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SUEZ
Energy Resources NA

June 3, 2008

VIA FEDERAL EXPRESS
Public Utilities Commission of Ohio
Docketing Division, 13th Floor
180 Broad Street
Columbus, Ohio 43215

RE: Renewal Application for Retail Generation Providers and Power Marketers
Suez Energy Resources NA, Inc. – **Case No. 04-1015-EL-CRP**
License No. 04-118(1) – issued 7/26/2004; renewal 04-118(2) – issued 7/24/2006

Dear Sir or Madam:

In accordance with the Ohio Administrative Code and the Commission rules and regulations, Suez Energy Resources NA, Inc. ("Suez") hereby submits it *2008 Renewal Application for Retail Generation Providers and Power Marketers*. Specific requests in the renewal application require Suez to disclose privileged and confidential information. Specifically, Suez's responses to Exhibit C-3 ("Financial Statements") and C-4 ("Financial Arrangements") are privileged and confidential. As per the Commission instructions, Suez has designated, at each point in the renewal application, where the answers require disclosure of privileged and confidential information and has, accordingly, marked such information as "CONFIDENTIAL." Pursuant to the instructions of the Commission, enclosed please find one original and ten (10) copies of the renewal application with the confidential information redacted.

Under separate cover, Suez has filed one (1) original and one (1) copy of its *Motion for Protective Order*, *Memorandum in Support of Protective Order* and Proposed *Protective Order*. Also filed under seal, one (1) original and three (3) copies of Suez's application which includes the confidential material, all marked as "CONFIDENTIAL."

If you have any questions in connection with this filing, please contact me at 713-636-1607 or via email at naveen.rabie@suezenergyna.com

Respectfully submitted,

[signature]

Naveen Rabie
Attorney – Regulatory Compliance

SUEZ ENERGY RESOURCES NA, INC.
1990 Post Oak Boulevard, Suite 1900
Houston, Texas 77056
713 636-0000
www.suezenergyna.com

PUCO

The Public Utilities Commission of Ohio

Original CRS Case Number	Version
04 – 1015-EL-CRS	August 2004

RENEWAL APPLICATION FOR RETAIL GENERATION PROVIDERS AND POWER MARKETERS

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-11 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may input information directly onto the form. You may also download the form, by saving it to your local disk, for later use.

A. RENEWAL INFORMATION

A-1 Applicant intends to be renewed as: (check all that apply)

☑ Retail Generation Provider ☐ Power Broker
☐ Power Marketer ☐ Aggregator

A-2 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address

Legal Name **Suez Energy Resources NA, Inc.**
Address **1990 Post Oak Blvd., Suite 1900**
PUCO Certificate # and Date Certified **04-118(1) - issued 7/25/2004** - renewal 04-118(2) issued 7/24/2006
Telephone # **(713) 636-0000** Web site address (if any) **suezenergyna.com**

A-3 List name, address, telephone number and we b site address under which Applicant does business in Ohio

Legal Name **same as A-2**
Address ____
Telephone # ____ Web site address (if any) ____

A-4 List all names under which the applicant does business in North America

N/A

A-5 Contact person for regulatory or emergency matters

Name **Jeffrey Levine**
Title **Regulatory Affairs**
Business address **1990 Post Oak, Suite 1900 Houston, Texas 77056**
Telephone # **(713) 636-0000** Fax # **(713) 636-1601**
E-mail address (if any) **jeffrey.levine@suezenergyna.com**

A-6 Contact person for Commission Staff use in investigating customer complaints

Name **Jason Austin**
Title **VP and General Counsel**
Business address **1990 Post Oak, Suite 1900 Houston, Texas 77056**
Telephone # **(713) 636-1742** Fax # **(713) 636-1601**
E-mail address (if any) **Jason.Austin@suezenergyna.com**

A-7 Applicant's address and toll-free number for customer service and complaints

Customer Service address **PO Box 25237 Lehigh Valley, PA 78002**
Toll-free Telephone # **(188) 823-2620** Fax # **(713) 636-1601**
E-mail address (if any) **custserv@suezenergyna.com**

A-8 Applicant's federal employer identification number # ____________

A-9 Applicant's form of ownership (check one)

☐ Sole Proprietorship
☐ Partnership
☐ Limited Liability Partnership (LLP)
☐ Limited Liability Company (LLC)
☑ Corporation
☐ Other ____________

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-10 **Exhibit A-10 "Principal Officers, Directors & Partners"** provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

A-11 **Exhibit A-11 "Corporate Structure,"** provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America.

B. MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

B-1 **Exhibit B-1 "Jurisdictions of Operation,"** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services.

B-2 **Exhibit B-2 "Experience & Plans,"** provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

B-3 **Exhibit B-3 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.

B-4 Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.

☐ No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-4 "Disclosure of Consumer Protection Violations"** detailing such violation(s) and providing all relevant documents.

B-5 Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service denied, curtailed, suspended, revoked, or cancelled within the past two years.

☐ No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation"** detailing such action(s) and providing all relevant documents.

C. FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

C-1 **Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why.

C-2 **Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.

C-3 **Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.

C-4 **Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.,).

C-5 **Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRES operation, along with a list of assumptions, and the name, address, e-mail address, and telephone number of the preparer.

C-6 **Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.

C-7 **Exhibit C-7 "Credit Report,"** provide a copy of the applicant's credit report from Experion, Dun and Bradstreet or a similar organization.

C-8 **Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.

C-9 **Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant within the five most recent years preceding the application.

D. TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

D-1 **Exhibit D-1 "Operations"** provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations include the generation of power for retail sales, the scheduling of retail power for transmission and delivery, the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers.

D-2 **Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's experience and technical expertise in performing such operations.

D-3 **Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, e-mail addresses, telephone numbers, and the background of key personnel involved in the operational aspects of the applicant's business.

D-4 **Exhibit D-4 "FERC Power Marketer License Number,"** provide a statement disclosing the applicant's FERC Power Marketer License number. (Power Marketers only)

Jason Austin, VP and General Counsel

Signature of Applicant and Title

Sworn and subscribed before me this 23rd **day of** May , 2008
Month **Year**

Naveen Rabie

Signature of official administering oath **Print Name and Title**

NAVEEN RABIE
Notary Public, State of Texas
My Commission Expires
June 15, 2011

My commission expires on 6/15/2011

AFFIDAVIT

State of Texas :

Houston ss.
(Town)

County of Harris :

Jason Austin, Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the VP and Gen. COunsel (Office of Affiant) of Suez Energy Resources NA. Inc. (Name of Applicant);

That he/she is authorized to and does make this affidavit for said Applicant,

1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.

2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.

3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.

4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.

5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.

6. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.

7. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.

8. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.

9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.

10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

_________________, VP and General Counsel
Signature of Affiant & Title

Sworn and subscribed before me this 23rd day of May, 2008
Month Year

____
Signature of official administering oath

Naveen Rabie, State of TX Notary
Print Name and Title

NAVEEN RABIE
Notary Public, State of Texas
My Commission Expires
June 15, 2011

My commission expires on 6-15-2011

EXHIBIT A-10

PRINCIPAL OFFICERS, DIRECTORS & PARTNERS

OFFICERS

1. Michel Sirat, President & CEO
2. Guy Braden, Senior Vice President - Operations
3. Geert Peeters, Vice President, Chief Financial Officer & Treasurer
4. Jason Austin, Vice President, General Counsel and Secretary
5. Hall B. Clark, Vice President & Assistant Secretary
6. Jay Harpole, Vice President – Supply
7. Cecilia Heilmann, Vice President - Business Control
8. Rachel W. Kilpatrick, Vice President
9. Craig Sutter, Vice President - Mid-Market Sales
10. Zin Smati, Vice President
11. David Coffman, Vice President, Marketing

All can be reached at:
1990 Post Oak Boulevard, Suite 1900
Houston, Texas 77056
p. (713) 636-0000; f. (713) 636-1601

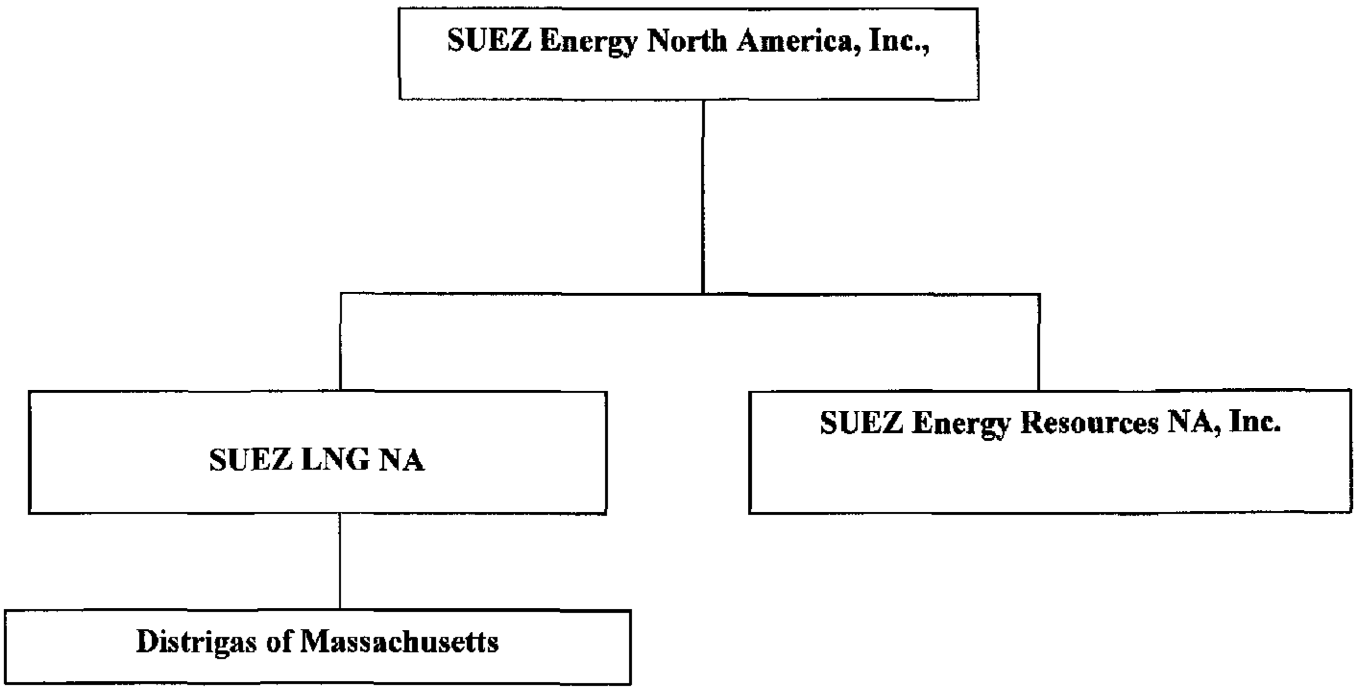
DIRECTORS

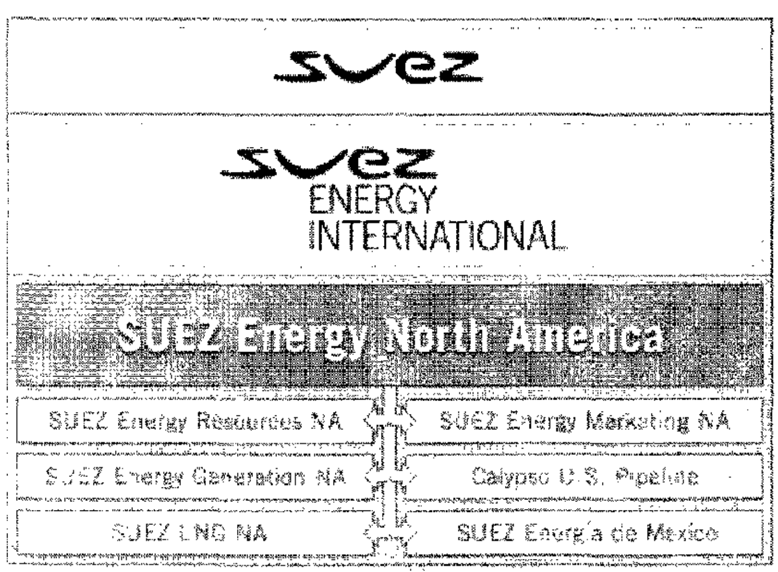
1. **Zin Smati, Chairman**
   1990 Post Oak Boulevard, Suite 1900
   Houston, Texas 77056
2. **Michel Sirat, Vice Chairman**
   1990 Post Oak Boulevard, Suite 1900
   Houston, Texas 77056
3. **Sam Henry**
   1990 Post Oak Boulevard, Suite 1900
   Houston, Texas 77056
4. **Mark Josz**
   1990 Post Oak Boulevard, Suite 1900
   Houston, Texas 77056
5. **Karim Barbir**
   1990 Post Oak Boulevard, Suite 1900
   Houston, Texas 77056
6. **Michael Thompson**
   Place du Trône, 1
   1000 Brussels Belgium
7. **Patrick Vlerick**
   Place du Trône, 1
   1000 Brussels Belgium

Energy Resources NA

EXHIBIT A-11

CORPORATE STRUCTURE





SUEZ
Energy Resources NA

EXHIBIT B-1

JURISDICTIONS OF OPERATION

STATE OF LICENSE	LICENSE NO.	LICENSE ISSUE DATE
Connecticut	Docket #04-06-11	9/29/2004
Delaware	Docket #04-325	11/23/2004
District of Columbia	Order # 13472	1/5/2005
Illinois	ICC Cert. No. 050257	6/7/2005
Maine	Docket #2003-120	3/14/2003
Maryland	License #605	3/21/2004
Massachusetts	License # CS-037	5/15/2002
Michigan	License in Case No. U-14559	10/18/2005
New Jersey	License # E-SL-0061	8/6/2003
New York	(NY does not issue license #)	9/13/2004
Ohio	License #04-118	7/25/2004
Pennsylvania	License No. A-110156	9/25/2002
Rhode Island	Docket #D-96-6 (P2)	10/25/2004
Texas	License # 10053	8/5/2003

Headquartered in Houston, Texas, SUEZ Energy Resources NA, Inc. ("SERNA") currently serves customers in the following states: Connecticut, Delaware, District of Columbia, Illinois, Main, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Texas. Affiliated interests of SERNA have FERC authorization to market wholesale electric power.

EXHIBIT B-2

EXPERIENCE AND PLANS

SERNA Experience. Contracting, Billing, Customer Service, and Inquiry/Complaint Response

Suez Energy Resources NA, Inc. ("SERNA") provides risk-managed retail electricity to commercial and industrial customers, with products and services that offer budget certainty, reduce energy expenditures, and set new standards in electricity supply. In-house expertise and market-based knowledge helps control costs and manage risks and volatility through a variety of energy products. SERNA is the 6th largest and one of the fastest growing retail electricity suppliers in the United States. SERNA serves over 25,000 accounts having peak demand ranging from 50kw to 200MW, for a total load of approximately 4500MW. SERNA serves customer accounts representing almost $2 billion in contract value and to mare than 25,000 meters. SERNA has the financial backing of SUEZ, one of the works most established companies, dating back to 1822. SERNA maintains a centralized, scalable back office to enable competitive pricing.

Customer Service is SERNA's greatest strength. Our organization and culture are built around meeting the commitments made in the sales process. SERNA has invested significant resources to ensure that all customers receive on-time switching, timely and accurate billing, and immediate response to customer care issues. Our Customer Service and Support organization is designed to provide dedicated professionals to handle all aspects of energy supply, delivery, and risk management.

SERNA has received high marks in customer satisfaction, as evidenced by independent surveys placing SERNA in the top-tier of all energy providers. Additionally, SERNA enjoys industry leading receivables performance. SERNA firmly believes if customers switch on time, promptly receive accurate and understandable bills, and enjoy courteous and knowledgeable answers to their questions, it is a formula for success for all. That has proven to be true. SERNA publically guarantees an on-time enrollment. SERNA is recognized a leader in quick problem resolution, execution on price quotes, and on-time billing. SERNA will respond to all customer inquires and/or complaints in accordance with the Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

SERNA has also instituted quality control and quality assurance practices to ensure our people, processes, vendors and systems operate at this highly level of quality. Key Performance Indicators (KPI's) have been developed to measure the performance of each critical function within out organization. The following are a sampling of key examples.

SERNA KPI Examples

Enrollment/Drops:	99.8% (.2% outside SERNA control)
Billing Timeliness:	98.7% within 48 hours
Bill Accuracy:	>99%
Account Add / Delete:	<2 Day
Customer Service Calls:	>80% answered within 20 seconds
Payment Application:	98% same day, 100% within 48 hours

EXHIBIT B-3

DISCLOSURE OF LIABILITIES AND INVESTIGATIONS

None.

Energy Resources NA

EXHIBIT C-1

ANNUAL REPORTS

See attached 2006 and 2007 Annual Reports of Suez Energy Resources NA. Inc.

SUEZ

REFERENCE DOCUMENT 2006

DELIVERING THE ESSENTIALS OF LIFE

SUEZ

REFERENCE DOCUMENT 2006

AMF

This Reference Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on April 4, 2007, in accordance with the provisions of Article 212-13 of the General Regulations of the AMF.

It may be used in support of a financial transaction if it is supplemented by a prospectus approved by the AMF.

INCORPORATION BY REFERENCE:

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

- with regard to the fiscal year ended December 31, 2005: management report, consolidated financial statements and related Statutory Auditors' reports, as set out on pages 89-101, 184-278 and 281-282, respectively, of the English version of the Reference Document filed with the AMF on April 11, 2006;
- with regard to the fiscal year ended December 31, 2004: management report, consolidated financial statements and related Statutory Auditors' reports, as set out on pages 109-119, 132-198 and 199, respectively, of the English version of the Reference Document filed with the AMF on April 14, 2005.

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

This Reference Document contains forward-looking information in Sections 6.1 "Principal activities", 12 "Information on trends" and 9.7 "Outlook for 2007". This information does not constitute historical data and there is no assurance that such forward-looking facts, data or objectives will occur or be met in the future. Such information is subject to external factors, such as those described in Section 4 "Risk management".

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

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CONTENTS

1 PARTIES RESPONSIBLE FOR THE REFERENCE DOCUMENT

Party responsible for the accuracy of the information in the reference document

Mr. Gérard Mestrallet, Chairman and Chief Executive Officer

Declaration by the person responsible for the reference document

"After taking all reasonable measures for this purpose, I attest that, to my knowledge, the information presented in this Reference Document fairly reflects the current situation and that no material omissions have been made.

The company has obtained from its statutory auditors a letter drawn up at the end of their audit engagement in which they state that they have carried out an audit, in accordance with accounting literature and standards applicable in France, of the financial position and the financial statements presented or incorporated by reference into this Reference Document and that they have read the Reference Document in full."

Chairman and Chief Executive Officer

Gérard Mestrallet

2 STATUTORY AUDITORS

2.1 Names and addresses

2.1.1 Principal statutory auditors

- **Ernst & Young et Autres**

  Represented by Mr. Christian Chochon
  41, rue Ybry, 92576 Neuilly-sur-Seine Cedex

Appointed on June 22, 1983, their term of office was most recently renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2001 for a period of six years and will expire at the close of the 2007 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2006.

At the Shareholders' Meeting of May 4, 2007, the Board of Directors of SUEZ will ask shareholders to renew the appointment of Ernst & Young et Autres for a further six-year term.

- **Deloitte & Associés**

  Represented by Mr. Jean-Paul Picard
  185, avenue Charles-de-Gaulle, BP 136,
  92203 Neuilly-sur-Seine

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

2.1.2 Deputy statutory auditors

- **Mr. Francis Gidoin**

  Faubourg de l'Arche – 11, allée de l'Arche, 92400 Courbevoie

  Deputy auditor for Ernst & Young et Autres

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

Appointed on May 13, 2005 by the Combined Ordinary and Extraordinary Shareholders' Meeting of the same date, his term of office will expire at the close of the Ordinary Shareholders' Meeting held to approve the financial statements for 2006, at the same time as the appointment of Ernst & Young et Autres.

- **BEAS**

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

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

2.2 Resignation/non-renewal of appointment

Shareholders will not be asked to renew the term of Mr. Francis Gidoin at the Shareholders' Meeting of May 4, 2007.

