate levels of the reporting process. For this purpose, SUEZ has, in all Group operations and entities of significant size, a network of environmental contact persons and coordinators (Environmental Officers) with responsibility for this procedure. These working instructions and procedures describe in detail the phases for the collection, control, consolidation, validation, and transmission of environmental data at the various levels of the organization. The environmental data reporting procedures manual is available on the SUEZ website (www.suez.com).

The list of indicators used to measure the environmental performance of the Group's businesses was streamlined, while ensuring that the legal information disclosure requirements under the French New Economic Regulations and the law on technological risks were met. Indicator definitions were reviewed, and benefited from comments by the operating managers represented in the dedicated work group. Each indicator was also evaluated to define and formalize the nature of the internal controls to be implemented. These controls are based on studies of variations from one period to another and on studies of consistency and relevance within a business. The 2003 version of the SUEZ environmental reporting guide is available on the SUEZ website (www.suez.com).

On the basis of the work initiated in 2002 to assess the total environmental costs, SUEZ teams, supported by Tractebel Engineering experts, improved the methodology for calculating the amount of

environmental costs. This methodology was developed by determining standard profiles that make it possible to show, for each relevant and representative business, the portion of investments and operating costs related to the environment out of the total amounts expended. For this purpose, meetings were held with operating, accounting and environmental managers. The cost profiles established in this way were extrapolated for all of the Group's business and applied to 2003 accounting data.

The yield of the drinking water system consists of the ratio between the volume billed to the client and the volume delivered to the system intake. Because the water volume billed in 2003 was not known at the reporting date (as opposed to the volume delivered to the system), the data used to calculate system yield is the volume of water billed in 2002, corrected by the factor for the change in water volume delivered between 2002 and 2003. The primary energy consumption of the water businesses is not reported in the figures presented. The process to improve the definitions of environmental performance indicators will continue, particularly for indicators related to relevant sales revenues, water consumption or waste generation. Finally, in accordance with the commitments made for 2003, SUEZ worked to improve the internal control mechanisms by deploying for environmental reporting a tool for the collection, processing, and recovery of the data input by operating entities. CERIS, an environmental reporting solution developed by SUEZ, manages the Environment Officer network, the documentation for the environmental reporting scope, the input, control, and consolidation of indicators and, finally, delivery or production of the documentation necessary for data collection, control of data reporting, or the publication of reports. This tool is currently deployed at the Energy entities and also covers the data reported from SUEZ Environment.

As part of the audit program initiated by SUEZ in 2002, and in line with the recommendations made by the Auditors, actions to improve **social reporting** were continued and were organized around three priorities: establish systematic reporting of social information on each business line; explain the human resource, financial, and commercial significance of social reporting; formalize the procedures necessary for the publication of social information in the annual report. With regard to the first point, all of the information and data published in the report were sent to the Human Resources Departments of business lines and operating units. In addition, more detailed reporting was transmitted to each business line.

In addition to the obvious significance of social reporting for Human Resources, the financial and commercial issues underpinning the role of the Human Resources Departments as "Business Partners" were identified, formalized, and explained.

Specifically regarding reporting for the annual report, procedural memoranda were sent out detailing deadlines and the internal controls to be performed on the various indicators. In addition, in accordance with the guidelines established at the beginning of 2003, after consolidation of the indicators, systematic consultation with the Human Resources Departments of the business lines made it possible to enhance the reliability of the data and analyses, as well as the link between the social information published and the industrial challenges of each business line.

These three priority actions, a continuation of the efforts made since 2002, enabled a significant improvement in the scope of reporting

on all of the indicators. In 2004, in accordance with the recommendations made by the Auditors, priority will be given to work on defining social indicators, the most sensitive aspect of social reporting given the Group's international presence.

The quantitative social data in this report were generated by the HRD phase of TOPAZ, the Group consolidation tool, and the specific safety reporting of certain entities. After collection, the data were processed and consolidated in accordance with well-identified procedures and criteria. Details of procedures are available at the Human Resources Department at SUEZ headquarters.

▶ TOPAZ / CARAT, a consolidation software package, allows the collection, processing, and recovery of the data input by SUEZ Group subsidiaries, which are local legal entities.

Each of these entities is assigned a financial consolidation method: full consolidation (FC), proportionate consolidation (PC), and equity method (EM). This method also applies to the human resources department phase.

The social analyses performed and analyzed in this report pertain solely and exclusively to fully consolidated entities, in which SUEZ holds control in terms of capital stock and/or management.

Once a company is fully consolidated in the SUEZ accounts, its social data are integrated 100%, regardless of the percentage of the capital stock held.

▶ Social data, collected on all fully consolidated companies, are defined in order to harmonize and standardize the nature of the data and establish consistency and coherence in monitoring such data.

▶ Reporting Scope. Each indicator is assigned a reporting scope, which represents the indicator's coverage as a percentage of the Group's personnel (the personnel of the companies fully consolidated in SUEZ accounts).

This is because certain companies may not have communicated their data or the information submitted may have certain inconsistencies, which leads us to remove those companies from the reporting scope.

▶ Two methods for the processing and consolidation of indicators are employed:

- aggregation, for organizational, personnel and safety data;
- weighting by personnel level, for salaries and training.

▶ The data controls used are based on analysis of variations from one period to another and on evaluation of consistency and relevance within a business or country.

▶ The external data utilized to calculate compensation indicators are provided by France's Direction des Relations Economiques Extérieures (DREE) under a contract for the collection of country data by the network of local economic missions. They are supplemented by the statistics of the World Bank and UNESCO, if appropriate. DREE's procedures are ISO 9000-certified and the data provided under this partnership is available at the SUEZ headquarters.

The following points regarding the data published in this report require clarification:

▶ The total work force of the branches is 101 persons fewer than the total work force published. This difference relates to the employees of the Group activities in the communication and finance sectors, and to the accounting of SUEZ SA employees within the scope of consolidation of SUEZ Environment.

▶ In 2003, after the sale of Nalco, which accounted for 93.3% of the employees of SEIS, Ondeo IS was integrated into SUEZ Environment once again. However, the data provided by Ondeo IS in 2001 and 2002 were not included in the calculation of the indicators appearing in the table in this report.

▶ The absence of data submitted by GTI, which represents 10,093 persons, with regard to safety, training, and compensation, explains the level of reporting scope for services.

▶ In internal reporting, a distinction is made between administrative and technical workers. For greater simplicity and clarity in processing the data, these two categories are combined in the information presented in the report. The average compensation includes the categories of administrative employees and technical laborers.

▶ The calculation of turnover takes into account internal job mobility, retirements, terminations, and resignations, but it does not include miscellaneous departures (including normal end of contracts). Turnover was calculated as a semi-annual value for 2002, and as an annual value for 2003. EGE's turnover level is primarily due to the reorganizations that took place at Electrabel Netten Vlaanderen, Cocetrel and the Tractebel head office.

▶ Given the time frames, training data is based on provisional data. The final data will not be available until the second half of the year.

▶ The size of the entry "other" in EGE's training program results from the fact that Electrabel Netten Vlaanderen does not provide a breakdown of its training hours.

▶ The differences in the reporting scope among indicators under the "training" and "compensation" headings are the result of the method of processing and consolidating data: in the case of training, we have excluded companies that did not provide information on the number of trainees, even though expenses and/or training hours were submitted. In the case of compensation, data on minimum salaries and cost of living are generally known as of this date, either directly, or through an estimate by local statistical bodies. On the other hand, sector salaries in certain countries are not available until later in the year, which results in differences in reporting scope.

▶ Out of the total reporting scope covering 27 countries, 10 values below 1.0 were recorded for the indicator "average worker gross salary/local gross minimum salary". After examination, it has been determined that these are companies that use part-time workers whose compensation causes a decrease in average worker compensation.

▶ For a significant number of entities, the total hours worked used in the calculation of the rate of frequency and the rate of seriousness are the theoretical hours worked, not the actual hours of exposure to risk.

Environmental performance

Environmental performance indicators	Units	SUEZ				Coverage	Equivalence	
		2003	2001	2002	2002 rev*		2003	2003
Management performance indicators								
Environmental commitment or policy statement	% of revenues	65%	77%	75%	80,7%	95%	3-9	3.14
Environmental management program	% of revenues	51%	49%	45%	62,8%	94%	3-9	3.19
✓ Certified environmental management systems	% of revenues	27%	36%	32%	42,7%	94%	3-9	3.20
Number of sites/activities covered by certified environmental management systems	Number	nd	nd	nd	731	94%	3-9	3.20
Certified environmental management systems – ISO 14001	Number	117	205	200	262	94%	3-9	3.20
Certified environmental management systems – EMAS	Number	7	8	8	7	94%	3-9	3.20
Certified environmental management systems – ISO 9001 version 2000	Number	nd	153	147	233	95%	3-9	3.20
Certified environmental management systems – Local standards	Number	nd	88	85	82	95%	3-9	3.20
Environmental analyses	% of revenues	53%	44%	39%	55,7%	91%	4-9	3.20
Environmental risk prevention plans	% of revenues	40%	52%	48%	49,6%	93%	6-9	3.20
✓ Crisis management plans	% of revenues	51%	56%	52%	78,6%	93%	6-9	3.20
Environmental reports published by level 2 companies	% of revenues	32%	44%	46%	52,6%	93%	6-9	3.19
Environment R&D budget	Thousand euros	74 437	70 110	65 860	43 170	100%	–	–
Environmental expenditures	Thousand euros	nd	895 748	827 008	2 287 675	100%	5-9	EN35
Environment-related complaints	Number	36	58	51	94	95%	8	EN16
Environment-related convictions	Number	13	25	23	22	95%	8	EN16
Fines from environment-related convictions	Thousand euros	nd	662	612	1 485	95%	8	EN16
Energy								
Installed capacity – Electricity and heat – Renewable sources	MW eq	5 119,0	6 014,0	6 014,0	6 324,7	–	1-9	EN17
Installed capacity – Electricity – Hydraulic	MW eq	nd	nd	nd	5 329,6	100%	1-9	EN17
Installed capacity – Electricity – Wind energy	MW eq	nd	nd	nd	24,1	100%	1-9	EN17
Installed capacity – Electricity and heat – Solar	MW eq	nd	nd	nd	0,0	100%	1-9	EN17
Installed capacity – Electricity and heat – Geothermal	MW eq	nd	nd	nd	21,3	100%	1-9	EN17
Installed capacity – Electricity and heat – Biomass	MW eq	nd	nd	nd	849,5	100%	1-9	EN17
Installed capacity – Electricity and heat – Biogas	MW eq	nd	nd	nd	100,3	99,7% et 63,4%	1-9	EN17
Electricity and heat production – Renewable sources	GWh eq	27 735,0	26 236,1	26 236,1	26 008,0	100%	1-9	EN17
✓ Primary energy consumption – Electricity and heat production	GWh	240 612,4	244 477,3	244 477,3	276 392,6	100%	1-9	EN3
✓ Primary energy consumption – Gas transportation	GWh	nd	nd	nd	1 322,5	100%	1-9	EN3
✓ Primary energy consumption for waste treatment	GWh	nd	nd	nd	3 457,0	99%	1-9	EN3
✓ Total electricity consumption	GWh	3 501,0	5 546,1	5 034,0	6 229,2	86%	1-9	EN3
Air								
✓ Total GHG emissions	Tons eq. of CO ₂	75 891 104	70 565 808	70 410 741	79 579 143	99%	1-9	EN8
✓ CO ₂ emissions – Energy production	Tons	66 031 209	63 258 804	63 258 804	71 086 899	100%	1-9	EN8
✓ CO ₂ emissions – Gas transportation and distribution	Tons	nd	nd	nd	263 679	100%	1-9	EN8
✓ CH ₄ emissions – Gas transportation and distribution	Tons	nd	17 735	17 735	25 340	100%	1-9	EN8
✓ GHG emissions – Controlled landfill site	Tons eq. of CO ₂	8 327 588	6 993 325	6 993 325	4 179 943	99%	1-9	EN8
✓ GHG emissions – Incineration	Tons eq. of CO ₂	1 667 834	2 499 393	2 499 393	2 508 921	99%	1-9	EN8
✓ GHG emissions – Vehicle fleet	Tons eq. of CO ₂	632 000	844 937	nd	868 455	89%	1-9	EN8
✓ GHG emissions – Sanitation	Tons eq. of CO ₂	nd	144 650	nd	139 098	86%	1-9	EN8
GHG emissions avoided (waste-to-energy conversion and materials recovery)	Tons eq. of CO ₂	932 400	993 544	993 544	13 057 112	99%	1-9	EN8
No _x emissions	Tons	127 001	99 743	98 958	117 076	100%	1-9	EN10
SO ₂ emissions	Tons	195 089	158 480	158 397	192 339	100%	1-9	EN10
Particulate emissions	Tons	12 580	13 311	13 311	13 508	69%	1-2-9	EN10
Water								
✓ Water consumption – Industrial process – Total	Million m ³	80,3	81,3	76,8	47,4	91%	1-9	EN5
✓ Water consumption – Industrial process – Surface water	Million m ³	nd	48,4	nd	17,3	91%	1-9	EN5
✓ Water consumption – Industrial process – Ground water	Million m ³	nd	5,0	nd	6,6	91%	1-9	EN5
✓ Water consumption – Industrial process – Public supply networks	Million m ³	nd	23,5	nd	23,4	91%	1-9	EN5
Water consumption – Cooling – Total	Million m ³	nd	nd	nd	449,8	100%	1-9	EN5
Water consumption – Cooling – Evaporated surface water	Million m ³	nd	nd	nd	436,3	100%	1-9	EN5
Water consumption – Cooling – Ground water	Million m ³	nd	nd	nd	7,8	100%	1-9	EN5
Water consumption – Cooling – public supply networks	Million m ³	nd	nd	nd	5,6	100%	1-9	EN5
Drinking water conveyance – amount of water delivered	Million m ³	4 845,0	7 864,0	7 492,0	10 849,1	95%	2-9	EN14
Drinking water conveyance – population coverage rate	%	80%	89%	nd	93%	86%	2-9	EN14
✓ Drinking water conveyance – network technical efficiency	%	77%	71%	nd	81%	86%	2-9	EN14
Sanitation – amount of water treated	Million m ³	2 903,0	2 708,0	2 480,0	2 396,0	94%	2-9	EN14
Sanitation – population coverage rate	%	71%	79%	nd	78%	86%	2-9	EN14
Sanitation – network size (length)	km	81 439	102 661	87 301	95 540	86%	2-9	EN14
Sanitation – Number of WWTP – Treatment capacity ≥ 120 kg BOD ₅ /day	Number	675	779	708	802	86%	2-9	EN14
Sanitation – Number of WWTP – Treatment capacity < 120 kg BOD ₅ /day	Number	1 125	1 151	786	777	86%	2-9	EN14
Sanitation – Tons of BOD ₅ eliminated	Tons	741 680	712 875	659 187	1 033 288	86%	2-9	EN14
Waste								
✓ Non-hazardous industrial waste (NIW)	Tons	1 373 138	2 265 403	1 797 180	1 946 437	90%	1-9	EN11
✓ Hazardous industrial waste (HIW)	Tons	164 926	218 896	188 544	187 604	90%	1-9	EN11
Fly ash production	Tons	2 307 669	2 270 473	2 270 473	3 598 542	100%	1-9	EN11
Bottom ash production	Tons	989 001	981 863	981 863	2 373 793	100%	1-9	EN11
Desulphurization by-products	Tons	0	110 643	110 643	199 738	100%	1-9	EN11
Nuclear waste production (low and medium activity)	m ³	208	186	186	178	100%	1-9	EN11
Waste converted	Tons	1 312 368	1 732 411	1 732 411	3 701 343	92%	1-2-9	EN11
Leachates	Number eq in	nd	474 963	474 963	461 450	99%	1-9	EN11
Waste-to-energy conversion – Electricity production	MWh el.	1 596 267	2 271 947	2 271 947	1 848 438	99%	1-2-9	EN11
Vehicles								
Total number of trucks	Number	nd	nd	nd	16 971	92%	1-9	EN34
Number of "green" trucks	Number	nd	nd	nd	8 747	92%	1-9	EN34
"Green" vehicle fleet/total vehicle fleet	%	44%	69%	69%	52%	92%	1-9	EN34
Eco-efficiency								
Energy produced/CO ₂ emissions related to energy production	MWh/ton	2,60	2,77	2,77	2,53	–	1-9	EN8
Energy produced/SO ₂ emissions related to energy production	GWh/ton	0,84	1,06	1,06	0,93	–	1-9	EN10
Energy produced/NO _x emissions related to energy production	GWh/ton	1,30	1,86	1,86	1,56	–	1-9	EN10
Natural gas transported/NO _x emissions related to gas transportation	GWh/ton	–	nd	nd	0,58	–	1-9	EN10
Natural gas transported/CO ₂ emissions related to gas transportation	MWh/ton	–	nd	nd	2,20	–	1-9	EN8
Natural gas transported/CH ₄ emissions related to gas transportation	GWh/ton	–	0,03	0,03	0,02	–	1-9	EN8
Sanitation – Sludge recovered/Sludge produced	%	60%	70%	nd	27,3%	–	1-2-9	EN11
Incineration – Energy sold/waste incinerated	kWh/ton	244,0	289,0	289,0	277,0	–	1-2-9	EN11
Waste storage – Energy sold (biogas)/landfill waste	kWh/ton	9,7	12,0	12,0	14,0	–	1-2-9	EN11
Converted waste tonnage (energy + materials)/treated tonnage	%	21%	29%	29%	29,0%	–	1-2-9	EN11