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

3 SELECTED FINANCIAL INFORMATION

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

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

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

Key figures

The key figures reported by SUEZ for the years ended December 31, 2006, 2005 and 2004 are presented in accordance with IFRS:

In millions of euros	SUEZ IFRS 2006	2005	2004
1. Revenues	44,289.2	41,488.9	38,057.7
of which revenues generated outside France	33,480.3	31,769.2	29,481.1
2. Income			
- Gross operating income	7,083.3	6,508.2	5,932.4
- Current operating income	4,496.5	3,902.2	3,736.7
- Net income Group share	3,606.3	2,512.7	1,696.4
3. Cash flow			
Cash flow from operating activities	5,172.2	5,825.5	4,970.1
Cash generated from operations before income tax and working capital requirements	5,383.5	5,750.9	5,680.8
Cash flow from (used in) investing activities	(365.9)	(8,992.0)	124.0
Cash flow from (used in) financing activities	(6,938.1)	5,488.3	(8,083.4)
4. Balance sheet			
Shareholders' equity	19,503.8	16,255.9	7,773.8
Total equity	22,563.8	18,823.2	12,828.2
Total assets	73,434.6	80,443.1	60,292.3
5. Share data (in euros)			
- Average number of shares outstanding[a]	1,261,287,823	1,053,241,249	995,133,046
- Number of shares at year-end	1,277,444,403	1,270,756,255	1,020,465,386
- Net earnings per share[a]	2.86	2.39	1.70
- Dividend distributed[b]	1.20	1.00	0.79
6. Total average workforce	186,198	208,891	217,180
- Fully consolidated companies	138,678	157,918	160,966
- Proportionately consolidated companies	38,567	41,673	50,614
- Companies accounted for under the equity method	8,953	9,300	5,600

(a) Earnings per share is calculated based on the average number of shares outstanding, net of treasury shares.
(b) 2004 IFRS dividend adjusted for the impact of the capital increase with preferential subscription rights carried out in 2005. Net earnings per share and dividend distributed in 2007, as recommended.

The key figures reported by the SUEZ Group for the three years ended December 31, 2004, 2003 and 2002, prepared in accordance with French GAAP:

In millions of euros	French GAAP 2004	2003	2002
1. Revenues	40,739.4	39,621.8	46,089.8
of which revenues generated outside France	31,278.7	29,871.3	36,119.5
Pro forma trading revenues (excluding energy trading)	40,739.4	39,621.8	40,783.9
of which revenues generated outside France	31,278.7	29,871.3	31,241.6
2. Income			
- Gross operating income	6,198.2	6,010.9	7,253.7
- Operating income	3,601.3	3,204.9	3,707.6
- Net income	1,804.4	(2,165.2)	(862.5)
3. Cash flow			
Cash flow from operating activities	4,376.5	4,495.8	4,826.5
of which gross cash flow	4,486.6	3,726.9	4,856.7
Cash flow from (used in) investing activities	(281.6)	3,607.9	(3,200.9)
Cash flow from (used in) financing activities	(7,084.1)	(6,190.0)	1,719.8
4. Balance sheet			
Shareholders' equity	7,922.5	6,895.7	10,577.5
Total equity	12,693.0	11,742.9	15,768.2
Total assets	62,981.9	69,950.2	84,151.3
5. Share data (in euros)			
- Average number of shares outstanding[a]	995,133,046	993,508,578	991,270,887
- Number of shares at year-end	1,020,465,386	1,007,679,806	1,007,422,403
- Net earnings/(loss) per share[a]	1.81	(2.18)	(0.87)
- Dividend distributed	0.80	0.71	0.71
6. Total average workforce	217,180	233,609	241,607
- Fully consolidated companies	160,966	173,368	189,062
- Proportionately consolidated companies	50,614	49,694	26,680
- Companies accounted for under the equity method	5,600	9,947	25,865

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

4 RISK FACTORS

4.1 Risk management

The Group has adopted a policy of integrated management of business risks (enterprise risk management, ERM) which organizes all the techniques for risk assessment and management already existing within the Group. The goal of this policy is to provide a complete overview of the portfolio of risks by using common methodologies and tools throughout all divisions and support Departments, which are also responsible for operationally implementing risk management systems adapted to their specific activities (principle of subsidiarity).

The coordination of this integrated approach is the responsibility of the Chief Risk Officer (CRO), a position that reports directly to the Group Chairman. He supervises the ERM process, along with Internal Audit and Insurance. A network of Risk Officers is now in place within the various divisions of the Group in order to deploy these methods and tools. This network is directed by the Group Risk Officer and he, along with the four functional directors (Audit, Insurance, Internal Control, Management Control), form the Risk Advisory Committee, which meets quarterly. A risk mapping process for the entire Group has also been in place for several years. Risks are identified, classified by category (strategic, financial, operational, hazard), evaluated (in terms of significance and frequency), and quantified insofar as possible, and the means of addressing the risks is reviewed, a process which results in action plans at various levels of the Group. There is no automatic exclusion based on the nature of the risks identified and the business divisions covered within the scope of analysis of this risk mapping. In order to improve the quality and depth of the risk mapping process, a program of training in the risk assessment techniques was set up in 2006 for the risk officers in the Group's operational entities.

This process allows the Group to create an annual synthesis of its major risks, based on the risk identification work performed in the operational entities and on the work performed in the divisions to map major risks. This process is directed centrally by the Group Risk Officer and in the divisions by the network of Risk Officers. It includes steps to select significant individual risks and, if relevant, to aggregate homogeneous risks. The risks factors presented below are based primarily on the results of this work.

Through its ongoing integration into the key processes of the business, this ERM structure has become part of the company's internal control system and is accordingly evaluated by Audit on a regular basis. The annual schedule for the Group's internal audit missions in 2006 was based primarily on the results of risk mapping work.

The Group's principal risks were reported to the Executive Committee in 2006. Similar reporting is planned for 2007, as well as reporting to the Audit Committee.

4.2 Industrial risks and risks associated with the legal, regulatory, economic, commercial and contractual environment

Regulatory risks

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

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

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

For other information concerning regulations, see Sections 6.1.1.5.4, 6.1.1.6.5 and 6.6.2.

Competitive risks

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

In the energy sectors, the deregulation of the electricity and gas markets, both in Europe and the United States, has opened the door to new competitors, introduced volatility in market prices and called into question long-term contracts. In recent years, a trend towards the concentration of the major energy players has materialized in Europe. The increase in competitive pressure is also perceptible in the Group's operations in Latin America and Asia. This could have a significant negative affect on selling prices, margins and the market share of the Group's businesses.

In the Environmental sectors (Water and Waste Services), SUEZ's activities are also subject to strong competitive pressures from both local and international operators, resulting in pressure on selling prices to industrial and municipal customers, as well as a risk of non-renewal of major contracts as they expire. We are currently observing a trend towards the consolidation of the market players in Waste Services in Europe, particularly in the United Kingdom, Germany, and the Benelux countries.

Economic Environment risks

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

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

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

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

Partnership risks

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

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

However, a change in the project, the local political and economic context, or even in the economic position of the partner, may lead to the termination of a partnership, particularly through the exercise of options to buy or sell shares between the partners, a request to dissolve the joint venture by one of the partners, or the exercise of a right of first refusal.

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

Emerging market risks

Although the Group's activities are primarily concentrated in Europe and North America, which together represented 89.4% of consolidated revenues and 86.6% of capital invested in 2006, the Group is also active in global markets, particularly in emerging countries.

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

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

Changes in 2006 in the situation of SUEZ Environment in Argentina (especially the termination of the Aguas de Santa Fe and Aguas Argentinas concessions) are described in Sections 6.1.1.6.4 and 20.6. Moreover, the Group's energy activities in Thailand suffered from the upheavals caused by the *coup d'état* in September 2006, which had a limited impact on Glow Energy as described in Section 6.1.1.5.4.

Dependence on customers or suppliers

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

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

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

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

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

The variety of the Group's businesses and their diverse geographic locations result in a broad range of situations (payment terms for customers or suppliers, the use or non-use of subcontracting, etc.) and types of customers (industries, local municipalities and individuals). The Group believes that there is no relationship with a supplier, customer or subcontractor, the termination of which could have a substantial impact on the financial position and earnings of the Group. In particular, given the mix in its energy supply providers and its geographic diversification, the Group is not dependent on a single source of energy or on a single supplier country for the pursuit of its activities.

Risks relating to occupational illnesses

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

The principal exposures to this risk concern:

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

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

Risk on retirement commitments

The Group has commitments on pensions and other post-employment benefits for its employees. Where these commitments arise from defined-benefit plans, provisions are made in the accounts (see Note 24 to the consolidated financial statements, Section 20) and their financing is partially covered through pension funds and insurance companies.

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

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

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

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

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

With regard to the asset coverage for retirement plans, there is exposure to market risks. The risk policy on these investments involves moderate risk-taking and appropriate diversification so that a major correction in the stock markets, for example, would not have a disproportionate impact on the Group's financial position, particularly with regard to the market value of SUEZ.

4.3 Legal risks

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

4.4 Market risks

Commodity market risk

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

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

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

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

The evaluation of market risks is made based primarily on the "Value at Risk" (VAR) method, which quantifies the maximum amount of the risk of a position for a given holding period of a position and confidence level.

As of December 31, 2006, the "Value at Risk" of the commodity portfolio managed for trading activities (maximum risk for a 24-hour period with a confidence level of 95%) was €5.5 million. The average of daily VARs was €5.8 million in 2006, compared with €2.5 million in 2005. Finally, the maximum VAR observed in 2006 was €10.1 million, while the minimum VAR was €3.6 million.

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

Financial risks

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

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

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

Liquidity risk

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

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

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

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

Access to long-term capital markets is primarily concentrated in GIE Suez Alliance and Electrabel, which carry or guarantee 76% of the Group's bond debt, 100% of the commercial paper issued and 90% of the lines of credit.

The financial vehicles ensure the refinancing of the needs of the Group's subsidiaries in euros or in other currencies. The central financial vehicles carry 54% of the Group's net debt (including the debt carried by the parent company Suez).

Non-recourse or limited recourse financing for the Group's entities is also set up as part of the financing for projects in which the Group wants to share specific risks with providers of funds. This type of financing totaled €1,386 million at the end of 2006.

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

As of December 31, 2006, bank resources represented 39% of gross debt, (excluding bank overdrafts, amortized costs and the effect of derivatives) with the balance financed by the capital markets (including outstanding debt €9,633 million in bonds, representing 52% of gross debt). Outstanding short-term paper (European and US commercial paper) represented 9% of gross debt and totaled €1,651 million at December 31, 2006 (refer to Note 26 to the consolidated financial statements). These programs are used in a cyclical or structural fashion to finance the Group's short-term needs because of their attractive cost and their liquidity. All of the outstanding amounts are backed by confirmed bank credit facilities so that the Group would be able to continue to finance itself in the event that access to this financing source were to dry up.

Liquidity is based on maintaining cash equivalents and confirmed credit facilities. The Group has confirmed credit facilities appropriate to its size with appropriate debt maturity schedules. The amount of these confirmed credit facilities represented €9,648 million as of December 31, 2006, of which €1,082 million was drawn down. 90% of the total lines of credit and 92% of the lines not drawn are centralized. None of these lines contains a default clause tied to financial ratios or ratings.

Active cash (net of bank overdrafts) totaled €7,657 million at December 31, 2006. Surpluses are centralized under a uniform policy. The management objective is to maintain the liquidity of the portfolio while ensuring a return greater than a risk-free fund. The underlying instruments are primarily term deposits, money market funds and negotiable debt securities.

Foreign exchange risk

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

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

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

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

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

The Group continues to watch developments in the situation in Thailand as described in Section 6.1.1.5.4.

The Group is also exposed, but to a lesser extent, to transaction risk. This risk is concentrated on the energy trading activity (commitment to deliver or take delivery of energy) for which the cash flows on raw materials are normally paid in US Dollars. The cash flows are generally hedged by forward currency contracts.

The transactional currency risk is managed by dedicated teams. These specialized teams centrally and continually measure exposures and implement policies and instruments to hedge or limit these risks (see Note 27.5 to the financial consolidated statements).

Interest rate risk

The principal exposures to interest rates for the Group are the result of financing in euros and US Dollars, which represented 80% of the net debt as of December 31, 2006.

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

The Group's policy is to diversify the reference rates on the net debt among fixed rate, variable rate, and protected or "capped" variable rate. The Group's objective is to have a balanced distribution among the different reference rates at medium-term horizon (5 years). The distribution may fluctuate around the balance depending on the market context.

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

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

The cost of the Group's debt is sensitive to changes in rates for all debt indexed to variable rates. The cost of the Group's debt is also impacted by the change in market value on the financial instruments not documented as hedges pursuant to IAS 39. As of this date, none of the optional hedges contracted by the Group is recognized as a hedge under IAS 39, even if they offer an economic hedge (refer to Note 11.1 to the financial consolidated statements).

As of December 31, 2006, the Group had a portfolio of optional hedges (caps) that protect it against an increase in the dollar and euro short rates. Almost all of the optional dollar hedges (€0.8 billion) were activated in order to fix the cost of the debt, as the US Dollar short term rates were higher than the capped levels. The euro optional hedges (totaling €2.1 billion) have not yet been activated, despite recent hikes in short term euro rates. However, the value of this portfolio of optional hedges appreciates when the short and long rates increase together (see Note 27.3 to the consolidated financial statements).

As of December 31, 2006, after taking into account the financial instruments, approximately 57% of the Group's gross debt stet at a variable rate and 43% was at a fixed rate. Since almost all of the Group's surplus is invested short-term, as of December 31, 2006, 78% of the net debt was at a fixed rate and 22% at a variable rate (almost all capped variable rate). The result of this distribution is to sharply limit the sensitivity to rate increases.

Counterparty risk

Cash surpluses are invested and financial instruments are traded with leading international banks. The Group's counterparties are diversified and selected on the basis of ratings provided by rating agencies and the consolidated Group's knowledge of the counterparties (see Note 25.1 to the financial statements).

Stock market risk

The Group holds a number of stakes in public traded companies (see Note 19.1 to the consolidated financial statements), the value of which fluctuates on the basis of the trends in the world's stock markets. An overall decline of 10% in the value of these securities would have an impact of about €137 million on the income or shareholders' equity of the Group, depending on whether or not the decline is considered significant and whether or not it is extended (see Note 1, Section J.1.). The Group's portfolio of listed and unlisted stocks is managed with a specific investment policy and is regularly reported to Management.

4.5 Environmental risks

Risks relating to the management of facilities

The facilities which the Group owns or manages on behalf of third parties, whether manufacturers or belonging to local authorities entail risks from the natural environment: air, water, and soil can present health risks for consumers, residents, employees, as well as subcontractors.

These sanitation and environmental risks are covered by rigorous and very specific national and international regulations and are subject to regular inspection by governmental authorities. Changing regulations on both governing environmental responsibility and liabilities present the risk of the increased vulnerability of the company due to of its activities. This vulnerability must be assessed for old facilities (such as closed landfills or gas plants) and for sites in operation. It may also involve damage to habitats or species whose endangered status has not been agreed on by the scientific community. This makes the assessment of the risk even more difficult to calculate.

In conducting its businesses, the Group handles, and even generates dangerous products and byproducts. This is the case for fissile materials, fuels, and certain water treatment chemicals. In the waste sector, some of our facilities are engaged in the treatment of specific industrial or hospital waste that may be toxic.

In waste management, the gas emissions to be considered are greenhouse gases, gases that stimulate air acidification, toxic gases and dust. In the water segment, the potential atmospheric pollutants are primarily chlorine or gaseous byproducts resulting from accidental emissions of water treatment products. Operations to purify waste water and treat waste products may also generate odor problems.

The Group's activities, without adequate management, could have an impact on water in the natural environment: leachates from poorly controlled landfills, diffusion of heavy metals in the environment, and water discharges from smoke treatment systems in the incineration facilities. These different types of emissions may result in the pollution of water tables or waterways. The waste water treatment plants discharge unpolluted water into the natural environment. It is possible that they may not meet discharge standards for organic loads, nitrogen and phosphorus loads. Some facilities managed by the Group are not equipped to treat rain water.

The issues relating to soil pollution in the event of accidental spills involve the storage of hazardous products or liquids, or leaks from the processes involving dangerous liquids, as well as the storage and application of treated sludge.

Control of all of the risks mentioned above is achieved through various mechanisms. The laws and contracts that frame the Group's operations clarify the sharing of the responsibilities for managing the risks and the financial responsibilities. The various controls and audits by public authorities guarantee sound management by the Group and help to identify instances of non-compliance that may present an industrial or environmental risk. For the portion of risk borne by the operator, internal management processes are implemented at the division level or specifically at the level of the subsidiaries in order to identify these risks, classify them in order of importance, and control them. When sites previously managed by third parties are acquired, the Group is protected by contractual clauses and the customary audits in this area. The risks and expenses related to post-operating oversight of the landfills managed by the Group are the subject of financial guarantees and specific provisions (see Section 6.6.1.4 "Active prevention of environmental risks").

Failure to meet standards may result in contractual financial penalties or fines (see Section 6.6.1.4). Certain events, particularly random accidents, are covered in whole or in part by insurance systems (see Section 4.6. "Insurance").

The European Parliament adopted a Regulation on January 18, 2006 (EC 166/2006) creating a European register of gaseous and liquid emissions into the air, water and soil (European Pollutant Release and Transfer Register, E-PRTR). This register establishes the same principles as the previous EPER register resulting from Commission's decision 2000/479/EC, but increases the number of pollutants registered and the scope of activities subject to the register. The next report will be prepared in 2007. The large majority of the Group's operations in Europe are subject to this European regulation: Capacity thresholds are defined by sub-business, thus limiting the number of facilities and sites in question.

Risks related to the operation of nuclear power plants

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

One of the safety indicators for these facilities is their availability rate which was 88.7% in 2006.

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

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

The operators of nuclear plants share expertise at an international level and submit to audits (World Association of Nuclear Operators (WANO) and the International Atomic Energy Agency (IAEA)) in order to maintain a high degree of safety. All nuclear sites are certified ISO 14001 and audited by EMAS (Eco-Management and Audit Scheme). The Group *regularly monitors and reduces* the volume of low and medium level waste produced during operation. All nuclear waste management is under the responsibility of the Belgian public agency ONDRAF (National Agency for Radioactive Waste and Enriched Fissile Materials); this is also true for the vitrified waste coming from the spent fuel reprocessing programs operated at the Cogema site in The Hague. Spent nuclear fuel is stored on the power production sites pending a political decision on the choice of the fuel cycle downstream process (recycling or not).

The costs for managing spent fuel are recognized as costs of nuclear power production and provisioned (see Note 23 to the consolidated financial statements). In addition, other provisions are recognized for dismantling facilities (refer to Note 23 to the consolidated financial statements). The Law of April 11, 2003, clearly defines the rules for using and monitoring the amounts provisioned for the Belgian plants.

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

Risks related to the operation of Seveso ("high threshold") sites

Within the boundaries of the European Union, the Group manages eight "high threshold" Seveso classified sites in France, Belgium, Poland, Hungary and Germany. For the environmental businesses, Teris, the hazardous industrial waste treatment subsidiary of SUEZ Environment, operates the sites at Pont-de-Claix (incineration of chlorinated solvents) and Loon-Plage (incineration of hazardous industrial waste), and its subsidiary, SITA Remediation, in Germany operates the Herne plant (hazardous industrial waste treatment). In the energy sector, Fluxys and Fluxys LNG (SEE) manage the sites at Zeebrugge (liquefied natural gas terminal), and Loenhout (underground storage of natural gas), and Electrabel operates the Gelderland and Dunamenti sites.

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

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

The financial consequences of the civil liability which could be incurred by the operators are guaranteed by the Group's insurance coverage (refer to Section 4.6 Insurance).

Risks related to climate change

Particularly in the areas of electricity and heat production and, to a lesser extent, in waste treatment and recycling and natural gas transmission, the Group carries out activities targeted by national, international and community level programs to combat global warming as set forth in the Kyoto Protocols.

In Europe, the market for trading greenhouse gas emissions rights (EU ETS[1]) became a reality on January 1, 2005. As of this date, it is the only multinational market in the world that imposes industrial objectives for reducing carbon dioxide. Not all of the countries in the European Union have been in a position to take the necessary steps for implementation. The implementation of national emissions registers was only finalized in 2006. In the short-term, the risks primarily include:

- the disclosure of the emissions audit results obtained at an untimely moment;
- the national allocation plans for the second reduction period (2008-2012), which were supposed to be submitted for the *approval of the European Commission* in June 2006 and approved no later than the end of September 2006. A significant delay has occurred: to date, only 12 plans have been approved subject to conditions by the Commission;
- the availability of European quotas during the approval (subject to conditions) of the first 12 plans, the quantity requested was reduced by an average of about 7%;
- access to the emissions credits coming from the market for clean development mechanisms and joint implementation (the so-called "projects" market).

In addition, discussions have been opened on the revision of the EU Emissions Trading Scheme (ETS) directive, including the scope of its application. Integration of new sectors or new gases could have a direct impact on the Group (if the new sectors included correspond to some of our activities) or an indirect impact, depending on the market's reactions to these new sectors.

The proposal to modify the ETS directive to include the aviation sector could result in a shortage of project credits for the 2011-2012 period, as this sector is authorized to make up for its deficit using European quotas or project credits.

In the longer term, one of the major risks identified in the EU ETS market is the renewal of the national allocation plans every 5 years beginning in 2008. This review opens the possibility of adjustments in the volume of quotas allocated and the method of allocation itself (including opting for a sale by auction). This situation does not allow manufacturers to clearly envision their long-term obligations. This uncertainty is also tied to the uncertainty of governments, which are having difficulty making progress on international negotiations on the structure and objectives for reducing greenhouse gas emissions (GHG) over the long term ("post 2012"). The conference of the Nairobi Parties in 2006 did not make significant progress in this area.

Based on the initial decisions of the European Commission (11/2006 and 1/2007), it should be expected that the allocation of quotas for the second period (2008-2012) will bring greater restrictions. In fact, the Commission requires that the member States comply with their Kyoto obligations without extensive purchases of rights on the international market. The change in prices on the quota market depends on numerous factors, including not only the shortage created, but also the availability of the means for businesses to reduce their emissions (including means that rely heavily on external factors such as *rainfall levels for hydroelectricity*). Changes in prices for petroleum and, therefore, of natural gas, in relation to coal has a major impact on the changes in the level of CO_2 emissions and, thus, when the market is sufficiently liquid, on the price of the quotas.

A total of 129 SUEZ facilities are currently covered by the EU ETS directive.

For SES, 76 facilities were affected by the EU ETS directive in 2005. *New facilities were added to the scope of the directive,* particularly in Spain. However, the majority (93% in 2006) of the quotas allocated concerned facilities in France (primarily heat networks and combustion facilities outsourced to industrial sites).

The French plan was transmitted to the European Commission on December 29, 2006, and the total amount allocated for the second period was reduced by 20% from the first period on a constant basis. This very substantial effort is also differentiated by business sectors. On the date of this document, the exact distribution of the quotas by facility is not yet known. It appears clearly, however, that the Elyo facilities will all be under restriction. New investments to reduce emissions are being studied to restore the balance.

For Electrabel Belgium, 32 facilities are covered by the EU ETS directive (including one 50% joint venture with RWE). The request for temporary exclusion of the nuclear power plant backup facilities has been approved. Fluxys has six sites covered by the EU ETS directive. At the request of the Belgian government, supported by the regional authorities, the facilities located in Flanders have been temporarily excluded from the EU ETS for the period 2005-2007.

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

In the United States, a change in "climate" policies is taking place at the State level, which complicates the overall view of the risk. For this reason, SUEZ Energy North America (SENA) closely follows developments in the regulatory framework in each of the States in which the Group engages in business activities that could be affected by restrictive measures in this area. The implementation of the "Regional Greenhouse Gas Initiative" (RGGI) continues, and the State of New York has introduced a proposal for implementation, implying among other measures the auction of 100% of the emissions rights. The RGGI, which applies only to the electrical sector, will have impacts on the SENA facilities located in various states in the northeastern United States. Following the changes in the American political landscape after the November 2006 elections, the implementation of more ambitious policies to fight climate change could take place.

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

In energy services, the optimization, operation and maintenance *of the facilities help increase the energy efficiency of the facilities* entrusted to us and, therefore, help control energy demand.

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

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

1. *Community System for Trading Emissions Quotas, established by directive 2003/87/EC.*

4.6 Insurance

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

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

In each of these areas:

- the transfer of severity risks to the insurance market continues as often as possible, with the development of transversal programs in areas that are considered strategic; and
- the optimization of the financing of hazard risks of low, or moderate amplitude, is largely based on self-insurance plans, either directly through deductibles and retentions or indirectly through the use of captive tools.

Material Damage and Business Interruption

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

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

The main programs provide for coverages based sometimes on total reported value but more often on maximum limits anyone loss varying between €120,000,000 and close to US$2,000,000,000.

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

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

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

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

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

Employee Benefits

In accordance with legislation in effect and with business agreements, employee benefits programs covering against risk of accidents and medical expenses are developed at the level of the operational entities.

These programs may be financed by retention, depending on the capacity of the operational entity, or by transfer to the insurance market.

Civil liability

We subscribe civil liability insurance under the following *categories*:

General civil liability

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

Maritime liability

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

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

Nuclear liability

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

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

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

Environmental Damage civil liability

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

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

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

4.7 Security and crisis management

In fiscal year 2006, the international political context remained highly volatile and tense. Various countries in North Africa and the Middle East, as well as Southeast Asia, again suffered particularly violent acts of terrorism. At the same time, Europe also continued to suffer from the effects of Western intervention in Iraq, and has been threatened by terrorist attacks (as in London, for example), most of which have been thwarted by to the intervention of and exchanges among intelligence services.

The Israeli intervention in Lebanon in July 2006 resulted in a very large scale evacuation operation of the populations threatened, including French nationals.

At the same time, the legal framework has also evolved toward greater rigor and is now characterized by the emergence of new provisions recorded in the French Defense Code with the Law of December 12, 2005, and its implementing decree of February 23, 2006. This law requires operators of vital infrastructures to participate in the fight against terrorism. In addition, the French Financial Security Act requires the same sectors (energy and water) to prepare backup plans for vulnerable businesses to make it possible for them to continue operation of a facility, even if such operation is "diminished" after a disaster.

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

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

The missions entrusted to this department relate primarily to:

Employee security

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

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

To accomplish this mission, SGSN may rely on outside service providers who are specialized in the area of health as well as security, and it has also created close ties with the appropriate government departments, particularly those of the Ministries for Foreign Affairs and Defense.

It was in this capacity that SGSN served as the general coordinator for the evacuation of our employees working in Lebanon during the conflict with Israel.

Finally, and for preventive reasons, a permanent "country watch list" has been instituted with the establishment of an intranet site specifically dedicated to traveling employees. A classification of risk zones and alerts directed to the appropriate entities is included in this program.

Security of facilities

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

Given the reform of the French Defense Code, SGSN has developed a methodology to analyze vulnerabilities and protect sensitive sites. This methodology is currently being deployed in the operational units located in France, but it will become the reference standard for the SUEZ Group worldwide.

Finally, the operating subsidiaries have been made aware of the importance of developing operational continuity plans to deal with the occurrence of unconventional situations such as, for example, the conditions that would result from a global flu pandemic.

Crisis management

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

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

5 INFORMATION ON THE COMPANY

5.1 History and growth of the company

5.1.1 Corporate name and name of issuer

SUEZ.

5.1.2 Registration

Commercial Register: Paris 542 062 559
APE Code: 741J

5.1.3 Incorporation

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

5.1.4 Corporate headquarters/legal form

Corporate headquarters: 16, rue de la Ville l'Evêque
75008 Paris – France
Telephone: 33 (0)1 40 06 64 00

SUEZ is a "société anonyme" (French corporation) with a Board of directors

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

5.1.5 Significant events

History of the creation of SUEZ

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

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

Please refer to Section 6.1.1.3 below for the significant events of 2006.

5.2 Investments

5.2.1 Principal investments

In 2006, the Group's investments in property, plant and equipment and intangible assets totaled €2,367.6 million (see cash flow statement, Section 20). Cash flows used in investing activities are explained in Section 9.4.2 of the management report.

5.2.2 Major investments in progress

In 2007, investment outlays are estimated at €3.4 billion in the energy business and €1.1 billion in the environment business.

In addition to maintenance investments, the major energy investments underway are in Europe, the US and South America.

In the environment sector, the major investments underway are in Europe and the United States.

5.2.3 Major investments planned by the Issuer

See Section 6.1.1.4 below.

6 OVERVIEW OF ACTIVITIES

6.1 Principal activities

6.1.1 Types of operations

6.1.1.1 Description of Group activities

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

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

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

As a result, the Group's growth depends on a diversified offering of services that is based on the Group's wide-ranging expertise, its long experience and many satisfied customers, a financial and geographic flexibility that provides dependable cash flows, and lastly on its international network.

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

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

SUEZ believes that its diversified customer base constitutes the basis for ongoing business with a potential for organic growth greater than that of the GDP.

8

9 MANAGEMENT REPORT[1]

9

The Group stepped up the pace of performance improvements in 2006, posting €3.6 billion in net income group share. Organic growth in gross operating income and current operating income, at respectively 11.2% and 15.9%, outpaced organic revenue growth (8.2%).

Organic growth in revenues and gross operating income both came in above the medium-term objectives set by the Group for the period 2004-2006.

Cash generated from operations before income tax and working capital requirements also improved, investment expenditure for the year fell within the 2004-2006 target framework, and asset disposals (non-strategic assets and interests in Flemish mixed inter-municipal companies) were up slightly on 2005. As a result, net debt at December 31, 2006 decreased to €10.4 billion from €13.8 billion one year earlier, and represented 46.3% of equity (73.4% at December 31, 2005).

On account of the Group's robust performance and outlook going forward, the Board of Directors has decided to step up industrial expansion over the coming three years, and to distribute a dividend of €1.20 per share in 2007 (up 20% on the dividend paid in 2006).

9.1 Revenue and earnings trends

In millions of euros	2006	2005	% change (reported basis)
Revenues	44,289	41,489	6.7%
Gross operating income	7,083	6,508	8.8%
Current operating income	4,497	3,902	15.2%
Income from operating activities	5,368	4,522	18.7%

1. *Unless otherwise indicated, all data is based on the consolidated financial statements prepared in accordance with IFRS.*

In 2006, the Group reported a sustained increase in business accompanied by a 6.7% rise in revenues.

Growth in revenues on a reported basis, amounting to €2,800 million, can be broken down as follows:

- organic growth of €3,289 million;
- a positive €1,144 million impact driven by higher gas prices;
- a negative €1,724 million impact relating to changes in the scope of consolidation;
- exchange rate fluctuations, generating a positive impact of €91 million, due primarily to changes in the value of the Brazilian real (€104 million). Fluctuations in the US dollar had a negative €38 million impact.

Organic revenue growth, at 8.2%, was boosted by higher revenue contributions from:

- SUEZ Energy Europe (up €1,461 million, or 10.4%), on the back of surging sales outside of the Benelux region, in particular in France, Germany, Italy and Spain, as well as higher electricity prices across Europe;
- SUEZ Energy International (up €636 million, or 11.4%), thanks to a strong sales momentum. Energy sales climbed €179 million (16.7%) year-on-year in the Asia/Middle East region, and €163 million (13.4%) in Latin America. North American sales came in €193 million (5.8%) higher, with the Group benefiting from stronger direct sales to industrial and commercial customers in the US;
- SUEZ Energy Services (up €515 million, or 5.1%), due notably to the sharp advance in installation and energy services in France (up €427 million), and to the expansion of climate engineering activities in Europe;
- SUEZ Environment (up €677 million, or 6.5%), owing to (i) strong 7.2% organic growth in the water segment in Europe (up €249 million), mainly in France and Spain; and (ii) a 5.4% increase in the waste services business in Europe (€249 million), notably in France, the United Kingdom and Germany.

Gross operating income *reported by the Group advanced 8.8%*, or 11.2% on a like-for-like basis (after adjusting for changes in Group structure and exchange rates). Changes in Group structure led to a negative impact of €189 million, mainly in connection with environment activities in Chile (water), Argentina (water) and Brazil (water and waste services), and the reduction of the Group's interest in various Flemish mixed inter-municipal companies. The €59 million positive currency impact results mainly from the appreciation in the value of the Brazilian real. *Growth in gross* operating income bears testimony to groupwide efforts to scale back costs and improve profitability, and also reflects favorable gas and electricity prices in Europe. However, this improvement was largely offset by the negative €170 *million impact of special* levies introduced by the Belgian government at the end of 2005 ("gas vouchers" and a tax on idle sites).

Growth in current operating income (15.2% based on reported figures and 15.9% on an organic basis) reflects:

- mainly, operating items with an impact on gross operating income (accounting for a rise of €575 million, including €705 million of organic growth);
- the non-recurring nature of the provision booked in 2005 for the AEP dispute in the US (positive impact of €111 million);
- and conversely, the absence of the positive impacts recorded in 2005 relating to the reform of electricity and gas industry (EGI) pensions arrangements in France (a positive impact of €33 million in 2005), and of various other provisions write-backs.

Income from operating activities surged 18.7% in 2006, benefiting from capital gains on asset disposals amounting to €1,093 million, including the sale by SUEZ Energy Europe of a portion of its interest in the Flemish mixed inter-municipal companies; the disposals of Colbún and Hanjin City Gas by SUEZ Energy International and of Reva by SUEZ Energy Services; and the sale of the residual stakes in M6 and Neuf Cegetel. Capital gains on asset disposals *in 2005 amounted* to €1,630 million, and essentially consisted of the proceeds from the partial sale of the Group's interest in Elia, as well as the remaining stake in Northumbrian.

Changes in the fair value of commodity derivatives recognized in accordance with IAS 32/39 had a *positive €17 million impact* on income from operating activities (versus a negative impact of €151 million in 2005).

Income from operating activities was also impacted in 2006 by asset write-downs amounting to €150 million (€658 million in 2006), in particular concerning property, plant and equipment in the US, as well as restructuring costs totaling €89 million.

9.2 Business trends

9.2.1 Electricity and gas

9.2.1.1 Key figures

In millions of euros	2006 SEE	2006 SEI	2006 Total	2005 SEE	2005 SEI	2005 Total	% change (reported basis)
Revenues	15,971	6,242	22,213	14,193	5,879	20,072	10.7%
Gross operating income (a)	3,060	1,566	4,626	2,854	1,335	4,189	10.4%
Depreciation, amortization and provisions (b)	(553)	(322)	(875)	(385)	(493)	(878)	0.4%
Stock option costs (c)	(5)	(3)	(8)	(3)	(2)	(5)	N/A
Share in net income / (loss) of associates (d)	326	18	344	474	33	507	-32.1%
Financial income not related to net debt (e)	35	124	159	30	60	89	77.9%
Current operating income = a + b + c - d - e	2,141	1,099	3,240	1,953	747	2,710	19.6%
Mark-to-market on commodity contracts other than trading instruments	66	(48)	18	(229)	79	(150)	N/A
Impairment	22	(86)	(64)	(79)	(269)	(348)	N/A
Restructuring costs	(8)		(8)	13		13	N/A
Disposals of assets, net	288	145	433	714	245	960	N/A
Income from operating activities	2,509	1,110	3,619	2,383	801	3,184	13.7%

9.2.1.2 SUEZ Energy Europe

Revenues reported by SUEZ Energy Europe increased by €1,778 million or 12.5% on a reported basis compared to 2005 on a like-for-like basis, and excluding the positive €855 million impact of higher gas prices and the sale of Electrabel Netten Vlaanderen, organic revenue growth came out at €1,461 million.

Electricity

Electricity volumes sold totaled 156.3 TWh in 2006, including 100.1 TWh in the Benelux region. Sales of electricity in the year amounted to €9,594 million, representing organic growth of 15.4% or 16.9% on a reported basis. This increase essentially reflects the overall rise in market prices triggered by higher fossil fuel prices, and higher sales volumes outside the Benelux region (up 24.6%). More than two-thirds of revenue growth in 2006 is powered by sales outside this area.

- In Belgium, sales volumes dropped by 2.4%, mainly as a result of lower wholesale volumes. Revenue growth of 4.2% was driven by the *business segment (industry and resellers)*, boosted by the renewal of contracts for a number of industrial customers on the basis of upward price revisions, as well as an increase in volumes sold.
- In the Netherlands, volumes sold climbed 4.7%. The favorable development of the customer portfolio, increases in selling prices and the consolidation of Rendo and Cogas from the fourth quarter contributed to a 26% surge in revenues.
- *In the rest of Europe, electricity sales continue to record double-*digit growth on almost all markets, in terms of both value and volume. This performance comes on the back of a strong sales momentum, notably in France (up 48.6% in value), Germany *(up 43.1% in value) and Italy (up* 34.6% in value). It also reflects certain production facilities which entered into or returned to service (positive impact of €92 million in connection with the start-up of the combined cycle gas turbine plant at Castelnou in *Spain in July 2006), and higher selling prices.*

Gas

Excluding the positive €359 million impact of higher gas prices, gas sales recorded by Electrabel swelled by €173 million on an organic basis, up 7.9% on the prior-year figure. Sales volumes grew by 15.7% thanks to a strong performance in the industrial sector in the Netherlands, the first-time consolidation of Rendo and Cogas, and wholesale volumes, mainly in the Benelux region. Mild weather in the fourth quarter countered the positive impact of harsh winter conditions in the first three months of the year.

Distrigaz posted a rise in industrial sales, notably in France (113 industrial sites now supplied) and the Netherlands. On an organic basis, however, sales contracted by €152 million or 6.7%, as a result of lower LNG sales (after the one-off opportunities in 2005) and a fall-off in sales to power plants outside the Group.

Other

The creation of a single operator (Eandis) in first-quarter 2006 resulted in the sale of the Group's subsidiary Electrabel Netten Vlaanderen to the Eandis entity. Eandis is a wholly-owned subsidiary of the mixed inter-municipal companies that operate the Flemish grid. Electrabel Netten Vlaanderen has been therefore deconsolidated, and this essentially explains the decrease in revenues in the Other segment – although margins were unaffected.

Current operating income as reported by SUEZ Energy Europe rose to €2,141 million, including organic growth of 9.5%, or €185 million. This figure reflects two exceptional measures introduced by the Belgian government in 2006:

- on December 8, 2006, the Belgian parliament voted to introduce a tax on idle production facilities; Electrabel paid €70.4 million in this respect at end-2006;
- at the end of December 2006, the Belgian parliament voted a one-off contribution from the main players in the natural gas resale and distribution market, designed to offset price reductions granted by the Belgian State to end customers. The full amount of this contribution was paid by Electrabel and Distrigaz for a sum of €100 million.

Excluding the impact of these special tax measures, organic growth in current operating income as reported by SUEZ Energy Europe was in the region of 18%, in line with the performance observed in first-half 2006.

Gross operating income shows organic growth of 9.2% (or €257 million), to €3,060 million, but was also impacted by the Belgian government's taxation measures described above. Excluding the impact of these taxes and contributions, organic growth in gross operating income comes in closer to 15%.

The growth in these two performance indicators was buoyed by sound operating fundamentals and favorable market conditions.

The electricity business profited from sustained increases in electricity prices, despite the rise in the average price of fossil fuels. Due to the various existing mechanisms to establish selling prices, changes in market prices are passed on to average selling prices progressively, whereas increases in fossil fuel prices have a more immediate impact on thermal production costs. This effect is partly countered by the diversity of the Group's production assets and fuels, as well as by the current hedging policy. In particular, the impact of increases in the cost of fossil fuels on margins is tempered by the fact that 45.5% of the Group's electricity output in the Benelux region is from nuclear sources.

Gross operating income was also boosted by improved capacity availability at power stations in the Netherlands, which suffered extended shutdowns in 2005, and by the full effect of the start-up or renovation of production facilities in recent months, mainly in Italy (the 270 MW plant at Voghera and the 1,495 MW Torrevaldaliga 5 and 6 units that came onstream in 2005) and in Spain (the 800 MW power plant at Castelnou).

At the same time, Electrabel's growth drivers outside the Benelux region continue to advance (up 27%, or €98 million), due to the start-up of new assets as described above and to prevailing market conditions in 2006. The impact of the increase in electricity selling prices is particularly marked in France, which was able to take advantage of improved hydro conditions as well as greater sensitivity to the market environment, and in Italy, which benefited from favorable intra-day sales.

Gas sales, essentially concerning Distrigaz, were boosted by a strong sales performance outside domestic markets and greater stability in short-term gas prices. The advance in gross operating income was bolstered by a number of non-recurring events, essentially concerning the resolution of metering issues that arose in the wake of market deregulation.

SUEZ Energy Europe reported a 5.3% increase in income from operating activities on a reported basis, to €2,609 million, driven by the positive €66 million impact of marking-to-market commodity derivatives at December 31, 2006, attributable mainly to the unwinding or remeasurement in 2006 of economic hedges of gas commodities. This item also includes €288 million in capital gains on disposals, mainly consisting of €236 million from the disposal of a portion of the Group's interest in the Flemish mixed inter-municipal companies. In 2005, capital gains on disposals included €626 million in connection with the listing of 36.6% of Elia.