* See methodological factors

Environmental performance indicators	Units	EGE			EGI		Energy Service		SUEZ Environment	
		2003	2002	2003	2002	2003	2002	2003	2002	2003
Management performance indicators										
Environmental commitment or policy statement	% of revenues	78%	75%	85%	85%	63%	89%	86%	77%	
Environmental management program	% of revenues	78%	69%	32%	47%	5%	53%	84%	70%	
✓ Certified environmental management systems	% of revenues	54%	61%	39%	23%	10%	33%	43%	44%	
Number of sites/activities covered by certified environmental management systems	Number	nd	20	nd	20		116	nd	575	
Certified environmental management systems – ISO 14001	Number	14	20	2	7	52	54	d	181	
Certified environmental management systems – EMAS	Number	2	3	0	0	0	0	6	4	
Certified environmental management systems – ISO 9001 version 2000	Number	0	5	0	3	2	40	145	185	
Certified environmental management systems – Local standards	Number	0	0	40	3	3	30	45	49	
Environmental analyses	% of revenues	55%	84%	63%	63%	12%	44%	54%	44%	
Environmental risk prevention plans	% of revenues	73%	47%	74%	77%	24%	40%	55%	47%	
✓ Crisis management plans	% of revenues	73%	54%	39%	75%	11%	64%	100%	100%	
Environmental reports published by level 2 companies	% of revenues	71%	49%	0%	3%	32%	64%	72%	65%	
Environment R&D budget	Thousand euros	10 536	nd	449	nd	1 574	nd	53 300	22 000	
Environmental expenditures	Thousand euros	135 049	125 165	130 960	40 748	26 294	7 634	579 000	2 114 128	
Environment-related complaints	Number	3	16	1	21	2	2	48	55	
Environment-related convictions	Number	1	3	0	5	0	0	24	14	
Fines from environment-related convictions	Thousand euros	92	0	0	1 444	0	0	520	41	
Energy										
Installed capacity – Electricity and heat – Renewable sources	MW eq	134,7	134,3	5 400,0	5 286,0	100,0	106,1	400,0	798,3	
Installed capacity – Electricity – Hydraulic	MW eq	nd	114,8	nd	5 165,9	nd	48,8	0,0	0,0	
Installed capacity – Electricity – Wind energy	MW eq	nd	19,5	nd	–	nd	4,6	0,0	0,0	
Installed capacity – Electricity and heat – Solar	MW eq	0,0	0,0	nd	–	nd	0,0	0,0	0,0	
Installed capacity – Electricity and heat – Geothermal	MW eq	0,0	0,0	nd	–	nd	21,2	0,0	0,0	
Installed capacity – Electricity and heat – Biomass	MW eq	0,0	0,0	nd	120,1	nd	22,2	nd	707,3	
Installed capacity – Electricity and heat – Biogas	MW eq	0,0	0,0	nd	–	nd	9,3	nd	91,0	
Electricity and heat production – Renewable sources	GWh eq	455,8	418,2	24 230,2	20 400,0	208,2	nd	1 342,0	5 191,0	
✓ Primary energy consumption – Electricity and heat production	GWh	137 027,1	152 283,2	74 842,6	91 246,7	29 808,9	32 862,7	2 015,0	–	
✓ Primary energy consumption – Gas transportation	GWh	nd	721,4	–	601,1	–	–	–	–	
✓ Primary energy consumption for waste treatment	GWh	–	–	–	–	–	–	nd	3 457,0	
✓ Total electricity consumption	GWh	nd	1 313,0	–	–	–	–	5 376,0	4 916,2	
Air										
✓ Total GHG emissions	Tons eq. of CO ₂	32 824 209	41 624 179	21 715 214	23 910 204	5 452 023	6 513 131	10 419 295	7 531 630	
✓ CO ₂ emissions – Energy production	Tons	32 774 922	41 446 214	21 392 133	23 282 016	5 452 023	6 358 669	3 488 980	–	
✓ CO ₂ emissions – Gas transportation and distribution	Tons	nd	140 459	nd	123 220	–	–	–	–	
✓ CH ₄ emissions – Gas transportation and distribution	Tons	2 347	1 650	15 385	23 690	–	–	–	–	
✓ GHG emissions – Controlled landfill site	Tons eq. of CO ₂	–	–	–	–	–	–	6 993 325	4 179 943	
✓ GHG emissions – Incineration	Tons eq. of CO ₂	–	–	–	–	nd	143 004	2 499 393	2 365 917	
✓ GHG emissions – Vehicle fleet	Tons eq. of CO ₂	nd	2 856	nd	7 469	nd	11 458	844 937	846 672	
✓ GHG emissions – Sanitation	Tons eq. of CO ₂	–	–	–	–	–	–	144 650	139 098	
GHG emissions avoided (waste-to-energy conversion and materials recovery)	Tons eq. of CO ₂	–	–	–	–	–	–	993 544	13 057 112	
NO _x emissions	Tons	38 135	51 384	35 883	39 863	15 626	17 423	9 315	8 406	
SO ₂ emissions	Tons	32 758	65 029	115 791	120 055	8 818	6 405	10 300	851	
Particulate emissions	Tons	3 750	5 340	9 455	8 062	–	107	–	–	
Water										
✓ Water consumption – Industrial process – Total	Million m ³	10,6	14,8	47,1	16,0	7,8	9,4	11,3	7,1	
✓ Water consumption – Industrial process – Surface water	Million m ³	5,8	8,1	34,4	1,9	6,1	7,3	2,1	0,0	
✓ Water consumption – Industrial process – Ground water	Million m ³	1,6	3,5	3,0	3,1	0,4	0,1	0,0	0,0	
✓ Water consumption – Industrial process – Public supply networks	Million m ³	3,3	3,2	9,7	11,1	1,3	2,0	9,1	7,1	
Water consumption – Cooling – Total	Million m ³	–	143,2	–	302,0	nd	0,4	nd	4,2	
Water consumption – Cooling – Evaporated surface water	Million m ³	–	143,1	–	291,0	nd	0,0	nd	2,2	
Water consumption – Cooling – Ground water	Million m ³	–	0,0	–	7,4	nd	0,4	nd	0,0	
Water consumption – Cooling – public supply networks	Million m ³	–	0,1	–	3,6	nd	0,0	nd	2,0	
Drinking water conveyance – amount of water delivered	Million m ³	–	85,1	–	–	–	–	7 864,0	10 764,0	
Drinking water conveyance – population coverage rate	%	–	–	–	–	–	–	89%	93%	
✓ Drinking water conveyance – network technical efficiency	%	–	–	–	–	–	–	71%	81%	
Sanitation – amount of water treated	Million m ³	–	–	–	–	–	–	2 708,0	2 396,0	
Sanitation – population coverage rate	%	–	–	–	–	–	–	79%	78%	
Sanitation – network size (length)	km	–	–	–	–	–	–	102 661	95 540	
Sanitation – Number of WWTP – Treatment capacity ≥ 120 kg BOD ₅ /day	Number	–	–	–	–	–	–	779	802	
Sanitation – Number of WWTP – Treatment capacity < 120 kg BOD ₅ /day	Number	–	–	–	–	–	–	1 151	777	
Sanitation – Tons of BOD ₅ eliminated	Tons	–	–	–	–	–	–	693 865	1 033 288	
Waste										
✓ Non-hazardous industrial waste (NHW)	Tons	10 925	9 173	6 675	169 128	684	6 465	2 240 808	1 679 121	
✓ Hazardous industrial waste (HW)	Tons	16 110	9 092	345	762	198	2 721	171 891	175 029	
Fly ash production	Tons	626 638	1 263 078	1 616 909	2 118 985	26 926	41 450	nd	175 029	
Bottom ash production	Tons	86 172	308 454	835 882	741 461	59 809	108 005	nd	1 215 873	
Desulphurization by-products	Tons	110 643	199 738	0	0	0	0	–	–	
Nuclear waste production (low and medium activity)	m ³	186	178	–	–	–	–	–	–	
Waste converted	Tons	502 937	1 508 616	1 173 623	1 237 980	55 851	2 332	nd	952 415	
Leachates	Number eq in	–	–	–	–	–	–	474 963	461 450	
Waste-to-energy conversion – Electricity production	MWh electricity	–	–	–	–	–	–	2 271 947	1 848 438	
Vehicles										
Total number of trucks	Number	–	1 489	–	–	nd	2 797	nd	12 685	
Number of "green" trucks	Number	–	22	–	–	nd	6	nd	8 719	
"Green" vehicle fleet/total vehicle fleet	%	–	1,5%	–	–	nd	0,21%	69%	69%	
Eco-efficiency										
Energy produced/CO ₂ emissions related to energy production	MWh/ton	3,24	2,66	2,29	2,33	1,87	1,75	–	–	
Energy produced/SO ₂ emissions related to energy production	GWh/ton	3,25	1,69	0,43	0,45	1,16	1,74	–	–	
Energy produced/NO _x emissions related to energy production	GWh/ton	2,79	2,17	1,39	1,35	0,65	0,64	–	–	
Natural gas transported/NO _x emissions related to gas transportation	GWh/ton	nd	0,57	1,82	0,63	1,43	–	–	–	
Natural gas transported/CO ₂ emissions related to gas transportation	MWh/ton	nd	3,53	0,00	0,69	0,004	–	–	–	
Natural gas transported/CH ₄ emissions related to gas transportation	GWh/ton	nd	0,30	nd	0,001	0,000	–	–	–	
Sanitation – Sludge recovered/Sludge produced	%	–	–	–	–	–	–	nd	27%	
Incineration – Energy sold/waste incinerated	kWh/ton	–	–	–	–	–	–	289,0	277,0	
Waste storage – Energy sold (biogas)/landfill waste	kWh/ton	–	–	–	–	–	–	12,0	14,0	
Converted waste tonnage (energy + materials)/treated tonnage	%	–	–	–	–	–	–	29%	29%	

Social performance

	EGE			EGI		
	2001	2002	2003	2001	2002	2003
Staffing by geographical area						
European Union	18,058	16,873	15,570	45	154	135
Rest of Europe	509	547	998		42	48
North America				562	1,767	1,518
South America				1,592	1,416	1,414
Africa – Middle East				15	89	83
Asia – Pacific				656	1,034	1,103
☑ TOTAL	18,567 (100.0%)	17,420 (100.0%)	16,568 (100.0%)	2,870 (100.0%)	4,502 (100.0%)	4,301 (100.0%)
Distribution of staffing by category of employees						
☑ Management	2,732	2,714	2,800	243	697	851
ATS (Advanced Technicians – Supervisory level)	3,001	2,742	2,074	642	1,204	1,042
WT (Workers and Technicians)	12,834	11,964	11,694	1,985	2,601	2,408
TOTAL	18,567 (100.0%)	17,420 (100.0%)	16,568 (100.0%)	2,870 (100.0%)	4,502 (100.0%)	4,301 (100.0%)
Proportion of women in the group						
☑ Proportion of women employees	17.3% (97.6%)	19.6% (100.0%)	20.9% (99.54%)	N/A	16.9% (100.0%)	17.6% (99.91%)
Proportion of women in management positions	10.6% (88.6%)	13.1% (100.0%)	13.8% (99.4%)	N/A	12.5% (100.0%)	19.0% (80.13%)
Distribution of staffing by type of contract						
Permanent positions	91.2%	92.9%	93.0%	N/A	97.0%	94.7%
Others	8.8% (90.3%)	7.1% (100%)	7.0% (99.8%)	N/A	3.0% (100.0%)	5.3% (100.0%)
Age distribution (for permanent staff)						
☑ - to 25	N/A	2.7%	3.1%	N/A	5.5%	4.2%
☑ 25 - 29	N/A	6.5%	6.9%	N/A	13.8%	13.8%
☑ 30 - 34	N/A	10.8%	11.3%	N/A	19.7%	18.7%
☑ 35 - 39	N/A	12.2%	12.7%	N/A	17.8%	18.0%
☑ 40 - 44	N/A	13.6%	14.6%	N/A	16.7%	17.0%
☑ 45 - 49	N/A	14.9%	16.0%	N/A	13.2%	14.2%
☑ 50 - 54	N/A	17.4%	17.0%	N/A	8.2%	8.1%
☑ 55 - 59	N/A	21.1%	17.5%	N/A	3.6%	4.2%
☑ 60 - 64	N/A	0.9%	0.9%	N/A	1.3%	1.5%
☑ 65 and +	N/A	0.01% (100%)	0.0% (100.0%)	N/A	0.2% (98.5%)	0.3% (100.0%)
Turnover*						
☑ Turnover = number of employee departures (excluding end of contract)/ yearly average number of employees	2002 1 st h 3.9% (92.1%)	2002 2 nd h 3.4% (91.4%)	2003 14.4% (95.7%)	2002 1 st h 4.7% (94.3%)	2002 2 nd h 10.5% (91.5%)	2003 15.8% (86.2%)
Compensation						
☑ Gross average worker's salary**/Gross local minimum wage (Minimum value)	3.5 1.7 (91.8%)	6.0 1.7 (8.3%)	3.1 1.5 (72.3%)	4.8 4.8 (25.5%)	9.0 2.0 (77.7%)	9.2 4.4 (93.1%)
Gross average salary/Gross average salary for sector						
Management	2.0 (81.4%)	1.9 (88.5%)	1.8 (91.9%)	1.7 (68.3%)	3.2 (63.4%)	1.6 (97.6%)
ATS (Advanced Technicians – Supervisory level)	1.7 (88.6%)	1.1 (8.0%)	2.0 (81.5%)	1.6 (39.4%)	3.1 (68.9%)	2.9 (91.4%)
WT (Workers and Technicians)	2.5 (91.8%)	1.9 (8.3%)	2.0 (72.3%)	1.1 (65.5%)	2.3 (57.6%)	2.1 (93.1%)
Gross average worker's salary/local cost of living	3.6 (91.8%)	3.6 (8.3%)	3.0 (72.3%)	2.1 (35.5%)	5.2 (80.8%)	4.6 (93.1%)
Occupational safety						
☑ Number of fatal accidents (employees)	1	1	1	0	1	0
☑ Rate of frequency	8.70	5.68	5.95	6.79	5.96	5.06
☑ Rate of seriousness	0.20 (100.0%)	0.12 (87.6%)	0.15 (93.5%)	0.21 (28.9%)	0.06 (31.0%)	0.11 (100.0%)
Training						
☑ Percentage of personnel trained	63.1 (55.0%)	69.0 (89.5%)	74.0 (85.5%)	72.3 (39.1%)	58.1 (81.3%)	59.1 (92.5%)
Proportion of managers and non managers among personnel trained						
Management	10.3%	13.6%	14.6%	17.0%	8.5%	13.2%
ATS + WT	89.7% (99.0%)	86.4% (89.5%)	85.4% (88.0%)	83.0% (10.5%)	91.5% (81.3%)	86.8% (94.5%)
Cost of training per employee (€)						
Training hours per person (H)	1756.3 (55.0%)	1237.4 (89.5%)	1505.2 (85.5%)	838.0 (28.7%)	640.5 (51.7%)	877.5 (86.7%)
Hourly training costs (€)	31.5 (55.0%)	37.2 (89.5%)	38.8 (84.9%)	30.5 (39.1%)	84.5 (72.5%)	90.0 (91.6%)
Distribution of training hours by theme	55.7 (55.0%)	33.2 (89.5%)	40.2 (84.9%)	27.4 (28.7%)	28.5 (81.3%)	68.8 (86.7%)
Business technical training	46.3%	7.8%	28.2%	45.5%	57.7%	66.6%
Quality, Environment, Safety (QES)	11.0%	2.1%	13.5%	35.4%	5.1%	10.6%
Languages	7.7%	1.6%	2.6%	0.6%	6.4%	6.3%
Other	35.0% (18.1%)	88.5% (89.5%)	55.6% (82.8%)	18.4% (68.2%)	30.8% (81.3%)	16.6% (100.0%)