9.2.1.3 SUEZ Energy International

SUEZ Energy International reported revenue growth of 6.2%, or 11.4% (€656 million) on a like-for-like basis (after adjusting for changes in Group structure, exchange rates and gas prices) organic growth stems from:

- North America (up €193 million), essentially due to the commercial success of Sema (SUEZ Energy Resources North America), the number three supplier of electricity to business and industrial customers in the US, and to the improvement in the merchant energy business (€55 million), notably in Texas (Ercot);
- the Asia/Middle East region (up €179 million), where sales increases in Thailand (€98 million) and Turkey (€47 million) are essentially attributable to the impact of higher electricity prices;
- Latin America (up €163 million), and particularly Brazil, where sales increased by €143 million following the replacement in 2005 of the last tranche of initial contract volumes by bilateral contracts with distributors and industrial customers. In addition, Peru reported revenue growth of €25 million, essentially reflecting increases in gas sales;
- the Liquefied Natural Gas (LNG) business, which posted revenue growth of €101 million compared to the previous year.

Current operating income as reported by SUEZ Energy International leapt by 47.2% to €1,099 million, with organic growth coming in at 45.7%, or €345 million.

Excluding the €111 million non-recurring impact of the AEP provision for litigation in the United States booked in 2005, organic growth in current operating income comes to €234 million. This performance is chiefly due to the sustained improvement in gross operating income which, once changes in scope and exchange rates are factored out, grew by 17.1% compared to the previous year. Growth in gross operating income can be broken down by region, as follows:

- North America spearheads the growth momentum (49.2%), essentially as a result of the performance recorded by SLNGNA (SUEZ LNG North America), the improvement in the merchant energy business, notably in Texas (Ercot), and improved sales volumes and margins booked by Sema (SUEZ Energy Resources North America);
- SLNGNA reported organic growth in gross operating income of 136%, despite the strong downward pressure on gas prices in the US during the first quarter. This strong increase reflects a robust performance in the second half of the year secured by the hedging policy, compared to an extremely difficult second half in 2005, where results were impacted by production outages at the Atlantic LNG sites;
- Latin America posted organic growth of 2.7%, held back by a modest performance in Brazil where the positive impacts of increased sales volumes and average selling prices (boosted by the replacement in 2005 of the last tranche of initial contract volumes by higher-margin bilateral contracts) were offset by the increase in net power purchases at high spot prices due to the drought suffered in the south of the country;
- organic growth in gross operating income in the Middle East and Asia region came in at 9.8%, thanks to a sales advance in Thailand (with a notable improvement in output availability at plants in 2006), as well as to EPC contract fees and margins on new projects in the Middle East;
- lastly, increases in gas prices drove up dividends and production payments received from Atlantic LNG.

SUEZ Energy International delivered a 38.5% increase in income from operating activities on a reported basis, to €1,110 million. In addition to the afore-mentioned items impacting current operating income, this change reflects:

- a decrease in impairment expenses, which amounted to €86 million in 2006 (versus €269 million in 2005), and mainly correspond to write-downs on merchant power plants in the US;
- the negative €48 million impact of marking-to-market commodity derivatives at December 31, 2006 (versus a positive €79 million impact at December 31, 2005), relating in particular to economic hedges of gas and electricity purchases and sales entered into in respect of North American operations;
- capital gains of €145 million from disposals, relating mainly to the sale of the Group's interests in Colbún in Chile and Hanjin City Gas in South Korea (proceeds of €245 million in 2005 mainly reflected the partial sale of Tractebel Energia, Enersur and Glow).

9.2.2 Key figures for SUEZ Energy Services

(in millions of euros)	2006	2005	% change (reported basis)
Revenues	10,637	10,329	3.0%
Gross operating income (a)	591	563	5.0%
Depreciation, amortization and provisions (b)	(163)	(140)	-16.1%
Net expenses on concessions/stock options (c)	(29)	(17)	N/A
Share in net income / (loss) of associates (d)	(3)	33	N/A
Financial income not related to net debt (e)	10	13	-23.1%
Current operating income = a + b + c - d - e	392	359	9.3%
Mark-to-market on commodity contracts other than trading instruments			N/A
Impairment	(23)	(84)	N/A
Restructuring costs	(25)	(87)	N/A
Disposals of assets, net	112	42	N/A
Income from operating activities	456	230	98.6%

SUEZ Energy Services delivered organic revenue growth of €515 million, or 5.1% in 2006, excluding the impact of higher gas prices. Once higher gas prices are factored back in, organic revenue growth reported by SUEZ Energy Services comes in at 6.5%.

Organic growth held firm in installation and maintenance services in France (up €339 million, or 12.1%) driven notably by strong performances from Ineo and Axima.

Service activities in France (Elyo) reported organic revenue growth of €87 million, or 4%, on the back of increased sales momentum and additional services provided. The impact of climatic conditions over the year was broadly neutral, with mild weather in November and December 2006 balancing out the harsher conditions experienced in the early months of the year.

In the rest of Europe, SUEZ Energy Services benefited from the overall expansion of operations, notably in the climate engineering business.

Gross operating income reported by SUEZ Energy Services came in at €591 million. The year-on-year increase stems from sustained activity level and operational improvements, including:

- ongoing commercial expansion in services provided in France and Europe, which helped improve the cost structure of these businesses. CPCU's activities were hampered by the temporary steam supply outage at the Tiru plant in Issy-Les-Moulineaux, France, as well as by the impact of caps on electricity revenues from cogeneration facilities;
- the installation business in France enjoyed robust commercial activity as well as ongoing structural and productivity improvements;
- the Belgian installation business boosted its profitability thanks to organizational streamlining measures. At the same time, services activities continued to expand very satisfactorily;
- the international installation business also continued to gain ground, notably in the HVAC sector. However, the results of SES International were affected by overruns on several projects recorded by UK subsidiary ABS;
- in the Netherlands, GTI continued its recovery and adjusted its organizational structure to allow it to focus on improving margins rather than increasing volumes;
- Tractebel Engineering enjoyed breakthroughs in several sectors (energy, infrastructures, etc.), and despite having discontinued its turnkey gas infrastructure business, continued to provide engineering consulting services in that sector.

SUEZ Energy Services recorded 9.3% growth in current operating income, which stands at €392 million. Organic growth in current operating income came to €38 million, or close to 11%, growing at twice the pace of revenues. SES was buoyed by improved operating performances that enabled it to make up for the absence in 2006 of non-recurring items booked in the previous year, including adjustments to provisions for pension obligations relating to EGI companies (positive impact of €33 million on current operating income in 2005) and the reversal of a provision for litigation recorded by GTI that was no longer justified.

2006 was characterized by further restructuring measures (representing a negative amount of €25 million, versus a negative €87 million in 2005), particularly at GTI and Axima Building Services in the UK. Asset impairments amounted to €23 million, down sharply on the €84 million figure recorded in 2005, which chiefly consisted of a €50 million write-down on GTI goodwill. These positive impacts were bolstered by capital gains on disposals of non-strategic businesses and assets in an amount of €112 million (compared to €42 million in 2005), essentially in connection with the sale of Reva, which generated a gain of €129 million.

On the back of this performance, SUEZ Energy Services delivered a €455 million increase in income from operating activities – almost double the prior-year figure.

9.2.3 Key figures for SUEZ Environment

(in millions of euros)	2006	2005	% change (reported basis)
Revenues	11,439	11,089	3.2%
Gross operating income (a)	1,983	1,914	3.6%
Depreciation, amortization and provisions (b)	(685)	(695)	1.4%
Net expenses on concessions/stock options (c)	(207)	(167)	-23.8%
Share in net income / (loss) of associates (d)	21	24	-11.5%
Financial income not related to net debt (e)	26	25	4.5%
Current operating income = a + b + c - d - e	1,044	1,004	4.0%
Mark-to-market on commodity contracts other than trading instruments	(2)		N/A
Impairment	(54)	(209)	N/A
Restructuring costs	1	(22)	N/A
Disposals of assets, net	154	493	N/A
Income from operating activities	1,143	1,256	-9.7%

SUEZ Environment delivered strong 6.5% (€677 million) organic revenue growth in 2006. Revenue growth on a reported basis was hit by changes in the structure of the international operations, mainly the deconsolidation of Latin American companies further to the termination of the Aguas Argentina contract at the end of February, which contributed to a €396 million fall in revenues. Organic growth performance by region breaks down as follows:

- European water services posted revenue growth of €249 million or 7.2%, on the back of strong results from Agbar (up €141 million, or 9.7%) – particularly its water and wastewater business – and France (up €87 million, or 6.0%), boosted by fast-paced commercial expansion;
- revenues generated by European waste services advanced across the region, fueled by either favorable price and volume effects, particularly in France (€105 million or 4.2%) and the UK (€41 million, or 5.6%), or by the start-up of new waste sorting and processing units in the second half of 2005, particularly in Germany and central Europe which both delivered a robust performance (revenues up €28 million or 6.4%, and €46 million or 44.1%, respectively);
- Degrémont benefited from an advance in major international contracts (Perth in Australia, Halifax in Canada, Algeria, Mexico, etc.), which lifted organic growth to €81 million, or 8.7%;
- International operations reported organic growth of €98 million, or 6.7%, reflecting mainly the ramp-up of water and waste services contracts in China (accounting for a rise of 15.3%), rising prices and volumes in Morocco (Lydec, +3.8%), the start-up of the water contract in Algeria, and the expansion of the waste services business in Australia (+7.3%).

Thanks to divestments carried out in 2005 and 2006 (withdrawal from Latin America, sale of the North American waste services business, partial sale of Palyja in Jakarta, etc.), and the early-2007 sale of its Bolivian operations, SUEZ Environment has completed its geographical shift, anchored around a strong European base and a deep international footprint; namely the water business in the US, waste services in Australia, and water and waste services in China, North Africa and the Middle East. This new strategic geographical thrust already seems to have paid off, with Europe contributing more than 75% of SUEZ Environment's organic revenue growth in 2006.

Current operating income for SUEZ Environment came in at €1,044 million in 2006, up 4% on a reported basis or 7.3% on an organic basis. Building on an already excellent year in 2005, the sharp advance in SUEZ Environment's operating performance in 2006 outpaced revenue growth. Operating results are mainly powered by a surge in gross operating income, which jumped €140 million or 7.8% after adjusting for changes in the scope of consolidation and exchange rates.

This excellent showing is attributable to:

- capital development expenditure generating sustained organic growth in waste services (Zorbau, Spolana, Sleco, SCIP, etc.) and water businesses (new concession contracts awarded to LDE in Vallauris, Briançon and Dunkirk);
- further improvement in entities' operating performance on the back of a more favorable economic climate in Europe;
- value-driven external growth to consolidate SUEZ Environment's strong positions, notably through acquisitions carried out by Sita France, Sita UK, Sita Nordic, Sita NL, etc.;
- selective commercial development, mainly focused on non-capital-intensive models, and including services provided by the French water business, PFI UK, Chinese water operations and the Algerian contract.

By region, this robust performance was led by European waste services, which reported an excellent €119 million (15.9%) organic growth in gross operating income, underpinned by a tight rein on costs, firm business volumes and the start-up of new facilities. Asia, the Middle East and Africa also contribute to the strong results, with organic growth of €41 million, or 24.8%, in gross operating income, thanks mainly to the Algiers contract, Sita Australia and Lydec. Conversely, European water services delivered modest 2.3% organic growth, with Agbar reporting a downturn in year-on-year growth due to a fall-off in its certification business. Growth reported by water services in France held firm, however, at 4.9%. Revenues reported by the Americas region tumbled 17.1%, mainly as a result of the positive non-recurring impact of events in Argentina during 2005.

Organic growth in current operating income lags slightly behind organic growth in gross operating income, chiefly due to the better-than-expected outcome upon termination of the Puerto Rico contract in 2006 (+€30 million compared to 2006).

SUEZ Environment reported €1,143 million in Income from operating activities, down 9.7% on 2005 which was inflated by proceeds of €493 million from asset disposals (mainly the residual interest in Northumbrian), compared to capital gains of €154 million in 2006 generated on sales carried out by Agbar.

Impairment losses totaled €64 million and were taken mainly on property, plant and equipment in Argentina and France. Impairment losses in 2005 were €209 million and chiefly concerned property, plant and equipment and intangible assets.

9.2.4. Key figures for Other

(in millions of euros)	2006	2005	% change (reported basis)
Gross operating loss	(117)	(158)	25.9%
Current operating loss	(180)	(170)	-6.1%
Income/(loss) from operating activities	150	(157)	NA

Gross operating loss for the Other segment in 2006 includes a €72.8 million non-recurring gain on SI Finance's private equity portfolio.

The "Other" Segment delivered income from operating activities of €150 million in 2006 (compared to a loss from operating activities of €157 million in 2005), taking into account costs of €57 million incurred in connection with the SUEZ-Gaz de France merger plan.

Income from operating activities was boosted by capital gains from asset disposals (€395 million in 2006 versus €36 million in 2005), further to sales of residual interests in M6 (€120 million) and Neuf Cegetel (€270 million). These positive results were only very slightly offset by the minor increase in current operating loss (€180 million in 2006 versus €170 million a year earlier).

9.3 Other income statement items

(in millions of euros)	2006	2005	% change (reported basis)
Income from operating activities	5,368	4,522	18.7%
Financial loss	(731)	(725)	-0.8%
Income tax	(815)	(586)	-39.2%
Share in net income of associates	372	565	-34.2%
Net income	4,194	3,776	11.1%
Minority interests	588	1,264	-53.5%
Net income Group share	3,606	2,513	43.5%

Financial loss for the years presented remained stable (€731 million in 2006 compared to €725 million in 2005).

This reflects:

- the stable cost of net debt (€830 million in 2006 versus €800 million in 2005), based on average net debt of €12 billion, up approximately €1 billion on the 2005 figure (due to funds raised at the end of 2005 to finance the cash and share bid for Electrabel);
- a €191 million increase in other financial income and expenses, primarily due to a rise in dividends received from non-consolidated companies;
- the non-recurring gain in 2005 on the early redemption of bonds repayable in Fortis shares, amounting to €167 million.

Income tax expense climbed €230 million year-on-year following the Group's earnings growth. The effective tax rate rose by 2.2 percentage points to 17.6%, versus 15.4% in 2005, mainly reflecting fewer non-taxable capital gains included within the Group's income before tax as compared to 2005.

Share in net income of associates fell €193 million year-on-year, due mainly to:

- a €173 million fall in contributions from the mixed inter-municipal companies further to the partial disposals of Flemish inter-municipal entities, and the positive non-recurring impact recognized in 2005 on the sale of Telenet;
- the positive non-recurring impact on certain SES subsidiaries of the reform of EGI pensions in 2005, amounting to €25 million.

Minority interests fell €676 million, reflecting the impact of the cash and share bid for the interests not already owned by SUEZ in Electrabel (49.9%) which ended on December 5, 2005; and the ownership of 98.6% of Electrabel's capital over the full year. This transaction contributed an additional €766 million after financing costs, with an accretive impact on earnings per share of €0.13.

9.4 Financing

9.4.1 Cash flow from operating activities

Cash generated from operations before income tax and working capital requirements

(in millions of euros)	2006	2005	% change (reported basis)
Electricity and gas	4,367	3,913	11.6%
SUEZ Energy Europe	2,953	2,646	11.6%
SUEZ Energy International	1,414	1,267	11.6%
SUEZ Energy Services	500	457	9.4%
SUEZ Environment	1,785	1,656	7.8%
Other Services	(269)	(275)	-2.2%
SUEZ Group	6,383	5,751	11.0%

On a reported basis, cash flow generated from operations before income tax and working capital requirements came in 11% higher year-on-year at €6,383 million, outpacing growth in gross operating income (8.8%). Unlike gross operating income, this cash flow line is not affected by the lower year-on-year contribution of associates but reflects a €111 million decrease in dividends from associates due to the partial sale of the Flemish inter-municipal companies in 2005. Furthermore, 2005 was boosted by the impact of several non-recurring items that did not carry over into 2006. Growth in this cash flow item benefits, however, from a €138 million fall in restructuring costs compared to 2005, which reported net expenditure mainly in relation to SUEZ Environment's withdrawal from Argentina.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €226 million increase in working capital requirements (of which €180 million relates to operating working capital), mainly at SUEZ Energy Europe. The €595 million increase in operating working capital requirements at Electrabel is due to the non-recurring nature of certain items which had a positive effect in 2005 not carried over in 2006 (in particular, a significant backlog of outstanding invoices in respect of network costs). Working capital in 2006 was hit by the additional cash deposited to meet margin calls relating to portfolio activities in the wake of volatile electricity prices in Europe.

The €163 million rise in operating working capital requirements at Distrigaz relates to climatic conditions (mild early winter months) and market sentiment (downturn in spot prices), and was only partially offset by the improvement in working capital at the other three segments. SES in particular delivered an improvement in working capital requirements, which contracted €411 million. The reduction was mainly reported in the US, where the fall in gas prices at the end of 2006 had a positive impact on working capital requirements for SUEZ LNG North America and led to fewer margin calls on hedging activities.

Overall, operating activities generated surplus cash of €6.2 billion in 2006.

9.4.2 Cash flow from investing activities

Investments in 2006 totaled €3.8 billion and include:

- financial investments amounting to €1.4 billion, including €0.5 billion relating to the acquisition of the shares in SHEM not already owned by the Group;
- maintenance expenditure totaling €1.4 billion (€1.5 billion in 2005), to which the main contributors were Electrabel (€0.5 billion, relating to conventional and nuclear power stations in Belgium and the Netherlands, as well as ongoing repowering programs in Italy) and SUEZ Environment (€0.7 billion, including €0.2 billion in European water services and €0.3 billion for European waste services);
- development expenditure of almost €1 billion, concerning mainly facilities in Spain (Castelnou), Italy (Roselectra and Leini), the United States (completion of the merchant program), and Brazil.

Disposals totaled close to €3 billion in 2006 (as in 2005) and relate to:

- the sale of interests in Flemish inter-municipal companies and the corresponding repayment of capital totaling €1,234 million;
- the sale of Colbún and Hanjin City Gas by SEI for €341 million and €108 million, respectively;
- the sale of Reva by SES for €175 million; and
- the sale of the residual interests in M6 and Neuf Cegetel for a total amount of €633 million.

Interest and dividends from non-current financial assets generated €0.4 billion in cash flows.

In total, investing activities resulted in a €0.4 billion cash shortfall.

9.4.3. Cash flow from financing activities

Dividends paid in 2006 totaled €1.7 billion (€1.5 billion in 2005), and include dividends paid by SUEZ SA to its shareholders amounting to €1,260 million versus €807 million in 2005, due to the increase in both dividends per share as well as the number of shares carrying dividend rights. This item also includes €456 million in dividends paid by various subsidiaries to minority shareholders, representing a significant decrease on the 2005 figure (€715 million) further to the buyout of minority interests in Electrabel at the end of 2005. Net interest expense totaled €754 million in 2006 versus €682 million a year earlier.

In the context of the Group's policy of optimizing its financial structure, repayments of debt were higher than new borrowings, and led to an outflow of €5,205 million in cash.

Capital increases and movements in the parent company's shares relate mainly to stock subscription and purchase options awarded to Group employees, representing cash inflows of €396 million.

Overall, financing activities resulted in a cash outflow of €6.9 billion in 2006.

9.4.4 Net debt at December 31, 2006

After edging up slightly to €13.8 billion at end-2005, net debt was pared back to €10.4 billion at December 31, 2006. In parallel, total equity was reinforced, resulting in a historically low gearing ratio: 46.3% at end-2006 versus 73.4% at December 31, 2005.

Net debt, including the impact of financial instruments, is 48%-denominated in euros, 32% in US dollars and 7% in pounds sterling (49%, 37%, and 3%, respectively, at year-end 2005).

Including the impact of financial instruments, 43% of gross debt is at fixed rates.

Due to significantly high liquidity at December 31, 2006 (€7.9 billion) and the Group's policy of favoring fixed-rate debt when interest rates are at a historically low level, 78% of net debt is at fixed rates. The average maturity of net debt is 8.1 years.

At December 31, 2006, the Group had undrawn credit facilities and treasury note back-up lines totaling €8.6 billion, versus €7.1 billion at December 31, 2005.