* Turnover per half-year for 2002

** For this ratio, only "Gross average worker's salary" was checked.

	SERVICES			SUEZ ENVIRONMENT		
	2001	2002	2003	2001	2002	2003
Staffing by geographical area						
European Union	59,146	60,237	62,768	61,914	61,268	45,917
Rest of Europe	1,394	4,808	2,965	1,526	1,282	2,873
North America	855	90	32	3,019	10,726	10,233
South America			501	18,156	18,158	18,319
Africa – Middle East	245	753	780	3,644	3,295	3,261
Asia – Pacific	1,338	1,001	1,106	3,216	2,311	2,566
☑ TOTAL	62,978.00 (100.0%)	66,889 (100.0%)	68,152 (100.0%)	91,475 (100.0%)	97,040 (100.0%)	83,169 (100.0%)
Distribution of staffing by category of employees						
☑ Management	7,748	7,940	7,860	6,471	7,318	5,965
ATS (Advanced Technicians – Supervisory level)	18,827	13,289	15,312	11,574	11,068	10,117
WT (Workers and Technicians)	36,403	45,134	44,765	73,430	77,807	58,077
TOTAL	62,978 (100.0%)	66,363 (99.2%)	67,937 (99.7%)	91,475 (100.0%)	96,193 (99.1%)	74,159 (89.2%)
Proportion of women in the group						
☑ Proportion of women employees	11.6% (70.1%)	10.7% (78.5%)	10.4% (98.35%)	17.1% (83.3%)	17.2% (91.8%)	13.6% (97.5%)
Proportion of women in management positions	12.7% (75.9%)	11.6% (85.8%)	11.0% (98.1%)	26.0% (64.5%)	21.3% (86.7%)	16.8% (73.9%)
Distribution of staffing by type of contract						
Permanent positions	93.5% (65.8%)	95.4% (83.6%)	95.4% (97.3%)	91.5% (81.1%)	92.5% (95.4%)	95.6% (76.1%)
Others	6.5%	4.6%	4.6%	8.5%	7.5%	4.4%
Age distribution (for permanent staff)						
☑ - to 25	N/A	6.9%	6.4%	N/A	5.8%	5.6%
☑ 25 - 29	N/A	10.5%	10.3%	N/A	11.0%	11.9%
☑ 30 - 34	N/A	14.7%	13.6%	N/A	15.2%	16.2%
☑ 35 - 39	N/A	16.2%	16.0%	N/A	16.7%	17.2%
☑ 40 - 44	N/A	14.3%	15.0%	N/A	15.8%	15.6%
☑ 45 - 49	N/A	13.4%	14.0%	N/A	14.1%	13.3%
☑ 50 - 54	N/A	13.2%	13.7%	N/A	11.5%	11.0%
☑ 55 - 59	N/A	9.2%	9.4%	N/A	7.2%	7.3%
☑ 60 - 64	N/A	1.5%	1.5%	N/A	2.3%	1.6%
☑ 65 and +	N/A	0.1% (82.4%)	0.1% (97.5%)	N/A	0.4% (76.1%)	0.3% (96.4%)
Turnover*						
☑ Turnover = number of employees leaving (excluding end of contract)/ average employees for half-year	4.7% (58.8%)	6.7% (77.1%)	15.2% (72.6%)	8.2% (75.8%)	6.8% (88.4%)	11.5% (63.3%)
Compensation						
☑ Gross average worker's salary**/Gross local minimum wage (Minimum value)	1.9 (8.1%)	1.6 (34.9%)	1.8 (75.1%)	2.6 (60.4%)	2.4 (80.7%)	3.3 (70.4%)
Gross average salary/Gross average salary for sector						
Management	1.3 (21.1%)	1.0 (69.5%)	0.8 (83.6%)	1.5 (52.8%)	1.4 (59.8%)	1.3 (61.2%)
ATS (Advanced Technicians – Supervisory level)	1.2 (11.8%)	0.9 (61.0%)	0.8 (85.1%)	1.4 (66.0%)	1.5 (74.0%)	1.7 (62.8%)
WT (Workers and Technicians)	1.4 (8.3%)	1.1 (35.2%)	1.0 (73.1%)	1.6 (60.4%)	1.4 (89.2%)	1.8 (70.3%)
Gross average worker's salary/local cost of living	2.3 (8.3%)	1.6 (35.1%)	1.8 (75.1%)	2.3 (60.4%)	1.9 (82.7%)	2.0 (70.4%)
Occupational safety						
☑ Number of fatal accidents (employees)	2	1	3	15	15	7
☑ Rate of frequency	24.26	27.25	25.58	65.53	46.42	28.45
☑ Rate of seriousness	0.92 (58.7%)	0.74 (72.2%)	0.78 (79.9%)	1.66 (85.7%)	1.28 (82.8%)	1.04 (79.4%)
Training						
☑ Percentage of personnel trained	45.2 (41.2%)	64.8 (46.1%)	43.9 (69.1%)	47.2 (42.0%)	36.4 (79.5%)	65.1 (77.8%)
Proportion of managers and non managers among personnel trained						
Management	16.8%	17.0%	16.3%	19.7%	9.5%	9.6%
ATS + WT	83.2% (45.2%)	83.0% (46.1%)	83.7% (72.5%)	80.3% (48.0%)	90.5% (80.0%)	90.4% (69.2%)
Cost of training per employee (€)						
	1207.6 (41.2%)	584.1 (41.5%)	625.4 (62.9%)	832.0 (43.0%)	442.0 (79.5%)	522.9 (75.4%)
Training hours per person						
	24.6 (41.2%)	24.0 (41.5%)	24.6 (59.5%)	21.0 (42.0%)	23.4 (79.5%)	22.5 (75.1%)
Hourly training costs (€)						
	55.9 (41.2%)	26.7 (41.5%)	27.6 (59.0%)	34.9 (42.0%)	24.5 (79.5%)	22.5 (75.1%)
Distribution of training hours by theme						
Business technical training	38.8%	51.4%	54.1%	35.0%	30.4%	28.0%
Quality, Environment, Safety (OES)	28.5%	28.6%	24.4%	40.0%	30.1%	34.9%
Languages	3.0%	3.6%	5.3%	2.6%	7.3%	4.7%
Other	29.7% (47.2%)	16.4% (46.1%)	16.2% (67.6%)	22.3% (50.7%)	32.3% (80.0%)	32.3% (75.2%)

* Turnover per half-year for 2002

** For this ratio, only "Gross average worker's salary" was checked.



Auditors' report on the review of environmental and social indicators

As statutory auditors of SUEZ, and at your request, we performed a review in view of providing moderate assurance on the environmental and social indicators ("the data") selected by SUEZ and identified by the symbol ☒ among the environmental and social indicators shown on pages 66 to 69 for fiscal year 2003.

These data are the responsibility of SUEZ Executive Management, in accordance with the following internal reporting criteria:

- Set of procedures relating to environmental data reporting,
 - Set of procedures relating to social data reporting,
- available for consultation at the Human Resources and Environment & Innovation departments, and summarized on pages 64 and 65. It is our responsibility, based on the work performed, to express a conclusion on the selected data.

Nature and scope of our work

We performed a limited review to provide moderate assurance that the selected data do not contain any material anomalies for the selected entities. Such a review does not include all the relevant controls for providing reasonable assurance, nor does it provide assurance on the rate of coverage relative to the data.

- We assessed the environmental and social data reporting criteria with regard to their relevance, reliability, neutrality, understandability, and completeness;
- We met with the persons responsible for the application of the reporting criteria at the Environment & Innovation Department in the SUEZ headquarters, at EGE, EGI, TES and SUEZ Environment, as well as in eight selected entities⁽¹⁾. We performed validation tests in the selected entities on environmental data representing 1.5% to 16.4% of SUEZ consolidated environmental data;
- We met with the persons responsible for the application of the reporting criteria at the Social Relations Department in the SUEZ headquarters, at EGE, EGI, TES, Fabricom and SUEZ Environment, as well as in eight selected entities⁽²⁾. We performed validation tests in the selected entities on social data representing 10% to 22% of SUEZ consolidated social data;
- On a sampling basis, we examined the calculations and verified data reporting in the selected entities and at different consolidation levels.

Our conclusions below relate to the selected entities and data. However, the work performed does not provide assurance on the accuracy or completeness of published data and information for the Group as a whole.

To assist us in conducting our review, we referred to the experts of both the Environment & Sustainability service lines of our firms, coordinated respectively by Mr. Eric Duvaud for Ernst & Young and Mr. Preben Soerensen for Deloitte.

⁽¹⁾ EGE (3 sites in Belgium and in the Netherlands: Electrabel SA, Electrabel NL and Fluxys), EGI (1 site in the United States: Tractebel Power Inc.), TES (Elyo Ile-de-France), SUEZ Environment (Lyonnaise des Eaux, Degrémont Services and SITA France Déchets in France).

⁽²⁾ Electrabel Belgium, Tractebel Power Inc. (United States), Dunamenti (Hungary), Elyo Ile-de-France, Endel SA, Degrémont Services, Lyonnaise des Eaux France, SITA France Déchets.

Information on the reporting criteria

We would like to draw your attention to the following comments to the social and environmental data reporting criteria:

Environmental reporting

- The reliability of the data collection and aggregation process was improved by implementing a specific reporting tool and making the general procedures more precise;
- The application of procedures and the understanding of indicator definitions have improved. However, their adaptation and correct application at the different reporting levels should be reinforced, especially with regard to relevant revenue, water consumption, hazardous and non-hazardous waste, and certain energy emission and conversion factors.

Social reporting

- The formalization and implementation of procedures have improved. However, the internal control procedures on the reliability of the data subject to our review were not systematically implemented at all levels.
- Indicator definitions should be made more precise at Group level, especially with regard to socio-professional groups, and the reasons for employee arrivals and departures.

Conclusion

Based on our review, we did not identify any material anomalies likely to call into question the data examined in the entities under review in relation to the reporting criteria, with the following exceptions:

- “Water consumption–Industrial process” for which we identified a misinterpreted definition, resulting in a material discrepancy that was duly corrected.
- “Turnover”, for which we identified discrepancies in the data taken into account to calculate the indicator for four entities.
- Number of hours worked and days of absence taken into account to calculate the “rate of seriousness”, for which we identified two material discrepancies that were duly corrected.