9.5 Other balance sheet items

***Property, plant and equipment, net** stands at* €21 billion, compared to €20.2 billion at end-2005. This €0.8 billion increase was driven primarily by capital expenditure (€2.1 billion) and changes in the scope of consolidation (€1.2 billion), which offset depreciation charges and impairment losses recognized in the period for an amount of €1.6 billion.

Goodwill remained relatively stable, at €13.4 billion.

Investments in associates *fell by almost €2 billion, due mainly to* the sales of interests in Flemish inter-municipal companies and to the full consolidation of CNR.

Total equity rose €3.7 billion year-on-year, to €22.6 billion, despite the €1.7 billion dividend payout and a negative €0.4 billion in translation adjustments. The increase is attributable to net income for 2006 (€4.2 billion) and the impacts of IAS 32/39 (€1.1 billion).

Provisions decreased €1.2 billion to €9.8 billion, from €11 billion at end-2005. Provisions set aside in the period (€1.1 billion, of which €0.3 billion relates to the unwinding of the discount) were at the same level as provisions released (€1.1 billion), while changes in the scope of consolidation had a negative €0.9 billion impact, chiefly reflecting the transfer of personnel (pension obligations) in connection with the restructuring of the distribution sector in Belgium.

Derivative instruments (including commodity derivatives) recorded in assets amount to €4.3 billion (€6.7 billion at December 31, 2005), while the same item in liabilities amounts to €4.1 billion (€7.4 billion at end-2005). These movements chiefly reflect a decrease in variances between market and contractual prices at year-end 2006.

9.6 Parent company financial statements

The full version of the parent company financial statements is available from SUEZ on request.

Key figures of the parent company financial statements, prepared in accordance with French GAAP, are presented below:

In millions of euros	2006	2005
1. Income statement		
Income from operating activities	6,383	1,218
Exceptional income/(loss)	401	(355)
Income tax, profit-sharing & incentive schemes	186	137
Net income	6,970	1,000
2. Cash flow statement		
Cash flow from operating activities	2,513	395
of which gross cash flow	2,583	462
Cash flow from (used in) investing activities	(11,439)	(7,260)
Cash flow from (used in) financing activities	7,381	6,467
3. Balance sheet		
Property, plant and equipment & intangible assets	16	14
Financial assets	48,039	36,246
Prepaid expenses and other current assets	315	295
Marketable securities and cash & cash equivalents	217	75
TOTAL ASSETS	48,587	36,629
Shareholders' equity	31,723	25,847
Provisions	244	350
Borrowings and long-term debt	16,480	10,224
Deferred income and other liabilities	140	208
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	48,587	36,629

The main events reflected in the 2006 financial statements are as follows:

- the purchase of Electrabel shares from SUEZ-Tractebel for €11,421 million. Payment of this acquisition has been deferred until December 31, 2007. SUEZ SA also increased its direct shareholding in Electrabel to 96.7% through purchases of shares from SES entities;
- ordinary and interim dividends received from SUEZ-Tractebel and Electrabel for €5,066 million and €1,387 million, respectively.

The year-on-year increase in net income reflects:

- a rise of €5,165 million in income from operating activities, mainly attributable to the dividend payouts detailed above, which only partially offset the reduction in dividends received from Genfina and SI Finance;
- exceptional income of €401 million, boosted by write-backs of provisions on shares further to the sale of Neuf Cegetel. The exceptional €355 million loss reported in 2005 included primarily the impact of the early redemption of bonds repayable in Fortis shares.

9.7 Outlook for 2007

Thanks to buoyant energy and environmental markets, coupled with the dynamism of its sales teams, the industrial outlook for SUEZ going forward is excellent.

The Group's competitive positioning across its businesses, its experience and its technological leadership are strong growth drivers in markets that are *continually evolving (increased concentration of major operators, new energy market regulations and water treatment technology, etc.)*.

In this context, the Group will press ahead with its industrial expansion (with investments excluding major acquisitions estimated at €15 billion over the period 2007-2009 compared with €10.2 billion over the period 2004-2006 excluding the *cash and share bid for Electrabel*), while ensuring strict financial discipline by maintaining its A rating and selective investment criteria.

SUEZ intends to pursue its efforts to increase operating profitability and liquidity across all of its business lines, and is set to benefit from operational synergies stemming from the full integration of Electrabel (the target of €350 *million in synergies* by 2008 announced at the time of the cash and share bid for Electrabel has been raised to €450 million). Lastly, SUEZ will carry through its structural streamlining program, and will launch a squeeze-out bid on the remaining 1.38% of Electrabel's share capital not already owned by the Group (investment in the region of €450 million in first-half 2007).

The Group's targets as set out in the Optimax performance improvement plan have been surpassed. The cost reduction program aimed at economizing €550 million through 2005-2008 ultimately achieved €591 million in savings. The Group will press ahead with its efforts in this domain through a fresh round of ongoing improvements to operating performance.

The Group's operating objectives for 2007 are:

- an increase in gross operating income of more than 10%;
- a rise of more than 15% in current operating income;
- thereby allowing the Group to remain on track to meet its ROCE (return on capital employed) targets.

Firmly upholding the Group's outlook for each of its business, at its meeting of March 7, 2007 the Board of Directors announced that it would continue to pursue its vigorous dividend payout policy. It also specified that:

- in respect of 2006, it will recommend an ordinary dividend of €1.20 per share at the Annual Shareholders' Meeting, up 20% on the dividends paid in respect of 2005;
- for subsequent years, a dividend payout representing at least 50% of recurring net income.[1]

The Group also intends to launch a share buyback program.

In 2007 the Group's teams will continue to work on the planned merger between SUEZ and Gaz de France. The industrial logic of this project is unquestionable, and it will create value for all of the stakeholders concerned: shareholders, employees and customers.

Preliminary work was undertaken in 2006 in connection with this transaction, which will be submitted to the respective extraordinary Shareholders' Meetings of the two groups as soon as the following legal formalities have been completed:

- the implementing decrees that will allow the French State to reduce its interest in Gaz de France to below the current ceiling of 70% have been published;
- *the two Boards have approved the merger agreement;*
- the competent authorities have been notified of the transaction.

Building on the successful cash and share bid for Electrabel in 2005 and the implementation of the planned merger in 2006/2007, the newly created SUEZ/Gaz de France Group will be among the companies *best positioned to capitalize on the deregulation of the* energy sector in 2007.

1. *Recurring net income = net attributable income adjusted for (i) capital gains, (ii) the impact of the application of IAS 32/39 on income from operating activities, and (iii) any other material non-recurring items.*

10 CASH FLOW AND SHARE CAPITAL

10.1 Issuer capital

Total equity rose €3.7 billion year-on-year, to €22.6 billion, despite the €1.7 billion dividend payout and translation losses of *€0.4 billion. Equity was boosted by net income for the year* (€4.2 billion) and the impact of IAS 32/39 (€1.1 billion).

As indicated below in Section 10.3.1, the Group's net debt amounted to €10.4 billion. As a result, the gearing ratio (net debt divided by total equity) improved from 73.4% at end-2005 to 46.3% at December 31, 2006.

10.2 Source and amount of issuer cash flows and description of cash flows

10.2.1 Cash flow from operating activities

Cash generated from operations before income tax and working capital requirements

In millions of euros	2006	2005	% change (reported basis)
Electricity & Gas	4,367	3,913	11.6%
SUEZ Energy Europe	2,953	2,646	11.6%
SUEZ Energy International	1,414	1,267	11.6%
SUEZ Energy Services	500	457	9.4%
SUEZ Environment	1,786	1,656	7.8%
Other	(269)	(275)	-2.2%
SUEZ Group	6,383	5,751	11.0%

Cash flow generated from operations before income tax and working capital requirements came in 11% higher year-on-year at €6,383 million, outpacing growth in gross operating income (8.8%). Unlike gross operating income, this cash flow is not affected by the lower year-on-year contribution of associates but reflects a €111 million decrease in dividends received from associates due to the partial sale of the Flemish inter-municipal companies in 2006. Furthermore, 2005 was boosted by the impact of several non-recurring items that did not carry over into 2006. Growth in this cash flow item benefits, however, from a €138 million fall in restructuring costs compared to 2005, which reported net expenditure mainly in relation to SUEZ Environment's withdrawal from Argentina.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €226 million increase in working capital requirements (of which €180 million relates to operating working capital), mainly at SUEZ Energy Europe. The €595 million increase in operating working capital requirements at Electrabel is due to the non-recurring nature of certain items which had a positive effect in 2005 not carried over in 2006 (in particular, a significant backlog of outstanding invoices in respect of network costs). Working capital in 2006 was hit by the additional cash deposited to meet margin calls relating to portfolio activities in the wake of volatile electricity prices in Europe.

The €153 million rise in operating working capital requirements at Distrigas relates to climatic conditions (mild early winter months) and market sentiment (downturn in spot prices), and was only partially offset by the improvement in working capital at the other three segments. SEI in particular delivered an improvement in working capital requirements, which contracted €411 million. The reduction was mainly reported in the US, where the fall in gas prices at the end of 2006 had a positive impact on working capital requirements for SUEZ LNG North America and led to fewer margin calls for hedging activities.

Overall, operating activities generated surplus cash of €5.2 billion in 2006.

10.2.2 Cash flow from investing activities

Investments in 2006 totaled €3.8 billion and include:

- financial investments amounting to €1.4 billion, including €0.5 billion relating to the acquisition of the shares in SHEM not already owned by the Group;
- maintenance expenditure totaling €1.4 billion (€1.5 billion in 2005), to which the main contributors were Electrabel (€0.5 billion, chiefly relating to conventional and nuclear power stations in Belgium and the Netherlands, as well as ongoing repowering programs in Italy) and SUEZ Environment (€0.7 billion, including €0.2 billion in European water services and €0.3 billion for European waste services);
- development expenditure of almost €1 billion, concerning mainly greenfield plants in Spain (Castelnou), Italy (Roselectra and Leini), the United States (completion of the merchant program), and Brazil.

Cash flows generated by disposals totaled close to €3 billion in 2006, and mainly relate to:

- the partial sale of SUEZ's interest in the capital of the Flemish mixed inter-municipal companies (€1,234 million);
- the sale of SEI's stakes in Colbún in Chile (€341 million) and Hanjin City Gas in South Korea (€108 million);
- the sale of Reva in Spain by SES for €175 million; and
- the sale of 49% of the shares held in Palija (Jakarta, Indonesia) for €32 million.

The Group's refocusing around its core businesses was completed by the divestment of its residual interest in Neuf Cegetel (€470 million) and M6 (€163 million).

Interest and dividends from non-current financial assets generated €0.4 billion in cash flows.

In total, cash flow from investing activities resulted in a €0.4 billion cash shortfall.

10.2.3 Cash flow from financing activities

Dividends paid in 2006 amounted to €1.7 billion, and include dividends paid by SUEZ SA to its shareholders (€1,260 million versus €807 million in 2005), due to the increase in both dividends per share paid as well as the number of shares carrying dividend rights. This item also includes €456 million in dividends paid by various subsidiaries to minority shareholders, representing a significant decrease on the 2005 figure (€715 million) further to the buyout of minority interests in Electrabel at the end of 2005. Net interest expense totaled €754 million in 2006 versus €662 million a year earlier.

In the frame of the Group's policy of optimizing its financial structure, repayments of debt were higher than new borrowings, and led to cash outflow of €5,206 million.

Capital increases and movements in the parent company's shares relate mainly to stock subscription and purchase options awarded to Group employees, representing cash inflows of €396 million.

Overall, financing activities resulted in a cash outflow of €6.9 billion in 2006.

10.3 Financing structure and borrowing conditions applicable to the issuer

10.3.1 Debt structure

The Group pressed ahead with its policy of scaling down debt during 2006. This policy, combined with the capital increase, led to a substantial improvement in the Group's gearing ratio (46.3% at the end of 2006 compared to 73.4% at the end of 2005). In addition, the Group no longer consolidates the companies operating the concession contracts terminated in Buenos Aires and Santa Fe.

Due to improved cash circulation within the Group, gross debt (excluding bank overdrafts) decreased by 24% to €18.4 billion at the end of 2006, compared to €24.3 billion at end-2005. Gross debt consists of €9.6 billion in bonds (€9 billion in 2005), and €7.1 billion in bank loans, including finance leases (€12.8 billion in 2005).

Short-term loans represent 29% of total gross debt in 2006 versus 33% in 2005.

Excluding the impact of derivative instruments and measurement at amortized cost, net debt totaled €10.7 billion at December 31, 2006, compared to €13.8 billion at end-2005.

Excluding the impact of derivative instruments and measurement at amortized cost, 48% of net debt is denominated in euros, 32% in US dollars and 7% in pounds sterling, compared to 50% in euros, 37% in US dollars and 3% in pounds sterling at the end of 2005.

43% of gross debt and 78% of net debt are at fixed rates. In spite of higher interest rates, the average cost of gross debt comes to 5.2%, and remains in line with the 2005 figure. At December 31, 2006, the average maturity of net debt is 8.1 years compared to 7.9 years at the end of 2005.

10.3.2 Main developments in 2006

In 2006, the Group set up an automated cash pooling system between its various subsidiaries with the aim of optimizing treasury management. Thanks to this cash pooling structure, the Group repaid the outstanding €3.2 billion loan used out to purchase 49% of Electrabel, and refunded borrowings under commercial paper and bank lines of credit in an amount of €1.8 billion.

In January 2006, Electrabel issued an 18-month Floating Rate Note for €1 billion, designed to bolster the Group's liquidity via the repayment of borrowings under commercial paper and lines of credit.

During the same month, the Group also completed the financial restructuring of certain Thai assets through two locally-contracted bank loans amounting to 684 million and 6 billion Thai bahts.

In the first half of the year, the Group set up a USD 1,169 million non-recourse financing facility in cooperation with International Power, to fund the acquisition and extension of a power plant at Al Hidd in Bahrain. As the Group holds a 30% interest in the share capital of this project company, this facility is not fully consolidated in the Group's consolidated financial statements.

In July 2006, the Group modified its European Medium Term Notes program in Luxembourg in order to comply with new European directives. This program is for a total amount of €5 billion, and now includes Electrabel SA among the issuers, alongside GIE SUEZ Alliance and SUEZ Finance SA. All bond issues under this program are guaranteed by GIE SUEZ Alliance.

On February 28, 2007, the Group bought back bonds issued by GIE SUEZ Alliance for an amount of €1,235 million (€670.5 million on the bond maturing in February 2009 and €564.6 million on the bond maturing in June 2010), in order to smooth out the repayment profile of its bond debt.

10.3.3 Group credit ratings

SUEZ and some of its subsidiaries have been given a senior debt rating by the rating agencies Standard & Poor's and Moody's. On February 27, 2006, Standard & Poor's and Moody's placed their ratings for SUEZ Alliance GIE and SUEZ SA under review, due to the planned merger with GDF. Pending the results of this review, GIE SUEZ Alliance maintains its rating of A2/P-1 from Moody's and A-/A-2 from S&P, SUEZ SA maintains its A-rating with S&P.

Ratings agencies have made the following adjustments to the calculation of the Group's net debt:

- inclusion of provisions concerning nuclear power generation (site dismantling and reprocessing of nuclear fuel, see Section 20, Note 23);
- inclusion of the pension fund deficit (see Section 20, Note 24);
- inclusion of unconditional discounted future minimum payments under operating leases (see Section 20, Note 30).

10.4 Restrictions regarding the use of capital

At December 31, 2006, the Group had €8.6 billion in undrawn confirmed credit facilities (that can be used as back-up lines for commercial paper and treasury bills). 90% of these facilities are managed centrally and are not subject to financial covenants or credit ratios.

The Group also arranges credit facilities to cover subsidiaries' funding requirements. Drawdowns on the facilities depend on compliance with financial ratios (known as covenants) set for the borrower. These lines of credit are not guaranteed by SUEZ SA or GIE SUEZ Alliance.

The definition and the level of these covenants are determined in agreement with lenders and may be reviewed during the life of the loan.

With most loans subject to covenants, lenders require subsidiaries to comply with certain ratios assessing their ability to service the debt (debt-service cover ratio, equal to free cash flow divided by principal plus interest costs) or the related interest (interest cover ratio, equal to EBITDA divided by interest costs).

In the case of project financing, a loan life cover ratio is sometimes requested in addition to the debt-service cover ratio. This is equal to the net present value of cash available for debt service divided by outstanding debt.

For other financing facilities that are not guaranteed by the parent company, banks sometimes require compliance with a balance sheet ratio – chiefly either a debt-equity ratio or a stipulated minimum level of equity.

At December 31, 2006, there were no reported payment defaults on the Group's consolidated debt. All Group companies comply with the covenants and representations stipulated in their financial documentation, with the exception of a debt-service cover ratio on a €2.6 million loan (which is not in default) and a covenant relating to insurance cover on two projects for which a waiver is currently being discussed.

10.5 Planned sources of financing to meet the commitments stemming from investment decisions

10.5.1 Contractual commitments

The following table presents an estimate of contractual commitments at December 31, 2006 which may have an impact on the Group's future cash flows. This estimate takes account of Group gross borrowings, operational finance leases and irrevocable commitments made by the Group to acquire fixed assets and other long-term commitments.

	Amounts by maturity			
In millions of euros	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Net debt (including finance leases)	(2,302)	8,067	4,955	10,720
Operating leases	221	663	821	1,705
Non-cancelable purchase commitments*	842	752	241	1,835
Firm purchases and sales of commodities and fuels	(2,753)	5,392	18,127	20,766
Financing commitments given	661	409	2,547	3,617
Financing commitments received	1,095	2,218	5,834	9,147
Other long-term commitments	298	281	290	869

*Net from sale commitments

Contractual commitments may have a material impact on operating income or Group sources of financing, in the event of changes in the parameters underlying these specific arrangements.

The table above does not include obligations related to pensions and other employee benefits. At December 31, 2006, payment obligations relating to pension and employee benefit obligations exceeded plan assets in an amount of €2,776 million, excluding (i) the amount due to the Group from Belgian municipalities further to the transfer of obligations relating to certain distribution companies to a third party, and (ii) the fair value of the assets of Contassur – SUEZ Group's pension fund management company in Belgium. For further information on these obligations, please refer to Section 20, Note 24 of this Reference Document.

Capital expenditure commitments in an amount of approximately €869 million are also included in the above table under "Other long-term commitments". These commitments are primarily related to the construction of several power generation plants, and include purchases of turbines, gas power plants, cogeneration plants and incinerators (€493 million), and investments in connection with concession contracts (€376 million).

10.5.2 Planned sources of financing

The Group expects that its funding requirements will be covered by cash on hand, cash flows from operating activities and, if need be, existing credit facilities.

The Group may set up specific financing facilities on a project-by-project basis.

A total of €4.5 billion of the Group's credit facilities and financing matures in 2007. SUEZ Group also has €7.8 billion in available cash at December 31, 2006 and, as described in Section 10.4, €9.6 billion in available lines of credit (excluding drawdowns on the commercial paper program).

11 INNOVATION, RESEARCH AND DEVELOPMENT, PATENTS AND LICENSE POLICY

At SUEZ, innovation is a strategic element that enables the Group to meet the expectations of its customers with respect to their current and future needs, improve the productivity of its production capacity, and increase financial profitability.

This policy is developed based on the work of experts in the operational units, research programs developed in the Group's R&D centers, and the sharing of results and exchange of information among researchers and experts.

The Group has also established a proactive approach to stimulate and promote initiatives and innovative projects in the technical, sales and managerial fields by carefully examining proposals for various projects submitted by teams in the field.

In 2006, three goals underpinned this strategy:

- satisfying increasingly rigorous requirements in terms of sustainable development due to its presence in both the energy and environmental sectors: reduce CO_2 emissions, improve energy efficiency for all client use, cut down on environmental pollution, and increase the use of renewable energies;
- developing new services for private, municipal and industrial customers with targeted offers to match their expectations;
- improving the productivity of production capacity, especially through the increased sharing of advances between entities, a high level of use of new information and communications technologies, and advances in the simulation field.

In the technical field, SUEZ relies on Research and Development (R&D), where it invested a total of €98 million in 2006.

On a like-for-like basis, SUEZ spent €84.8 million in 2005, €85 million in 2004 and €79 million in 2003.

In all, there are over 600 researchers and experts working on technological Research and Development projects in the R&D centers and in expert networks.

Research activities are primarily conducted in specialized R&D centers:

- Laborelec is based near Brussels and specializes in activities related to the production, distribution, and use of electricity and related forms of energy and sustainable development.