Neuilly-sur-Seine, March 25, 2004,

The Auditors,

Barbier Frinault & Autres, Ernst & Young



Christian Chochon

Deloitte Touche Tohmatsu – Audit



Jean-Paul Picard

Consolidated balance sheets – Assets

(in € millions)	31.12.2003			31.12.2002	31.12.2001
	Gross	Amortization and provisions	Net	Net	Net
Intangible assets	3,242.2	1,609.4	1,632.8	3,903.0	4,234.9
Goodwill	8,214.4	2,362.9	5,851.5	8,710.9	10,319.3
Tangible assets					
▶ Owned outright	42,062.9	22,913.5	19,149.4	24,682.3	28,662.9
▶ Under concession	8,469.9	2,869.0	5,600.9	5,604.0	5,532.5
▶ Construction in progress and down payments	2,383.5	6.5	2,377.0	2,989.5	3,796.2
Financial assets					
▶ Equity securities	3,551.8	1,347.9	2,203.9	5,733.6	6,653.1
▶ Companies accounted for under the equity method	3,396.4	62.9	3,333.5	3,270.4	3,254.0
▶ Other assets	2,379.5	899.0	1,480.5	2,095.8	1,256.2
Total non-current assets	73,700.6	32,071.1	41,629.5	56,989.5	63,709.1
Inventories & work-in-progress	1,955.7	105.6	1,850.1	2,652.6	4,203.3
Accounts receivable					
▶ Trade accounts and notes receivable	9,541.2	557.2	8,984.0	9,967.1	10,212.6
▶ Other receivables	3,564.7	135.8	3,428.9	3,702.7	3,377.4
Marketable securities and cash equivalents					
▶ Marketable securities	5,123.8	108.8	5,015.0	2,575.7	1,122.6
▶ Cash and cash equivalents	6,688.0	–	6,688.0	5,963.2	4,628.6
Settlement accounts	2,354.7	–	2,354.7	2,300.5	2,227.8
Total current assets	29,228.1	907.4	28,320.7	27,161.8	25,772.3
Total assets	102,928.7	32,978.5	69,950.2	84,151.3	89,481.4

NB: These summary financial statements are extracts from SUEZ' 2003 Background Paper, available at www.suez.com.

Consolidated balance sheets – Liabilities and shareholders' equity

(in € millions)	31.12.2003	31.12.2002	31.12.2001
Share capital	2,015.3	2,014.8	2,052.6
▶ Additional paid-in capital	6,470.1	6,439.8	6,843.3
▶ Consolidated reserves	3,186.9	5,048.9	4,132.8
▶ Cumulative translation adjustment	(2,238.8)	(1,691.0)	112.3
▶ Net income (loss) for the year	(2,165.2)	(862.5)	2,086.7
▶ Treasury stock	(372.6)	(372.6)	(830.5)
Shareholders' equity, Group share	6,895.7	10,577.5	14,397.2
Minority interests	4,847.2	5,190.7	6,447.0
Total Shareholders' equity	11,742.9	15,768.2	20,844.2
Special concession accounts	4,847.4	4,849.2	4,668.6
Reserves for contingencies and losses	10,440.4	10,208.1	9,437.1
Borrowings and long-term debt	26,694.1	34,544.5	33,760.6
Accounts payable			
▶ Advances and down payments received on orders	942.7	1,543.9	3,071.6
▶ Trade payables	6,617.6	6,643.2	6,343.3
▶ Other accounts payable	5,880.6	6,558.6	6,854.5
Settlement accounts	2,784.5	4,035.5	4,501.5
Total liabilities and Shareholders' equity	69,950.2	84,151.3	89,481.4

Consolidated statements of income

(in € millions)	31.12.2003	31.12.2002 pro forma	31.12.2002	31.12.2001
Revenues	39,621.8	40,783.9	46,089.8	42,359.2
Other income	1,488.4	2,073.6	2,073.6	1,774.1
Other operating income	1,044.9	1,606.3	1,606.3	1,350.3
Income from mixed inter-communal companies and partnerships	443.5	467.3	467.3	423.8
Operating expenses	35,383.1	36,079.0	41,384.9	36,970.8
Purchases and changes in inventories	12,912.1	11,821.4	17,127.3	15,746.0
Receipts on behalf of local authorities	1,035.4	1,081.2	1,081.2	894.7
Taxes and related payments	820.5	852.7	852.7	828.0
Salaries, wages, and social security benefits	8,236.3	9,295.0	9,295.0	8,426.6
Other operating expenses	12,378.8	13,028.7	13,028.7	11,075.5
Operating income before depreciation, amortization, and provisions	5,727.1	6,778.5	6,778.5	7,162.5
Net depreciation, amortization and provisions	2,522.2	3,070.9	3,070.9	3,098.7
Operating income	3,204.9	3,707.6	3,707.6	4,063.8
Financial income (loss)	(880.1)	(976.0)	(976.0)	(1,257.7)
Current income of consolidated companies	2,324.8	2,731.6	2,731.6	2,806.1
Exceptional income (loss)	(2,757.4)	(1,783.7)	(1,783.7)	826.2
Income tax	(721.0)	(657.1)	(657.1)	(722.0)
Share in income of companies accounted for under the equity method	165.7	51.4	51.4	333.7
Income before amortization of goodwill	(987.9)	342.2	342.2	3,244.0
Amortization of goodwill	(266.8)	(382.6)	(382.6)	(422.7)
Group share of goodwill amortization	(236.2)	(350.1)	(350.1)	(376.6)
Total net income (loss)	(1,254.7)	(40.4)	(40.4)	2,821.3
Minority interests	910.5	822.1	822.1	734.6
Net income (loss), Group share	(2,165.2)	(862.5)	(862.5)	2,086.7
Earnings (losses) per share (in €)	(2.18)	(0.87)	(0.87)	2.12
Diluted earnings (losses) per share (in €)	(2.18)	(0.87)	(0.87)	2.08

Consolidated statements of cash flows

(in € millions)	31.12.2003	31.12.2002	31.12.2001
Net income (loss), group share	(2,165.2)	(862.5)	2,086.7
Share in net income (loss) of companies accounted for under the equity method (net of dividends received)	4.6	(19.0)	(220.5)
Net depreciation, amortization and provisions	3,785.6	5,659.4	3,553.2
Net capital gains on disposals of assets	1,310.3	(1,362.1)	(1,880.3)
Minority interests	910.5	822.1	734.6
Other	(118.9)	618.8	543.0
Gross cash flow	3,726.9	4,856.7	4,816.7
Changes in:			
► Inventory	51.9	62.6	45.2
► Receivables	292.7	(806.5)	(144.2)
► Payables	512.2	620.4	485.2
Total operating working capital cash flows	856.8	(123.5)	386.3
► Other	(88.1)	93.3	199.6
Cash flow from operating activities	4,495.6	4,826.5	5,402.5
Tangible and intangible investments	(2,804.4)	(4,157.8)	(4,391.1)
Financial investments	(1,501.7)	(4,174.0)	(3,432.1)
Disposals of tangible and intangible assets	230.2	878.9	422.8
Disposals of financial assets	7,806.7	4,154.7	3,128.4
Cash acquired from acquisitions net of cash disposed of via divestitures ⁽¹⁾	(61.8)	(34.0)	271.6
Increase (decrease) in other assets	20.0	186.3	(267.2)
Other	(81.1)	(55.0)	(64.4)
Cash flow from investing activities	3,607.9	(3,200.9)	(4,332.0)
Dividends distributed	(1,592.5)	(1,646.0)	(1,569.2)
Repayment of long-term debt	(11,831.5)	(14,738.1)	(8,398.6)
Increase in long-term debt	7,342.1	18,121.0	8,947.4
Treasury stock movements	0.0	(145.2)	53.1
Increase in total shareholders' equity	(108.1)	128.1	78.0
Cash flow from financing activities	(6,190.0)	1,719.8	(889.3)
Effect of changes in consolidation method, exchange rates, and other	14.6	(356.8)	(18.2)
Total cash flow for the year	1,928.1	2,988.6	163.0
Cash at beginning of year	7,875.0	4,886.4	4,723.4
Cash at year end ⁽²⁾	9,803.1	7,875.0	4,886.4

⁽¹⁾ Cash balances of companies acquired or over which the Group has gained control, less cash balances of consolidated companies sold.

⁽²⁾ Cash balances comprise the following:

(in € millions)	31.12.2003	31.12.2002	31.12.2001
Cash and cash equivalents	6,688.0	5,963.1	4,628.6
Marketable securities ⁽³⁾	3,115.1	1,911.9	257.8
Cash on the statement of cash flows	9,803.1	7,875.0	4,886.4

⁽³⁾ As a matter of interest, Fortis shares reclassified as marketable securities in 2003 are not included in this item. Only marketable securities of less than 90 days are included. The consolidated reconciliation with the marketable securities on the balance sheet is calculated as follows:

(in € millions)	31.12.2003	31.12.2002	31.12.2001
Marketable securities - maturities of less than 90 days	3,115.1	1,911.9	257.8
Other marketable securities	1,899.9	663.8	864.8
Total marketable securities on balance sheet	5,015.0	2,575.7	1,122.6

List of main SUEZ subsidiaries*

■ Electricity & Gas Europe (EGE)

AceaElectrabel	Italy	20%
Compagnie Nationale du Rhône	France	24%
Energie du Rhône	France	34%
Distrigas	Belgium	47%
Dunamenti	Hungary	38%
Electrabel	Belgium	50%
Electrabel Customer Solutions	Belgium	48%
Electrabel Nederland	Netherlands	50%
Fluxys	Belgium	47%
Polaniec	Poland	50%
Rosen	Italy	50%
Tirreno Power	Italy	18%

■ Electricity & Gas International (EGI)

Baymina Enerji	Turkey	95%
Colbun	Chile	29%
Edelnor	Chile	27%
ElectroAndina	Chile	33%
EnerSur	Peru	100%
Glow SPP	Thailand	99%
Glow IPP	Thailand	94%
Gulf Total Tractebel Power Co	United Arab Emirates	20%
Hanjin City Gas	South Korea	75%
Tractebel Energia	Brazil	78%
Tractebel Energy Services Inc.	United States	100%
Tractebel LNG North America	United States	100%
Tractebel LNG	United Kingdom	100%
Tractebel North America	United States	100%

*and percentage of interest on 31.12.2003.

■ Energy and Industrial Services (EIS)

Installations & Maintenance

Axima Contracting & Refrigeration	Belgium	100%
Endel	France	100%
Fabricom GTI	Belgium	100%
GTI	Netherlands	100%
Ineo	France	100%

Energy Services

Axima Services	Belgium	100%
Elyo	France	100%

Engineering

Tractebel Engineering	Belgium	100%
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■ SUEZ Environment

Water

Agbar	Spain	26%
Aguas Andinas	Chile	32%
Aguas Argentinas	Argentina	46%
Aguas do Amazonas	Brazil	100%
ASIM (LISCO)	Mexico	50%
Bogotana de Aguas	Colombia	100%
Degrémont	France	100%
Eurawasser	Germany	100%
Lydec	Morocco	60%
Lyonnaise des Eaux France	France	100%
Macao Water (SAAM)	Macao	43%
Northumbrian Water	United Kingdom	25%
PALYJA	Indonesia	95%
Sino-French Holding	China	50%
United Water	United States	100%
WSSA	South Africa	50%

Waste Services

Ate-Geoclean	France	100%
CLIBA	Argentina	45%
Novergie	France	99%
Scori	France	66%
SITA Australia	Australia	60%
SITA Belgium	Belgium	100%
SITA Canada	Canada	100%
SITA Deutschland	Germany	100%
SITA Finland	Finland	75%
SITA France	France	100%
SITA Nederland	Netherlands	100%
SITA Polska	Poland	100%
SITA Sverige	Sweden	75%
SITA UK	United Kingdom	100%
Swire SITA	Hong Kong	50%
Teris	France	100%
Teris LLC	United States	100%
VEGA	Brazil	100%
Wasteman	South Africa	30%

Industry Services

Ondeo Industrial Solutions	France	100%
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Consolidated glossary

Advanced Technicians – Supervisory level (ATS): Statutory employee category in France of personnel having substantial technical expertise in their field and responsibility for task or project execution. This category can also cover administrative positions.

Biogas: All gases, such as methane and carbon dioxide, resulting from fermentation of landfilled waste in the absence of air.

Capital expenditure (CAPEX): Tangible or intangible investments (not including financial investments) for such uses as the construction or extension of a water system or a power plant, or a patent acquisition. Some capital expenditures are for maintenance and consist of investments to refurbish, but not extend, an existing productive asset.

Cash flow: Cash generated each year by a company's operations, meaning net income, including minority interests, but excluding net capital gains on the sale of assets, depreciation and provisions, and the company's share in net income from companies accounted for under the equity method, though including dividends received from such companies.

Certified environmental management system: A regularly audited operating system with formal documentation procedures and clear, continuous improvement objectives. The goal is to control an activity's inherent environmental risks. Adoption of outside environmental management system certification is a company marketing decision.

Chemical water treatment: Service provided industrial customers enabling them to select, to apply and control on a day-to-day basis chemicals to ensure the purity and quality of industrially processed water.

Class 1 storage center: Under French environmental regulations, a class 1 center is a landfill specialized in the storage of hazardous industrial waste and residual waste products such as mineral wastes or fly ash from waste incineration.

Clinker: By-product of waste incineration; the ash recovered from the base of the furnace.

Cogeneration/trigeneration: The simultaneous production of thermal energy (refrigeration and/or heat) and electricity in dedicated installations. This generation technique offers superior energy output

for reduced impact on the environment. It is particularly suitable for use in small and mid-sized generation facilities located near consumers in urban areas.

Comité 21: French Committee for the Environment and Sustainable Development bringing together various elements of the general public (businesses, local governments, associations, public agencies, and research and training institutions) to ingrain sustainable development principles in daily practice.

Composting: The transformation of organic-waste (microscopic fungi, bacteria, etc.) by micro-organisms into a humus-like product in the presence of water and oxygen.

Consolidated net debt: Equal to total debt minus liquid treasury assets. It denotes the real burden of the Group's financial borrowings which, together with cash flow, finance its investments. This term is used to establish the debt-to-equity ratio, which is the ratio of net debt to shareholders' equity.

Controlled landfill site: A storage facility subject to authorization and to various regulatory operating constraints which aim to control the impacts of this processing technique on persons and the environment. The type of on-site technical facilities depends on the nature of the waste produced (household or non-hazardous, hazardous, or inert industrial waste).

Delegated management: cf. Public-private partnership (PPP).

Desalination: Process by which the concentration of salts in water is reduced to render it fit for human and animal consumption as well as for other uses, such as industrial.

Dioxin: Very toxic chemical compound resulting from the combustion of organic matter. There are 210 types of dioxins, 17 of which are considered harmful.

Discharge: cf. Controlled landfill site.

DNA chip: A proprietary technique for analyzing drinking water using cutting-edge DNA chip technology. More accurate, faster and cheaper than current quality control techniques, the DNA chip offers consumers even more effective water quality control.

Drinking water supply: Equipment, services, and activities that, starting with raw water, produce water that complies with applicable water quality standards and is then distributed to consumers. The process consists of four distinct steps: intake/catchment, treatment to make water drinkable, conveyance (transportation/storage), and distribution to the consumer.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): cf. gross operating income.

Eco-efficiency: According to the World Business Council for Sustainable Development, eco-efficiency consists in providing products and services at competitive prices in a way that satisfies the needs of the population and offers a better quality of life, while progressively reducing environmental impacts and consumption of natural resources throughout the life cycle. Eco-efficiency indicators are developed by comparing the value of the product or service to its environmental impact (e.g. tons of greenhouse gases [GHG] emitted, tons of incinerated waste, etc.).

Effluent: General designation of any fluid produced by a pollution source, whether from populated areas or industrial facilities.

Energy spot market: A market of short-term buying and selling of energy.

Energy trading: Energy buying and selling on energy exchanges.

Environmental analysis: a thorough analysis of environmental-related problems, impacts, and results arising from activities at a site.

Environmental, Management, and Audit System (EMAS): A certificate based on ISO 14001 certification and a published environmental statement certified by European auditors accredited by the European Commission.

European Consultative Committee: A European employees' representative council established by SUEZ in 1995 in preparation for the European Directive of 1996. The Authority brings together employee representatives of the Group's European companies based on the relative size of the workforce of each country.

Exceptional items: positive items (such as capital gains on asset disposals) or negative items (such

as capital losses on asset disposals or depreciation) of a non-recurring nature and unrelated to ordinary operations, which occurred during the year and impacted net income.

Facilities management: The outsourcing of utilities management, waste services and maintenance operations by industrial customers to a single provider. The service provided may include operating technical installations, delegated management of maintenance operations, building upkeep, security and services.

Gas hub: Connecting point of a natural gas transmission network. Hubs draw supply from a variety of sources and enable operators to market gas to end-users.

Global Compact: The Global Compact was launched at the United Nations in July 2000 after first being evoked by U.N. Secretary General, Kofi Annan at the January 1999 World Economic Forum at Davos. The Compact is based on nine principles covering human rights, labor conditions, and the environment and represents a voluntary commitment by companies to contribute to promoting and implementing sustainable development policies at the world level.