  It is on the cutting edge in the control of energy quality and the knowledge of procedures and equipment for energy production, including renewable energy sources (particularly from biomass).

  The monitoring of the behavior of equipment, particularly the vibratory control of rotating machines, is a special strength, as well as expertise on the behavior of gas turbine materials, steam generators and high-pressure boilers.

  Laborelec has developed and applied specialized services for industry essentially focused on energy efficiency.

  Its expertise is evident in all its four product lines:
  - "Electric and metrological systems",
  - "Technology for sustainable procedures",
  - "Electrotechnical engineering materials and equipment",
  - "Materials and sound and vibratory control technology".

  A multi-functional management provides underlying support to these 4 areas of expertise.

  For certain highly sensitive activities, Laborelec's professionalism and impartiality are guaranteed by ISO 17025 and ISO 9001 certifications;
- Elyo Cylergie based near Lyon. Its capabilities are used in the energy services business. Special emphasis is placed on energy efficiency, minimizing environmental impact, health and comfort, and monitoring performance commitments.

16 MEMBERS AND FUNCTIONING OF THE BOARD OF DIRECTORS AND MANAGEMENT STRUCTURES, ACTIVITIES OF THE BOARD OF DIRECTORS

Article 15 of the Bylaws defines the powers of the Board of Directors.

"The Board of Directors *determines the strategic direction of the* Company's activities and ensures its implementation. It considers all issues concerning the proper functioning of the Company and settles all matters relating thereto, within the scope of the corporate purpose and subject to those powers expressly granted by law to shareholders' meetings.

The Board of Directors performs all controls and verifications it considers appropriate. Each Director receives all information necessary to the performance of his or her duties and may request any documents he or she considers necessary."

Reaffirming its commitment to rules of corporate governance, the Board of Directors adopted Internal Regulations in May 2001, *which have been amended on several occasions, and a Directors'* Charter in January 2002. These documents provide the Board with the channels and means necessary to operate efficiently, while serving the interests of the Company and its shareholders, and set out with full transparency the rights and obligations of Directors (these documents are available at the Company's corporate headquarters and on its website: www.suez.com).

In addition, the SUEZ Ethics Charter and related documents, notably the "Confidentiality and Privileged Information" guide, are applicable to Directors. These documents forbid Directors, in particular, from trading in SUEZ securities or the securities of any of its listed subsidiaries during the period of preparation and approval of the financial statements which begins thirty calendar days prior to the date of the Board of Directors meeting held to approve the annual and interim financial statements and terminates two days after this meeting. This general measure is supplemented by Article 8 of the Directors' Charter, which requires Directors to seek and obtain the advice of *SUEZ's Company Secretary before* transacting with or having a transaction carried out by a third party in the securities of Group companies.

Article 5 of the aforementioned Charter also provides for the completion of regular evaluations of the Board of Directors' performance, by an independent Director. Jacques Lagarde was asked to perform such evaluations of the Board of Directors and its committees in 2002 and 2003

In October 2004, the Ethics, Environment and Sustainable Development Committee chose a methodology for evaluating the Board and its Committees based on a document prepared by an external consultancy firm, and after having issued an invitation for bids from three specialized consultancy firms, it appointed an external consultant to carry out this evaluation. This procedure has been repeated each year since 2004.

The summary report on the evaluation work, carried out under the responsibility of Etienne Davignon, was approved by the Ethics, Environment and Sustainable Development Committee at its meeting of January 18, 2006 and was submitted to the meeting of the Board of Directors held on the same day. The Board of Directors meeting held on January 18, 2006 recorded the suggestions for improvements in the functioning of the Board of *Directors and its Committees and will oversee their implementation.* The evaluation for 2006 was decided at the Ethics Committee meeting on December 6, 2006.

Pursuant to Article 11 of the Company's Bylaws, each Director *must hold at least 2,000 SUEZ shares throughout his/her term of office*

The Board of Directors meets whenever required by the interests of the Company and, in any event, at least four times a year.

It met 12 times during fiscal year 2006 and the overall attendance rate was 82%. From January 1, 2007 to the end of March 2007, the Board of Directors met twice.

Directors receive directors' fees based on attendance, the total amount of which was set during the General Shareholders' Meeting of April 26, 2002 at an aggregate of €800,000 per year for fiscal year 2002 and all subsequent fiscal years until a new decision is made in this respect.

Pursuant to the recommendation of the Compensation and Nomination Committee made on April 27, 2004, the Board of Directors meeting held on the same day set the following allocation rules:

Directors	
Fixed fee	€35,000 per year
Variable fee, dependant on attendance	€1,500 *per meeting*
Committee chairman (other than Audit Committee)	
Fixed fee	€15,000 per year
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be held in the absence of its Chairman.
Committee member (other than Audit Committee)	
Fixed fee	€7,000 per year
Variable fee, dependant on attendance	euros1,000 per meeting

Taking into account the substantial increase in the Audit Committee's workload due to the implementation of the French Financial Security Act (*Loi de Sécurité Financière*) and the US Sarbanes-Oxley Act, the Board of Directors, acting on a recommendation from the Compensation and Nomination Committee, decided at its meeting held on May 13, 2005, to increase the Audit Committee's annual fees as follows:

Audit Committee Chairman	
Fixed fee	*€25,000 per year*
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be held in the absence of its Chairman.
Audit Committee member	
Fixed fee	€10,000 per year
Variable fee, dependant on attendance	€1,000 per year

Gérard Mestrallet, as Chairman of the Board, and Jean-Jacques Salane, as a Group employee, do not receive directors' fees. On this basis, the following attendance fees were paid to Directors in respect of fiscal year 2006:

Albert Frère	€45,500[a]
Edmond Alphandéry	€69,500
Antonio Brufau	€51,500[a]
René Carron	€72,000
Gerhard Cromme	€57,000[a]
Etienne Davignon	€75,500[a][b]
Paul Desmarais Jr.	€84,000[a]
Richard Goblet d'Alviella	€69,500[a][b]
Jacques Lagarde	€72,000[a]
Anne Lauvergeon	€66,500
Jean Peyrelevade	€48,500
Thierry de Rudder	€51,500[a][b]
Lord Simon of Highbury	€60,500[a]

(a) *Before deduction of the 25% withholding tax levied on attendance fees paid to Directors who are not French residents.*

(b) *Etienne Davignon, Richard Goblet d'Alviella, and Thierry de Rudder have respectively received 132,860 euros, 88,573 € and 88,094 € in their capacity as members of the Directors and Audit Committee of SUEZ-TRACTEBEL.*

In 2006, the total amount of attendance fees distributed was €793,500, compared with €767,334 in 2005.

16.1 Dates on which Directors' terms of office expire

See Section 14.1 "Members and functioning of the Board of Directors and management structures".

16.2 Information on agreements involving Directors

Regulated related-party agreements approved in 2006

Acquisition by SUEZ from SUEZ Tractebel of 47.55% of the share capital of Electrabel

In order to simplify the Group's structures, SUEZ decided that it would hold the entire stake owned by the Group in Electrabel.

As the first step, SUEZ acquired from SUEZ-Tractebel the 47.55% interest held by SUEZ-Tractebel in the capital of Electrabel, namely 26,096,262 Electrabel shares, thus increasing its direct shareholding in Electrabel from 48.55% to 96.10%.

The purchase price was set on the basis of the average of the closing trading prices for the Electrabel share for the last 20 trading sessions prior to the transaction, *i.e.* €437.64.

On this basis, the sale price amounted to €11.4 billion, leading to an accounting capital gain of around €5.3 billion for SUEZ-Tractebel. The *purchase agreement included a price adjustment* clause that ran until November 30, 2006. This capital gain had no impact on the consolidated financial statements inasmuch as it involved an intercompany transaction.

This transaction was expressly approved by the Board of Directors *at its meeting on June 7, 2006.*

Sale of the remainder of the interest held by SUEZ in M6

In February 2004, SUEZ sold 29.2% of the capital of M6 on the basis of a unit sale price of €26.11, representing a total sale price *of €1 billion and a net capital gain of €752.8 million.*

In the spring of 2006, SUEZ decided to sell its remaining 5% interest in M6 to a Luxembourg company, called SWILUX S.A., a wholly-owned subsidiary of the Belgian company, Compagnie Nationale à Portefeuille.

SUEZ thus sold 6,694,435 M6 shares, representing 5% of the capital and 6.88% of the voting rights, on the basis of a unit sale price of €24.70, representing a total share price of €162.9 million.

The consolidated capital gain, recorded in the financial statements for the *first half of 2006, is €120 million.*

At the request of the purchaser, SWILUX S.A., the transaction was carried out off the stock market in accordance with Article 512-2 of the General Regulation of the AMF.

SUEZ had previously informed the *Conseil Supérieur de l'Audiovisuel* (the French Regulatory Authority for Broadcasting) of the envisaged transaction and this authority did not make any objection or opposition to its completion.

This transaction was expressly approved by the Board of Directors at its meeting on June 7, 2006.

Toulouse & Associés (renamed Leonardo France in November 2006)

Within the scope of its strategic review and analysis of development options in the electricity and gas markets, approved by the Board of Directors at its meeting of January 19, 2005 and undertaken as from February 2005 at the request of SUEZ by Léonardo France, it appeared appropriate to sign a new consulting agreement with such company with regard to a proposed merger or partial business combination with Gaz de France and the methods of defense in the event of a hostile bid for SUEZ.

This agreement was approved by the Board of Directors at its meeting on November 22, 2006.

The engagement is scheduled to *last until December 31, 2007,* and may be extended, where applicable, by successive 6-month periods.

In consideration for its work, Léonardo France would receive fees in the event of:

- a merger between SUEZ and Gaz de France;
- acquisition of a controlling interest in Gaz de France by SUEZ and vice versa;
- takeover of SUEZ, following a hostile bid leading to SUEZ adopting defense mechanisms.

The amount of the flat-fee commission payable on completion of the transaction would be €2.5 million exclusive of taxes. This flat-fee commission would be accompanied by a variable commission calculated on the basis of the closing price of the SUEZ share on the day before the date of completion of the transaction.

Furthermore, in the event that the transaction were to take place in a different form to those provided for in the agreement, SUEZ and Léonardo France would discuss the conditions of a flat-fee compensation.

16.3 Information on the Audit Committee and the Compensation Committee

See Section 14 "Corporate Governance".

16.4 Compliance with corporate governance regulations in the country of origin

See Section 16 "Activities of the Board of Directors".

17 EMPLOYEES

17.1 Number of employees and breakdown by principal business segment and by site

See Section 6.6.2. "Human resources policies."

17.2 Shareholdings and stock options

Reference should be made to Section 15.1 which contains a table showing the number of shares and stock options owned by the members of the Board of Directors as of December 31, 2006 and Note 33 of Section 20.2 relating to financial information.

SUEZ

REFERENCE DOCUMENT 2007

INCORPORATION BY REFERENCE:

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

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

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

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

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

AMF

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

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PARTIES RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

Mr. Gérard Mestrallet, Chairman and Chief Executive Officer

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

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

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

Chairman and Chief Executive Officer

Gérard Mestrallet

2 STATUTORY AUDITORS

2.1 NAMES AND ADDRESSES

2.1.1 PRINCIPAL STATUTORY AUDITORS

- **Ernst & Young et Autres**

Represented by Mr. Pascal Macioce et Ms. Nicole Maurin

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

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

- **Deloitte & Associés**

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

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

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

2.1.2 DEPUTY STATUTORY AUDITORS

- **AUDITEX**

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

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

- **BEAS**

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

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

2.2 RESIGNATION/NON-RENEWAL OF APPOINTMENT

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

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

3 SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

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

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

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

KEY FIGURES

In millions of euros	2007	2006	2005	2004 IFRS
1. Revenues	47,475.4	44,289.2	41,488.9	38,057.7
of which revenues generated outside France	35,542.9	33,460.3	31,769.2	29,481.1
2. Income				
- Gross operating income	7,964.7	7,083.3	6,508.2	5,932.4
- Current operating income	5,175.4	4,496.5	3,902.2	3,736.7
- Net income Group share	3,923.5	3,606.3	2,512.7	1,696.4
3. Cash flows				
Cash flow from (used in) operating activities	6,016.6	5,172.2	6,825.5	4,970.1
o/w cash generated from operations before income tax and working capital requirements	7,268.6	6,383.5	5,750.9	5,680.8
Cash flow from (used in) investing activities	(4,681.2)	(365.9)	(8,992.0)	124.0
Cash flow from (used in) financing activities	(2,517.5)	(6,938.1)	6,488.3	(8,083.4)
4. Balance sheet				
Shareholders' equity	22,192.8	19,503.8	16,255.9	7,773.8
Total equity	24,860.9	22,563.8	18,823.2	12,828.2
Total assets	79,127.2	73,434.6	80,443.1	60,292.3
5. *Share data (in euros)*				
- Average number of shares outstanding (a)	1,286,926,216	1,261,287,823	1,053,241,249	995,133,046
- Number of shares at year-end	1,307,043,522	1,277,444,403	1,270,756,256	1,020,465,386
- Earnings/(loss) per share (a)	3.09	2.86	2.39	1.70
- Dividend distributed	1.36	1.20	1.00	0.79
6. Total average workforce	192,821	186,198	208,891	217,180
- Fully consolidated companies	146,350	138,678	157,918	160,966
- Proportionately consolidated companies	37,592	38,567	41,673	50,614
- Equity-accounted companies	28,879	8,953	9,300	5,600

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

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

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

4 RISK FACTORS

4.1 RISK MANAGEMENT

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

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

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

assessment techniques was set up for the «risk» officers in the Group's business units.

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

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

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

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

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

REGULATORY RISKS

A great many aspects of the Group's businesses, particularly the production, transmission and distribution of electricity, the transport and distribution of natural gas and liquefied natural gas (LNG), water management, the operation and maintenance of nuclear plants, waste collection and treatment, are subject to stringent regulations at the European, national and local levels (competition, licenses, permits, authorizations, etc.). Regulatory changes may affect the prices, margins, investments, operations, systems and, therefore, the strategy and profitability of the Group. Recent example of such regulatory changes can be found, particularly in Section 6.1.1.5.4, for the energy business (including the liberalization and deregulation of the gas and power sectors in Europe, including a risk of a freeze or cap on rates), and in Section 6.1.1.6.6 for the environmental business (including European regulations on environmental responsibility, transboundary waste exchange, etc.). Despite the monitoring systems that have been set up, it is impossible to predict all regulatory changes, but the Group, by operating its principal businesses in different countries equipped with their own regulatory systems, diversifies this risk. In addition, some changes in regulations, in contrast, bring new market opportunities for the Group's businesses.

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

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

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

COMPETITIVE RISKS

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

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

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

ECONOMIC ENVIRONMENT RISKS

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

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

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

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

PARTNERSHIP RISKS

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

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

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

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

EMERGING MARKET RISKS

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

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

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

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

DEPENDENCE ON CUSTOMERS OR SUPPLIERS

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

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

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

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

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

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

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

RISKS ASSOCIATED WITH HUMAN RESOURCES

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

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

RISKS RELATING TO OCCUPATIONAL ILLNESSES

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

The principal *exposures to this risk concern*:

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

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

RISKS ON RETIREMENT COMMITMENTS

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

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

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

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

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

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

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

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

4.3 LEGAL RISKS

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

4.4 MARKET RISKS

COMMODITY MARKETS RISK

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

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

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

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

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

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

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

FINANCIAL RISKS

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

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

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

LIQUIDITY RISK

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

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

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

The centralization of short-term needs and surpluses is organized through dedicated financial vehicles. These vehicles are centralized in Paris and in the Grand Duchy of Luxembourg (SUEZ Finance SA, Tractebel Cash Management Services, Electrabel Finance Treasury & Management) for the European countries, and in Houston, Texas (SUEZ Finance LP) for North America. These vehicles centralize almost all of the cash needs and available surpluses of the controlled companies. In 2005, the Group implemented an automated European cash pooling system that increases and systematizes cash centralization. In 2007, almost the entire managed perimeter was connected. The few remaining manual cash pools will be automated in 2008.

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

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

As of December 31, 2007, bank resources (excluding bank overdrafts, amortized costs and the effect of derivatives) represented 43% of gross debt, with the balance financed by the capital markets (including €9,303 million in bonds, representing 46% of gross debt). Outstanding short-term paper (*billets de trésorerie* and commercial paper) represented 11% of gross debt and totaled €2,179 million at December 31, 2007 (refer to Note 14.2 to the financial statements). These programs are used in a cyclical or structural fashion to finance *the Group's short-term requirements* because of their attractive cost and their liquidity. All of the outstanding amounts are backed by confirmed bank credit facilities so that the Group would be able to continue to finance itself in the event that access to this financing source were to dry up.

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

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

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

FOREIGN EXCHANGE RISK

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

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

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

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

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

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

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

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

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

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

INTEREST RATE RISK

The principal exposures to interest rates for the Group are the result of financing in euros and US Dollars, which represented 92% of the net debt as of December 31, 2007.

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

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

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

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

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

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

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

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

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

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

COUNTERPARTY RISK

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

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

STOCK PRICE RISK

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

4.5 ENVIRONMENTAL RISKS

RISKS RELATING TO THE MANAGEMENT OF FACILITIES

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

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

In waste management, the gaseous emissions to be considered are greenhouse gases, gases that stimulate air acidification, toxic gases

and dust. Some of our facilities are involved in treating specific manufacturing or hospital wastes that may be toxic.

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

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

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

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

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

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

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

RISKS RELATED TO THE OPERATION OF NUCLEAR POWER PLANTS

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATED TO CLIMATE CHANGE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.6 INSURANCE

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

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

In each of these areas:

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

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

MATERIAL DAMAGE AND BUSINESS INTERRUPTION

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

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

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

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

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

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

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

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

EMPLOYEE BENEFITS

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

CIVIL LIABILITY

We subscribe civil liability insurance under the following categories:

General civil liability

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

Maritime liability

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

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

Nuclear liability

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

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

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

Environmental Damage civil liability

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

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

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

4.7 SECURITY AND CRISIS MANAGEMENT

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

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

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

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

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

The missions entrusted to this department relate primarily to:

Employee safety

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

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

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

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

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

Security of facilities

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

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

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

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

Crisis management

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

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

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

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

5 INFORMATION ON THE COMPANY

5.1 HISTORY AND GROWTH OF THE COMPANY

5.1.1 CORPORATE NAME AND NAME OF ISSUER

SUEZ

5.1.2 REGISTRATION

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

5.1.3 INCORPORATION

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

5.1.4 CORPORATE HEADQUARTERS/LEGAL FORM

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

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

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

5.1.5 SIGNIFICANT EVENTS

History of the creation of SUEZ

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

In accordance with announcements made in 1997 at the time of the merger, SUEZ gradually ceased to be a conglomerate, becoming

an international *industrial and services group*. Today, *SUEZ designs* sustainable and innovative solutions for the management of public utilities as a partner of public authorities, businesses and individuals. *It sees its mission as responding to essential needs in electricity, gas,* energy services, water and waste management.

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

5.2 INVESTMENTS

5.2.1 PRINCIPAL INVESTMENTS

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

5.2.2 MAJOR INVESTMENTS IN PROGRESS

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

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

5.2.3 MAJOR INVESTMENTS PLANNED BY THE ISSUER

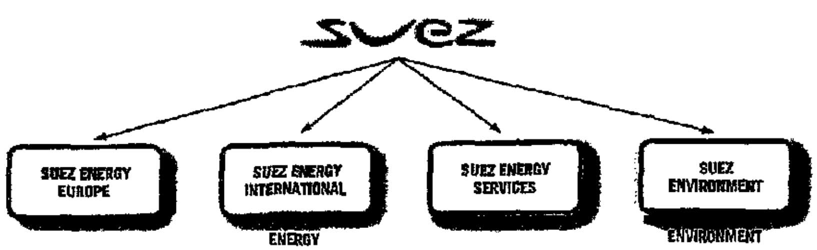
See Section 6.1.1.4 below.

7 ORGANIZATION CHART

7.1 SIMPLIFIED ORGANIZATION CHART

SUEZ is organized around four operational divisions in two sectors of activity – energy and environment.

* the SUEZ Energy Europe (SEE) division includes all gas and electricity activities in Europe;
* the SUEZ Energy International (SEI) division is in charge of SUEZ gas and electricity activities outside Europe;
* the SUEZ Energy Services (SES) division is in charge of SUEZ's activities in the field of industrial installation and maintenance services and services associated with energy and engineering;
* the SUEZ Environment division incorporates all Group activities in Water and Waste Management.