Global Reporting Initiative (GRI): GRI is an initiative of the Coalition for Environmentally Responsible Economies (CERES), in partnership with the United Nations Environment Program (UNEP). It is a long-term, international, multi-stakeholder process involving the participation of business, NGOs consultants, professional associations, universities and others. Its mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines which businesses may use on a voluntary basis for reporting on the economic, environmental, and social dimensions of their activities, products, and services.

Greenhouse gas (GHG): Gases, such as carbon dioxide, that contribute to solar heat retention in the atmosphere. Human activity is responsible for the greenhouse gas buildup that in turn plays an important role in global warming and its effects on the ecosystem.

Gross operating income: Funds a company generates from its operating-cycle, before related financing costs. These funds correspond to operating income before depreciation, amortiza-

tion and provisions, increased by the share in current income of companies consolidated under the equity method and non-interest financial income.

Incinerator: A facility designed to burn waste and subject to authorization. More and more now recover waste in the form of electricity or thermal energy. The by-products (bottom ash and fly ash) are processed with a view to controlling the impacts of this activity both on people and the environment.

Independent producer: A company whose main activity is to produce electrical energy with the sole intention of selling it to a distributor, or to consumers via a third party.

Inter-community: Association of communes whose objective is to provide public services, often in collaboration with a private partner (in this case it is referred to as a mixed inter-community).

International Labor Organization (ILO): The ILO was founded in 1919 by the Treaty of Versailles to promote social justice by improving living and working conditions throughout the world. In 1946 it became a specialized agency of the United Nations. Its plenary session, the International Labor Conference, is composed of government, employer and worker delegates designated by each member state.

ISO 9001: An international standard establishing quality criteria for work procedures. The standard applies to product design, control of production and manufacturing procedures, and to end-product quality.

ISO 14001: An international standard that verifies a company's organizational procedures and methods, as well as effective application of environmental policy and objectives.

Kyoto Protocol: Agreement signed in 1997 at the convention of the parties to the United Nations Conference on Climate Change. Its purpose is to stabilize greenhouse gas emissions in the atmosphere.

Leachates: Water carrying organic or mineral pollutants after contact with landfilled or composted waste.

Market capitalization: The value placed on a company by the stock market, calculated as the

current share price multiplied by the number of shares outstanding.

Net cash flow: Cash flow that remains after taking into account total expenditures and changes in working capital.

Net current income, Group share: Gross operating income (EBITDA) minus amortization of operating expenses (including goodwill amortization), allocations to operating provisions, interest expenses, and current tax liabilities, as well as minority interests.

Net earnings per share: Figure obtained by dividing the Group's consolidated net income, after deducting minority interests, by the number of shares outstanding.

Net exceptional income (loss), Group share: Exceptional items arising from ordinary activities plus extraordinary items after deduction of applicable income taxes and related minority interests. Exceptional items arising from ordinary activities are those whose completion is not linked to the company's current operations either because their amounts or their impact are not normal or because they occur infrequently.

Net income (loss), Group share: Net income (loss) of all Group companies after deducting that portion belonging to third-party shareholders of SUEZ subsidiaries. Net income (loss), Group share equals the sum of net current income (loss), Group share, and net exceptional income (loss), Group share.

Net income (loss) per share: Figure obtained by dividing the Group's consolidated net income (loss), after deducting minority interests, by the number of shares outstanding, not including treasury stock.

QES: Quality, Environment, Safety.

OPEX (operational expenditure): Expenditures necessary to a company's operations, such as personnel expenses, costs of production and sales, and general administrative expenses.

Organic growth: A company's growth on a constant structural, accounting method and exchange-rate basis. To calculate organic revenue, the Group excludes natural gas price variations which do not reflect growth in activity in that it

is generally accompanied by an offsetting increase in purchasing.

Polychlorinated biphenyl (PCB): A very stable hydrocarbon containing chlorine. It has been used as a non-conductor of electric current in transformers, but also in certain paints, adhesives and plastics. Its toxicity is due above all to its tendency to build-up in fatty tissue all along the food chain.

Public-private partnership (PPP): A contractual arrangement adapted to each local situation by which the public sector authority assigns certain missions to a private operator and specifies objectives. The public sector partner retains regulatory control and ownership of the infrastructure, as opposed to privatizations which are based on the transfer of ownership of the infrastructure assets. Local government authorities are increasingly relying upon PPP arrangements for managing water services.

Rate of frequency: Number of work-related accidents occurring during a period per 1,000,000 hours worked.

Rate of seriousness: Number of days lost due to work-related accidents during a period per 1,000 hours worked.

Rational energy use (REU): Body of measures to promote rational use of power resources by simultaneously addressing requirements in terms of energy, economy and ecology.

Recovery: A generic term encompassing the re-employment, reuse, recycling or regeneration of waste. Among the various types of energy recovery are:

- **waste-to-energy recovery:** recovery of calories contained in incinerated waste, allowing thermal or electric energy production;
- **physical recovery:** waste treatment enabling reuse, re-employment, or recycling (e.g. waste originating from selective collection and recycling, bottom ash used for roadbeds);
- **biological recovery:** an organic waste processing technique using composting or methanization techniques

Recycling: The direct re-introduction of a waste type into the production cycle from which it originates as a total or partial replacement for new material.

Recycling center: Facility where collected waste is stored and sorted.

Regulated utilities market: market in which local public agencies are not responsible for providing drinking water or sanitation services. Private companies are therefore licensed or franchised to provide such services, in which case they become owners of the facilities, utility rates being fixed by a regulating agency. This is the basis on which the U.S. public utilities market operates.

Responsible Care Initiative®: An environmental management principle of the chemical industry used to guarantee safe handling of chemical products from inception to end-consumer use thanks to disposal, recycling or reuse.

Return on capital employed (ROCE): The ratio between net operating-profit after tax (NOPAT) and capital employed. Net operating profit is gross operating income (EBITDA) from which net allocations to depreciation and operating provisions are deducted (excluding goodwill amortization). Capital employed corresponds to the resources allocated to the development of each Group business and includes total assets adjusted for special concession accounts, reserves for contingencies and losses, miscellaneous accounts payable, prepayments, cash and cash equivalents, and marketable securities. This ratio is used in determining investments, and to track the return on Group businesses.

Return on equity: Net income, group share, divided by shareholders' equity, group share. This ratio allows for an accurate comparison of net profitability of activities with extremely different capital intensity.

Sanitation: Wastewater and rainwater collection, transportation, and treatment techniques used together by a populated area, industrial site, or private parcel before discharge into the natural environment. Sanitation includes the disposal of sludge resulting from the wastewater treatment process.

Shareholders' equity: The difference between net assets (all of the company's assets) and all of its debts. Total consolidated shareholders' equity is made up of a portion belonging to the consolidating entity (called shareholders' equity, group share) and a portion belonging to third-party shareholders of consolidated subsidiaries (called minority interests).

Treated sewage sludge: A mixture of water and solids separated from various types of water as a result of biological or physical processes.

Ultrafiltration: An advanced water treatment technique involving the filtration of water via membranes with pores that are some 10,000 times smaller than those of human skin. By removing all particles of a size greater than 0.01 microns (pollen, algae, parasites, bacteria, viruses, germs and cysts), it enables the production of ultra-pure water.

Voluntary separation: Any collection which separates certain types of waste (for example packaging, glass, paper), with a view to their recovery.

Waste: The waste services industry recognizes four broad categories of waste:

- **Domestic waste (DW):** waste resulting from household consumption and processed by traditional collection or voluntary separation methods.
- **Non-hazardous industrial waste (NHW):** waste not of household origin arising from industrial or commercial activity, non-toxic in nature.
- **Hazardous industrial waste (HW):** dangerous industrial waste materials requiring special handling during processing to protect the environment.
- **Medical waste:** waste resulting from medical activity, including hospital waste.

Waste-to-energy recovery unit: Waste incineration plant that recovers calories contained in incinerated waste to provide thermal energy for urban heating, steam for industry and/or electricity.

Water quality control: Drinking water is the most carefully controlled comestible in the world. U.S., European, and World Health Organization reference standards require water operators to conduct tests for dozens of chemical, physical and bacteriological parameters to ensure good quality water.

Watt (W): Unit of measure for mechanical or electrical power corresponding to the transmission of 1 joule of energy per second. Power plant capacity is expressed in millions of watts (MW).

Wet process treatment of liquid effluents: A treatment process for liquid sludge whereby sludge is injected with oxygen to mineralize its organic matter. The mineral residue thus obtained meets accepted standards for landfilling. Wet process treatment of liquid effluents offers an innovative alternative to traditional solutions such as co-incineration or incineration.

Workers and Technicians (WT): Operational labor made up of unskilled and semi-skilled employees.

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