7.2 LIST OF MAJOR SUBSIDIARIES

See Section 25.

8 REAL ESTATE PROPERTIES, PLANTS, FACILITIES

8.1 MAJOR TANGIBLE ASSETS

8.1.1 PROPERTIES, PLANTS, EQUIPMENTS

SUEZ either owns or rents a significant number of real estate properties, facilities, and plants around the world, most of which are in Europe. Numerous SUEZ activities involve the operation of very large plants that are not owned by SUEZ. SUEZ believes that these operating plants are in good condition and meet all applicable requirements.

8.1.1.1 Energy

As of December 31, 2006, SUEZ operated more than 200 electric power plants in 31 countries. Information on the principal electric power plants owned by SUEZ is provided in the table below. Information on leased property is presented in Section 20, Notes 22 and 23.

Country	Site/Company	Capacity	Business
Bahrain	Al Ezzel	954 MW	Natural gas power plant
	Al Hidd	938 MW	Cogeneration
Brazil	Cana Brava	450 MW	Hydroelectric power plant
	Ita	1,450 MW	Hydroelectric power plant
	Machadinho	1,140 MW	Hydroelectric power plant
	Salto Osorio	1,074 MW	Hydroelectric power plant
	Santo Santiago	1,420 MW	Hydroelectric power plant
	Jorge Lacerda	773 MW	Thermal power plant
Chile	Electroandina	938 MW	Thermal power plants
	Mejillones	556 MW	Thermal power plants
Oman	Al-Rusail	665 MW	Natural gas power plant
	Sohar	585 MW	Cogeneration
Peru	Enersur - Ilo	372 MW	Thermal power plant
	Yuncan	130 MW	Hydroelectric power plant
	Chilca	348 MW	Natural gas power plant
Thailand	Bowin	713 MW	Natural gas power plant
	Glow	991 MW	Cogeneration
Turkey	Ankara BOO	763 MW	Natural gas power plant
United Arab Emirates	Taweelah	1,360 MW	Natural gas power plant
United States	Chehalis	520 MW	Natural gas power plant
	Red Hills	1,186 MW	Thermal power plant
	Hot Spring	746 MW	Natural gas power plant
	Wise County	746 MW	Natural gas power plant
	Everett, Massachusetts	6.85 Gm³/year	LNG terminals
France	SHEM	773 MW	Hydroelectric power plants
	CNR	2,948 MW	Hydroelectric power plants
Belgium	Doel	2,759 MW	Nuclear power plant
	Tihange	2,423 MW	Nuclear power plant
	Other facilities (nationwide)	7,705 MW	Thermal power plants, CCGT, Cogeneration, Hydraulic, other
	Zeebrugge	4.5 Gm³/year	LNG terminals
Hungary	Dunamenti	1,681 MW	Thermal power plants, cogeneration and combined-cycle gas turbine power plant
Italy	Rosen	356 MW	Natural gas power plant
	Torre Valdaliga	722 MW	Thermal power plant
	Vado Ligure	684 MW	Thermal power plant
	Voghera	380 MW	Natural gas power plant
	Leini	386 MW	Natural gas power plant
	Roselectra	386 MW	Natural gas power plant
Luxembourg	Twinerg	376 MW	Natural gas power plant
Netherlands	Eems	1,745 MW	Thermal power plant
Poland	Polaniec	1,654 MW	Thermal power plant
Spain	Castelnou	790 MW	Natural gas power plant

8.1.1.2 Environment

SUEZ Environment owns and operates several drinking water production plants, waste water treatment plants, and water reservoirs and distribution networks.

SUEZ Environment also operates a number of waste incineration plants in France, the United Kingdom, China, and Taiwan, as well as numerous storage centers, primarily located in France and the United Kingdom.

Information on the principal sites and plants owned by SUEZ Environment as of December 31, 2007 is provided in the table below. Information on leased property is presented in Section 20, Notes 22 and 23.

Country	City/Region/State	Business	Capacity
Germany	Zorbau	Waste incineration	300,000 t/year
Belgium	Sleco	Fluid bed waste incineration	450,000 t/year
France	Morsang	Drinking water production	225,000 m³/d
	Pecq-Croissy	Drinking water production	160,000 m³/d
	Aubergenville	Drinking water production	150,000 m³/d
	Hersin Coupigny	Drinking water production	120,000 m³/d
	Satrod	Final waste storage center	600,000 t/year
	Les Aucrais	Final waste storage center	540,000 t/year
	Roussillon	Final waste storage center	250,000 t/year
		Incineration of special industrial waste	115,000 t/year
	Pont de Claix	Incineration of special industrial waste	70,000 t/year
United Kingdom	Cleveland	Waste incineration	235,000 t/year
	Kirklees	Waste incineration	136,000 t/year
	Bristol	Drinking water production	185,000 m³/d
United States	Haworth	Drinking water production	380,000 m³/d
	Idaho	Drinking water production	200,000 m³/d

8.2 ENVIRONMENTAL ISSUES

See Section 6.6.1.3.a

8 8

9 MANAGEMENT REPORT[1]

The SUEZ Group continued on its upward trend in 2007, delivering record results. Gross operating income (up 12.4%) and current operating income (up 15.1%) were in line with the operating targets set by the Group for 2007, and organic growth in these indicators, at 9.8% and 10.5% respectively, outpaced underlying growth in revenues (6.2%).

Net income Group share, at €3.9 billion, came in 8.8% higher than the prior-year figure (€3.6 billion), despite fewer divestments.

Cash generated from operations before income tax and working capital requirements surged 13.8% while investment expenditure during the year rose by almost 60% to €6 billion, in line with the Group's 2007-2009 business plan. After the dividend payment of nearly €2 billion and share buybacks amounting to €1.1 billion, net debt at end-2007 stood at €13.1 billion, versus €10.4 billion one year earlier, and represents 52.7% of equity (46.3% at December 31, 2006). On account of the Group's sparkling performance and outlook going forward, the Board of Directors has decided to distribute a dividend of €1.36 per share in 2008 (up 13.3% on the dividend paid in 2007), which represents almost 55% of recurring net attributable income Group share.[2]

1. Unless otherwise indicated, all data are based on the consolidated financial statements prepared in accordance with IFRS.
2. Recurring net attributable income is equal to net income Group share adjusted for (i) capital gains, (ii) the impact of the application of IAS 32/39 on income from operating activities, and (iii) any other material non-recurring items.

9.1 REVENUE AND EARNINGS TRENDS

In millions of euros	2007	2006	% change (reported basis)
Revenues	47,475	44,289	7.2%
Gross operating income	7,965	7,083	12.4%
Current operating income	5,175	4,497	15.1%
Income from operating activities	5,408	5,368	0.8%

In 2007, the Group's businesses enjoyed sustained growth, with revenues rising by €3,186 million or 7.2% to €47,475 million.

Growth in revenues reflects:

- organic growth of €2,686 million;
- a positive €118 million impact driven by higher gas prices;
- a net positive impact of €812 million attributable to changes in the scope of consolidation, including:
  - the positive €1,778 million impact of additions to the consolidated Group, notably within SEE for €978 million (the full consolidation of CNR representing €660 million and the acquisition of Rendo and Cogas in the Netherlands accounting for €314 million); SEI for €111 million (acquisition in Panama); SES for €177 million (acquisition of Crespo y Blasco in Spain, and Snohvit); and SE for €513 million (acquisition in the waste services segment, notably in the UK and France),
  - the negative €966 million impact of deconsolidations, notably within SEE for €239 million (deconsolidation of the Brussels grid operator on July 1, 2006, and the change from full to proportionate consolidation for AlpEnergie as of August 2006); SEI for €258 million (sale of Hanjin City Gas in May 2006); SES for €74 million; and SE for €395 million (withdrawal from Brazil and Argentina),
- a negative exchange rate effect of €430 million, essentially caused by movements in the US dollar;

Organic growth came in at 6.2% year-on-year, or 7% excluding the impact of climatic conditions[3], spurred by:

- the advance in electricity sales within and outside Europe, in terms of both volume and value;
- good momentum in the liquefied natural gas (LNG) business;
- the continued expansion of installation operations and energy services in France and Belgium;
- the sustained level of organic growth in water and waste services businesses in Europe; and
- *double-digit growth in the Group's environment activities in China, Australia and North America.*

All branches yielded significant contributions to organic growth:

- SUEZ Energy Europe (up €916 million, or 5.8%) enjoyed surging sales in France and Germany against a backdrop of higher electricity prices across Europe;
- SUEZ Energy International (up €654 million, or 11.2%) benefited from strong commercial momentum in all of its developing markets, notably in the Americas and in the Middle East, amid a spike in energy demand and rising prices;
- SUEZ Energy Services (up €559 million, or 5.3%) recorded a sharp increase in demand in France for installation and maintenance activities (up €241 million, or 7.7%), a robust performance by its services business in Belgium and fast-paced advances in both the UK and Spain;
- SUEZ Environment (up €557 million, or 6.1%) posted organic growth driven by (i) waste services in France (up €101 million, or 4.1%) and in the UK (up €102 million, or 11.6%); (ii) water services in France (up €63 million, or 3.1%), (iii) Agbar (up €127 million, or 8.2%); and (iv) the international segment (up €111 million, or 4.5%), notably China (up 28%).

Gross operating income surged 12.4% to €7,965 million, or 9.8% after adjusting for changes in Group structure and exchange rates. Changes in the scope of consolidation had a positive €279 million impact, stemming chiefly from the activities of SUEZ Energy Europe (€195 million, essentially attributable to the full consolidation of CNR as of December 31, 2006) and SUEZ Energy Services (€105 million). Negative exchange rate effects during the year (€74 million) were essentially caused by movements in the US dollar.

Organic growth in gross operating income was mainly driven by the continued upturn in the performance of SUEZ Energy Services (up €104 million, or 17.7%), a robust business climate for *SUEZ Energy* International (up €190 million, or 13%, notably in Brazil, Chile and Peru), and the advances reported by SUEZ Environment (up €126 million, or 6.6%) powered by the strong performance of water and waste services in Europe and the US. The electricity business of

3. *Estimate of the year-on-year impact of temperature differences.*

SUEZ Energy Europe (up €308 million, or 10.1%) benefited from a production mix that proved favorable in light of the evolution of energy prices, the impact of its hedging policy for sales contracts and the capital gain recorded by the inter-municipal companies following the sale of their TVD business in the Walloon region. However, despite these improvements, operating margin of the gas business edged down, because of the absence of the favorable impacts it enjoyed in 2006.

Growth in current operating income (15.1% based on reported figures and 10.5% on an organic basis) was driven essentially by the operating items impacting gross operating income. However, it was dented by higher net charges to depreciation, amortization and provisions and by the rise in stock option expense.

Income from operating activities edged forward by 0.8% during the year to €5,408 million despite the €754 million decrease in income from asset disposals to €339 million in 2007. Asset disposals notably include the impact of Electrabel's sale of a portion of its interests in the Brussels and Walloon inter-municipal companies, Agbar's sale of Applus, and the disposal of a number of non-strategic listed investments. Income from operating activities for 2006 mainly included the sale by SUEZ Energy Europe of a portion of its interest in the Flemish inter-municipal companies, the disposals of Colbún and Hanjin City Gas by SUEZ Energy International and of Reva by SUEZ Energy Services, and the sale of the residual stakes in M6 and 9Cegetel.

Changes in the fair value of commodity derivatives recognized in accordance with IAS 32/39 had a positive €68 million impact on income from operating activities, compared with a positive impact of €17 million in 2006.

Income from operating activities was also impacted in 2007 by asset write-downs amounting to €132 million (€150 million in 2006), in particular concerning fixed assets in the US, as well as restructuring costs totaling €43 million.

9.2 BUSINESS TRENDS

9.2.1 ELECTRICITY AND GAS

9.2.1.1 Key figures

	2007			2006			% change (reported basis)
In millions of euros		SEE	SEI	Total	SEE	SEI	
Revenues	17,610	6,577	24,187	15,971	6,242	22,213	8.9%
Gross operating income (a)	3,574	1,666	5,240	3,060	1,566	4,626	13.3%
Depreciation, amortization and provisions (b)	(518)	(337)	(855)	(553)	(322)	(875)	
Stock option expense (c)	(10)	(6)	(16)	(5)	(3)	(8)	
Share in net income of associates (d)	399	19	418	326	18	344	
Financial income not related to net debt (e)	25	100	125	35	124	159	
CURRENT OPERATING INCOME = A + B + C - D - E	2,622	1,204	3,826	2,141	1,099	3,240	18.1%
INCOME FROM OPERATING ACTIVITIES	2,501	1,079	3,580	2,509	1,110	3,619	7.2%

9.2.1.2 SUEZ Energy Europe

Revenues reported by SUEZ Energy Europe jumped €1,639 million, or 10.3% in 2007. On a like-for-like basis and excluding the impact of gas prices, organic growth in revenues came in at 5.8%.

Electricity

Electricity volumes sold totaled 167.5 TWh in 2007, representing a 12.0% year-on-year rise in revenues to €11.4 billion. This performance was powered by the upward price momentum observed in Europe since mid-2005 and a rise in volumes.

- In Belgium, overall revenue growth reflects the rise in market electricity prices driven mainly by an increase in the price of fossil fuels, even though this increase has not been passed on in selling prices to residential customers. Volumes sold fell back slightly by 1.1 TWh, or 1.5% to 72.3 TWh as a result of mild weather conditions in early-2007, the full-scale deregulation of electricity retail markets and the dip in wholesale electricity sales.
- In the Netherlands, reported revenues advanced strongly by 10.6% on the back of the consolidation of Rendo and Cogas as of October 2006, rising energy prices, and changes in the sales mix on this market.
- Electricity volumes sold outside Benelux surged 21.1%, and in 2007 accounted for 41% of the Group's electricity sales in Europe. Revenue growth was also boosted by the full consolidation of Compagnie Nationale du Rhône and the commissioning of production assets in Spain during 2006, as well as in Italy and Portugal in 2007. Sales performances were especially bright in Germany, while changed contract models in central Europe benefited from favorable pricing conditions.

Gas

The 6.8% decrease in gas volumes sold by Electrabel is chiefly attributable to the impact of mild weather conditions in the early part of 2007 on sales to residential customers in Benelux. Excluding the impact of climatic conditions, the Group's organic growth came to 3.4% and was underpinned by strong sales momentum in the Netherlands.

Distrigaz was also affected by the mild weather conditions, and saw revenues fall €97 million, or 4.1% on an organic basis due to a decrease in volumes sold in Belgium and fewer trading opportunities. Outside of Belgium, Distrigaz successfully pursued its growth strategy consisting in targeting the industrial segment, which yielded particularly good results in the Netherlands and Germany. Revenues posted by the LNG business grew, with the sale of four cargos in the year.

Other Services

The €136 million decrease in revenues on this segment was essentially triggered by deconsolidations in the services business.

Gross operating income jumped 16.7%, or €512 million on a reported basis to €3,574 million, buoyed by the full consolidation of Compagnie Nationale du Rhône as of end-2006, as well as the 10.1% organic growth reported by the SEE segment as a whole.

The electricity business was boosted by the combined impact of a number of different factors in the year. Nuclear- and hydro-based output expanded significantly by 2.6 TWh, with the dry weather over the first six months of 2006 having hampered operating conditions for certain nuclear plants as well as hydro levels in France. Market conditions also benefited the electricity business: the slump in market prices for CO_2 emissions allowances in the 2005-2007 period and lower prices for fossil fuels during the year had a favorable impact on fossil fuel production costs, offset in proportions limited by market volatility at the end of the year, especially in the coal segment.

Due to the various existing mechanisms used to establish selling prices for electricity on different segments, changes in market prices are passed on to average selling prices progressively. Electrabel adopts a hedging policy covering moving three-year periods in order to protect itself against volatility in the energy market. In contrast, the impact of hedging means Electrabel is still benefiting from the structural rise in energy prices in 2005-2006.

Lastly, gross operating income was boosted by the commissioning of production facilities over the last 24 months, especially in south-west Europe. In Spain, this concerned the 800 MW Castelnou power plant, while in Italy new production capacity included the start-up of the 380 MW Roselectra and Leini facilities, as well as the 390 MW Vado Ligure 5 plant. However, this momentum was slowed down by the adverse impact of a number of regulatory measures in Hungary, France, Spain and Italy.

Despite an improved operating performance, gross operating income recorded by Distrigaz fell back slightly (down €17 million, or 3.8%) as certain favorable non-recurring items recorded in the prior period were not carried over into 2007.

Current operating income as reported by SUEZ Energy Europe rose to €2,622 million, including organic growth of €261 million, or 12.2%. Current operating income was also boosted by two provision write-backs relating to (i) Distrigaz and (ii) a review of the methods used to calculate provisions for nuclear waste reprocessing in Belgium, following the Monitoring Committee's decision of March 2007.

9.2.1.3 SUEZ Energy International

SUEZ Energy International posted organic revenue growth of 11.2% (up €654 million). This upbeat performance draws on the strong commercial momentum in all of its developing markets, amid a spike in energy demand and rising prices. On a reported basis, growth for SEI came in at 5.4% despite the negative impacts of changes in the scope of consolidation (€147 million) and negative exchange rate effects (€353 million). SEI's organic growth stems more specifically from:

- North America (up €247 million), essentially due to the commercial successes notched up by SERNA (SUEZ Energy Resources North America), which supplies electricity to business and industrial customers in the US, as well as to advances in the merchant power plants as a result of both a rise in output and higher prices;
- Asia and the Middle East (up €96 million) due to the Group's growing presence in the Gulf region (up €72 million) and improved sales in Thailand (up €11 million) and Turkey (up €14 million);
- Latin America (up €257 million), where the rise in electricity sales in Brazil (up €129 million), Peru (up €57 million) and Chile (up €65 million) was fueled by both higher prices and an increase in volumes sold;
- the LNG business (up €54 million), for which London-based optimization efforts continued.

Current operating income reported by SUEZ Energy International came in at €1,204 million, representing a rise of 9.5% on a reported basis after taking into account the negative €52 million exchange rate impact – stemming mainly from fluctuations in the US dollar – and changes in the scope of consolidation (deconsolidation of Hanjin City Gas and Colbún in 2006). Organic growth in current operating income came in at €157 million, or 16.0%, essentially driven by the sharp upturn in gross operating income, which moved ahead by 13.0% excluding the negative €50 million impact of changes in exchange rates and Group structure.

- Latin America is the leading contributor to this growth (up 20.1%) bolstered by the strong performances of (i) the Brazilian electricity business (up 16.8%), resulting in particular from the development of export sales in the summer of 2007 and higher selling prices; (ii) Peru (up 42.4%), notably due to the commissioning of the 174 MW OCP1 plant in December 2006 and the 174 MW OCP2 plant in July 2007; and (iii) Chile, where the northern region experienced sharp increases in market prices.
- North America edged down 1.5%, essentially due to the merchant power business (accounting for a decrease of €74 million) which was impacted by weak spark spreads in 2007. This was mostly offset by improved margins within SUEZ LNG North America and SERNA.
- Asia and the Middle East also helped maintain momentum, delivering organic growth of 16.2% in gross operating income, due notably to the commissioning of the 585 MW Sohar plant in Oman at the beginning of June 2007 and fees earned on new projects in the Middle East.

SUEZ Energy International posted a slight 2.8% fall in reported income from operating activities compared to 2006, to €1,079 million. In addition to the aforementioned items impacting current operating income, this change reflects:

- significant capital gains of €145 million in 2006 generated on the disposal of Colbún in Chile and Hanjin City Gas in South Korea;
- the positive €34 million impact of marking-to-market commodity derivatives at December 31, 2007 (versus a negative €48 million impact at December 31, 2006), relating in particular to economic hedges of gas and electricity purchases and sales entered into by North American operations;
- impairment charges, which amounted to €83 million in 2007 (versus €86 million in 2006), and mainly reflect write-downs on merchant power plants in the US.

9.2.2 KEY FIGURES FOR SUEZ ENERGY SERVICES

In millions of euros	2007	2006	% change (reported basis)
Revenues	11,266	10,637	5.9%
Gross operating income (a)	801	591	35.5%
Depreciation, amortization and provisions (b)	(186)	(163)	
Net expenses on concessions (c)	(26)	(21)	
Stock option expense (d)	(13)	(8)	
Share in net income/(loss) of associates (e)	16	(3)	
Financial income not related to net debt (f)	5	10	
CURRENT OPERATING INCOME = A + B + C + D - E - F	555	392	41.6%
INCOME FROM OPERATING ACTIVITIES	548	456	20.2%

SUEZ Energy Services delivered organic revenue growth of €559 million, or 5.3% in 2007.

- **In France**, all entities (Ineo, Endel, Axima, Seitha) reported vigorous expansion in installation and maintenance activities, with organic growth coming in at €241 million, or 7.7%. Service activities (Elyo France) turned in a strong fourth-quarter performance that kept revenues at level with 2006 figures. Excluding the impact of climatic conditions, service activities posted organic growth of 4.3%.
- **In Belgium**, organic growth remained robust at €127 million, or 9.0%, driven primarily by strong performances from Fabricom's International operations (expansion of oil and gas activities in the North Sea) and from all Axima Services businesses.
- Tractebel Engineering reported revenue growth of €32 million, or 11%, buoyed by vigorous results from energy and infrastructure divisions. Growth in revenues on a reported basis was boosted by the positive €95 million impact of a non-recurring item (definitive agreement signed with Statoil on the Snøhvit contract).

- **Excluding France and Benelux**, organic revenue growth was €137 million (6%), reflecting advances in the UK and Spain, as well as the development of electricity and gas

Gross operating income reported by SUEZ Energy Services came in at €801 million, boosted by a €94 million contribution further to the definitive agreement signed on the Snøhvit contract. Adjusted for this one-off contribution, the year-on-year increase is attributable to a strong business momentum and continuing operational improvements in all of the business units:

- service activities in France stepped up their commercial expansion. Improvements in operating efficiency offset the impact of mild weather in the first half of the year and a fall in sales of CO_2 emissions allowances, and helped edge up organic growth by 2% in income;
- installation activities in France enjoyed robust business volumes bolstered by a strong order book and a large number of new orders, while efforts to optimize organizational structures continued apace;
- in Belgium, installation activities benefited from good market conditions and reported profitability gains thanks to organizational streamlining measures. Service activities also continued on a highly satisfactory upward trend, while Fabricom AS successfully executed major orders in the oil and gas sector in Norway;
- *international installation operations* continued to gain ground, powered in particular by the acquisition of Crespo y Blasco in Spain. UK subsidiary ABS got back on the growth track, while the region's other companies posted upbeat results;
- in the Netherlands, GTI continued its recovery and forged ahead with organizational adjustments;
- Tractebel Engineering reported significant advances across its various businesses (energy, nuclear and international operations) and realized an improvement in both the volume and quality of its order book. Having discontinued its turnkey gas infrastructure operations, the company improved the profitability of its infrastructure activities thanks to a more selective approach to orders.

***Current operating income** for SUEZ Energy Services* surged 41.6% to €555 million. Organic growth in this indicator came in at €69 million, or nearly 18%, more than three times higher than organic revenue growth. SES was buoyed by improved operating performances from the installation and engineering businesses and a better risk profile. Growth in current operating income on a reported basis reflects a positive €86 million impact arising on the Snøhvit contract, which was not included in determining organic growth.

Restructuring costs fell back sharply to €16 million (€25 million in 2006 and €87 million in 2005), and mainly concerned GTI and BU International. *Asset impairments* amounted to €6 million, down significantly on the 2006 figure (€23 million) which chiefly consisted of a write-down on Elyo Iberica co-generation assets due to the hike in gas prices. Capital gains and losses in 2007 related mainly to *sales of real estate assets*. In 2006, SES had booked a capital gain of €129 million on the sale of Reva.

On the back of this performance, **SUEZ Energy Services delivered €548 million in income from operating activities**, up €99 million on the prior-year figure.

9.2.3 KEY FIGURES FOR SUEZ ENVIRONMENT

In millions of euros	2007	2006	% change (reported basis)
Revenues	12,022	11,439	5.1%
Gross operating income (a)	2,102	1,983	6.0%
Depreciation, amortization and provisions (b)	(743)	(685)	
Net expenses on concessions (c)	(208)	(193)	
Stock option expense (d)	(21)	(14)	
Share in net income of associates (e)	23	21	
Financial income not related to net debt (f)	30	26	
CURRENT OPERATING INCOME = A + B + C + D - E - F	1,077	1,044	3.1%
INCOME FROM OPERATING ACTIVITIES	1,200	1,143	5.0%

SUEZ Environment delivered organic growth of €557 million (5.1%) in revenues, *which came in at €12 billion*. This performance was in line with the company's objectives for 2007-2009, and reflects a string of commercial successes as well as vigorous acquisitions-led growth. Revenues climbed €583 million (5.1%) on a reported basis, *and were* impacted by the 2006 deconsolidation of Teris North America entities, along with Brazilian and Argentinean operations.

- Despite unfavorable summer weather conditions for drinking water distribution activities, European water services posted sustained revenue growth of €190 million, or 5.3%, powered mainly by Agbar (up €127 million, or 8.2%) and water services in France (up €63 million, or 3.1%).
- European waste services also reported strong organic revenue growth *of €259 million, or 5.3%*, buoyed by a powerful growth momentum in the UK (up €102 million or 11.6% due to the start-up of Private Finance Initiative contracts), and by robust demand in France (up €101 million or 4.1%), *particularly for waste processing*.
- International operations delivered organic revenue growth of €108 million *(4.4%), on the back of new water and waste contracts* in China (accounting for a rise of 28%), price adjustments obtained for the regulated water business in North America (12.8%) and the expansion of waste activities *in Australia (14%). These upbeat* results were slightly dampened by a 4.3% downturn in Degrémont's operations, by definition more volatile and also unflattered by a strong performance in 2006. International operations enjoyed a string of major commercial successes towards the end of 2007 (Palm *Jumeirah and Cairo contracts*, etc.), which are set to have a favorable impact in 2008.

SUEZ Environment's revenue growth was powered by a vigorous operating performance, in terms of both gross operating income, which climbed €126 million (6.6%) on an organic basis, largely outpacing organic revenue growth, and current operating income which enjoyed sustained organic growth of €66 million, or 5.7%. However, the increase in *current* operating income was slightly less than the advance in gross operating income, due notably to higher depreciation and amortization charges.

By geographic area, the sharp increase in gross operating income is attributable to:

- dynamic organic growth of €51 million (6.7%) in gross operating income for European water services, thanks to excellent results from Agbar and the recovery of OIS. Despite unfavorable *climatic* conditions, water services in France reported growth in gross operating income;
- robust organic growth of €38 million (4.6%) in gross operating income *for European water services*. This reflects a good performance from France, strong growth in Belgium thanks to the ramp-up of the Sleco incinerator, and ongoing improvements in operating profitability in the *Netherlands and Germany. On the other hand, growth* in the UK was hit by the one-off impact of the new PFI contracts in Cornwall and Northumberland that came into force at the end of 2006;
- vigorous organic growth of €30 million (8.6%) in gross operating income for international operations, on the back of price adjustments at United Water and an excellent *showing from Sita Australia*. Gross operating income reported by Degrémont held firm, despite a slight downturn in business.

SUEZ Environment reported a 6% rise in income from operating activities to €1,200 million. This reflects growth in current operating income and €177 million in capital gains on disposals, *booked mainly* by Agbar, most notably on its sale of its 53.1% interest in Applus at the end of November.

9.2.4 KEY FIGURES FOR OTHER SERVICES

In millions of euros	2007	2006	% change (reported basis)
Gross operating loss (a)	(176)	(117)	(51.7)%
Depreciation, amortization and provisions (b)	(2)	39	
Stock option and Spring plan expense (c)	(60)	(1)	
Share in net income of associates (d)	2	12	
Financial income not related to net debt (e)	40	89	
CURRENT OPERATING LOSS = A + B + C - D - E	(282)	(180)	(56.5)%
INCOME/(LOSS) FROM OPERATING ACTIVITIES	(220)	150	N/A

Gross operating loss for the Other Services segment in 2006 included a €72.8 million non-recurring gain on SI Finance's private equity portfolio. The cost of the bonus share and stock option awards and employee share plans set up by the Group squeezed current operating income in 2007.

The segment reported a €220 million loss from operating activities in 2007, compared to income from operating activities of €150 million in 2006. The 2006 figure included €396 million in gains on the disposal of major assets, primarily the sale of residual interests in M6 and 9 Cegetel. In 2007, capital gains amounted to €85 million and mainly *concern non-strategic listed companies*.

9.3 OTHER INCOME STATEMENT ITEMS

In millions of euros	2007	2006	% change (reported basis)
Income from operating activities	5,408	5,368	0.8%
Net financial loss	(722)	(731)	1.2%
Income tax expense	(528)	(815)	35.3%
Share in net income of associates	458	372	22.9%
NET INCOME	4,616	4,194	10.1%
Minority interests	693	588	17.8%
NET INCOME GROUP SHARE	3,923	3,606	8.8%

Net financial loss for the years presented remained stable, at €722 million in 2007 compared to €731 million in 2006.

This reflects:

- *a reduction in the cost of net debt* to €673 million in 2007 from €830 million in 2006, underpinned by foreign exchange gains of €147 million recorded on the Brazilian real in connection with the redemption of Floating Rate Notes at *SUEZ Energy International*;
- offset by a lower contribution from other financial income and expenses, *due to (i) the non-recurring €56 million positive impact of* restructuring Latin American debt in 2006; and (ii) an €86 million fall in dividends received from non-consolidated investments in 2007.

Income tax expense decreased €287 million year-on-year, reflecting the recognition of a €500 million deferred tax asset, corresponding to the portion of tax losses *carried forward by the SUEZ tax consolidation* group whose utilization had become probable. Excluding this item and the impact of disposals, the effective tax rate remained stable at 23.6%.

Share in net income of associates climbed €86 million year-on-year, reflecting mainly:

- a €130 million rise in the contribution from inter-municipal companies boosted by non-recurring items in 2007, in particular the capital gain *on the disposal of TVD operations in the Walloon region*;
- the full consolidation of CNR (previously equity-accounted) as from December 31, 2006, which had a negative €68 million impact on net income of associates.

Net income attributable to minority interests climbed €105 million, due largely to the full consolidation of CNR as from the end of 2006 (positive impact of €29 million), as well the €21 million and €35 million *increases in income reported by* Distrigaz and Agbar, respectively.

9.4 FINANCING

9.4.1 CASH GENERATED FROM OPERATING ACTIVITIES

Cash generated from operations before income tax and working capital requirements *In millions of euros*	2007	2006	% change (reported basis)
Electricity and Gas	4,928	4,367	12.8%
SUEZ Energy Europe	3,339	2,953	13.1%
SUEZ Energy International	1,589	1,414	12.4%
SUEZ Energy Services	743	500	48.6%
SUEZ Environment	1,824	1,785	2.2%
Other Services	(228)	(269)	(15.2)%
SUEZ Group	7,267	6,383	13.8%

On a reported basis, cash generated from operations before income tax and working capital requirements came in 13.8% higher year-on-year, at €7,267 million in 2007, outpacing growth in gross operating income (12.4%). This cash flow line reflects a decrease in dividends received from associates further to the sale of a portion of the Group's interests in the inter-municipal companies during 2006, more than offset by lower net impairment charges against current assets and a fall in cash disbursements relating to restructuring measures.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €244 million increase in working capital requirements, mainly at SUEZ Energy Europe. The €50 million increase in operating working capital requirements at Electrabel reflects the structural impact of the transfer of Walloon and Brussels customers to Electrabel at January 1, 2007, and severe weather conditions at the end of 2007. Gas operations saw a rise of €181 million in working capital requirements, attributable to the timing of its payments for certain supplies, which had a positive impact on 2006 that was not carried over into 2007. SUEZ Energy International reported a €71 million decrease in working capital requirements, thanks mainly to the positive impact of marking-to-market commodity instruments contracted in North America.

Overall, operating activities generated surplus cash of €6.0 billion in 2007.

9.4.2 CASH GENERATED FROM INVESTING ACTIVITIES

Investments in 2007 totaled €6.0 billion and include:

- financial investments amounting to €2.9 billion,[4] including €1 billion on the purchase of additional interests in Gas Natural, €0.5 billion for the squeeze-out on Electrabel, and €0.4 billion for investments in the wind power sector (Compagnie du Vent, Ventus);
- maintenance expenditure totaling €1.5 billion (€1.4 billion in 2006), to which the main contributors were Electrabel (€0.5 billion, relating to conventional power plants and nuclear facilities in Belgium and the Netherlands) and SUEZ Environment (€0.7 billion, including €0.3 billion for European water services and €0.4 billion for European waste services);
- development expenditure of almost €1.6 billion (€1 billion in 2006), concerning mainly facilities in Belgium (Amercoeur 1 and Sidmar), the Netherlands (Maasvlakte and Flevo), Germany, Italy (Leini and Napoli 4), and Brazil (San Salvador).

Disposals totaled €1.1 billion in 2007, compared with almost €3 billion in 2006, and related mainly to:

- Agbar's sale of Applus for €0.2 billion;
- the sale of a portion of the Group's interests in inter-municipal companies in the Walloon and Brussels regions for €0.1 billion. Following the divestments in 2006 and 2007, SUEZ now owns 30% of Flemish inter-municipal companies, around 40% of inter-municipal companies in the Walloon region and around 30% of inter-municipal companies in the Brussels region;
- sales of various other non-strategic listed investments for approximately €0.4 billion.

Interest and dividends from non-current financial assets generated €0.3 billion in cash inflows.

In total, investing activities resulted in a €4.7 billion cash shortfall.

4. This figure does not reflect the impact of the public tender offer for Agbar shares, as there were no related cash flows in 2007. However, as a binding commitment was given to minority shareholders of Agbar in connection with the offer in progress at the balance sheet date, financial debt was recognized in the balance sheet in an amount of €918 million.

9.4.3 CASH GENERATED FROM FINANCING ACTIVITIES

Dividends paid in 2007 amounted to nearly €2 billion (€1.7 billion in 2006), including dividends paid by SUEZ SA to its shareholders (€1,514 million versus €1,260 million in 2006), due to the increase in both dividends per share as well as the number of shares carrying dividend rights. This item also includes €455 million in dividends paid by various subsidiaries to minority shareholders, which were in line with dividends paid in 2006. Net interest expense totaled €958 million, compared with €754 million in 2006.

Borrowings over the period outpaced repayments (net cash inflow of €900 million), reflecting the fast-paced growth of investment expenditure.

Capital increases carried out almost exclusively by the parent company relate to subscriptions within the scope of the employee share ownership plan and stock subscription plan offered to the Group's employees, representing a cash inflow of €833 million. The implementation of the share buyback program resulted in a cash outlay of €1.1 billion over the period.

Overall, financing activities resulted in a cash outflow of €2.5 billion in 2007.

9.4.4 NET DEBT AT DECEMBER 31, 2007

Net debt totaled €13.1 billion at end-2007 versus €10.4 billion at end-2006. The gearing ratio stood at 52.7% compared with 46.3% at December 31, 2006, thanks to a parallel increase in total equity. As a binding commitment was given to the minority shareholders of Agbar in connection with the public tender bid for Agbar shares in progress at the balance sheet date, financial debt was recognized in the balance sheet at end-2007 in an amount of €918 million, corresponding to the Group's share in the offer.

Including the impact of financial instruments, 57% of net debt is denominated in euros, 25% in US dollars and 6% in pounds sterling (48%, 32%, and 7%, respectively, at year-end 2006).

After taking into account the impact of financial instruments, 49% of gross debt is at fixed rates.

Due to the high levels of cash and cash equivalents at December 31, 2007 (€6.7 billion) and the Group's policy of favoring fixed-rate debt when interest rates are at record lows, 78% of net debt is at fixed rates. The average maturity of net debt is 6.9 years.

At December 31, 2007, the Group had undrawn confirmed credit facilities and commercial paper back-up lines totaling €9.1 billion, versus €8.6 billion at December 31, 2006.

9.5 OTHER BALANCE SHEET ITEMS

Property, plant and equipment, net stands at €22.6 billion, compared to €21 billion at end-2006. This €1.6 billion increase was driven primarily by capital expenditure (€3.1 billion) and changes in the scope of consolidation (€1.1 billion), which offset €1.8 billion in depreciation and impairment charges recognized in the period.

Goodwill was €1.5 billion higher at €14.9 billion, reflecting the impact of investments in the wind power sector (€0.7 billion) and goodwill recognized on acquisitions of minority interests (€0.5 billion on the public tender offer for minority Agbar shares and €0.3 billion on the acquisition of minority interests in Electrabel within the context of the squeeze-out bid).

Investments in associates remained stable at €1.2 billion. Available-for-sale securities climbed €1.3 billion to €4.1 billion at December 31, 2007, mainly driven by the investment in Gas Natural.

Total equity rose €2.3 billion year-on-year to €24.9 billion, despite the €2 billion dividend payout and treasury stock transactions and translation adjustments, which had *negative impacts of €1.1 billion* and €0.4 billion, respectively. The increase in total equity was mainly attributable to net income for 2007 *(€4.6 billion) and items* dealt with directly through equity, which had a positive impact of €0.8 billion. These items included gains and losses on the remeasurement of available-for-sale securities and the revision of discount rates applied to pensions and other employee benefit obligations.

Provisions remained stable at €9.6 billion, compared with €9.8 billion at the end of 2006.

The net balance of *deferred taxes was a* €0.5 billion liability, representing a fall of €0.1 million on December 31, 2006. This reflects the afore-mentioned capitalization of tax losses carried forward by the SUEZ tax consolidation group whose utilization had become probable, and an increase in deferred tax liabilities relating to items recognized directly through equity.

9.6 PARENT COMPANY FINANCIAL STATEMENTS

The full version of the parent company financial statements is available *from SUEZ on request.*

Key figures of the *parent company financial statements*, prepared in accordance with French GAAP, are presented below:

In millions of euros	2007	2006
1. Income statement		
Income from operating activities	11	6,383
Exceptional income	5,575	401
Income tax, profit-sharing & incentive schemes	173	186
Net income	5,761	6,970
2. Cash flow statement		
Cash generated from (used in) operating activities	236	2,513
of which gross cash flow	170	2,583
Cash generated from (used in) investing activities	(16,721	(11,439)
Cash generated from (used in) financing activities	(12,528)	7,381
3. Balance sheet		
Property, plant and equipment & intangible assets	20	16
Financial assets	36,905	48,039
Prepaid expenses and other current assets	634	315
Marketable securities and cash & cash equivalents	178	217
TOTAL ASSETS	37,737	48,587
Shareholders' equity	36,793	31,723
Provisions	250	244
Borrowings	500	16,480
Deferred income and other liabilities	194	140
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	37,737	48,587

The 2007 financial statements reflect the sale of SUEZ-TRACTEBEL *shares to Electrabel for €18,200 million, as well as acquisitions of* treasury shares as part of the share buyback program. The amount *received on the sale of SUEZ-TRACTEBEL shares allowed* SUEZ to repay most of its debt.

The year-on-year decrease in net income to €5.8 billion reflects:

- a decrease in income from operating activities, to *€11 million* in 2007 from €6,383 million one year earlier. In 2006, this item had been boosted by interim dividends paid by SUEZ-TRACTEBEL and Electrabel for €4,199 million and €944 million, respectively, whereas no such interim dividend payment was made in 2007;
- a sharp rise in exceptional income to €5,575 million, inflated by the €5,393 million capital gain on the disposal of SUEZ-TRACTEBEL to Electrabel. Exceptional income for 2006 included write-backs of provisions on shares, notably further to the sale of SCegetel.

9.7 OUTLOOK FOR 2008

The Group enjoys excellent prospects. The *effectiveness of the SUEZ* business strategy is supported by accelerated changes in the businesses where the Group is present and by Europe's energy price dynamics. These latter are principally a function of higher fossil fuel prices, growing environmental concerns, new infrastructure requirements, and energy supply security considerations.

Ambitious 2008 objectives

Based on its commercial successes and particularly promising growth prospects for *all its businesses, the Group has established ambitious* financial objectives for 2008:

- EBITDA growth in the +10% range;
- more investment in 2008 than in 2007;
- *pursuit of share buyback program* (EUR300 million till the end of first semester 2008);
- maintenance of an "A" credit rating;
- another *dividend increase for 2008 and a policy of higher dividend* payouts than 50% of recurring net income.

Acceleration in industrial investments

The Group's objective for 2008 is to exceed level of investment in 2007.

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

Continued dynamic shareholder remuneration policy

Given 2007 results and a favorable outlook for each of the Group's *businesses, the Board of Directors decided at its February 25,* 2008 meeting to recommend to the May 6, 2008 Annual General Shareholders' Meeting an ordinary dividend of EUR 1.36 for 2007, representing an increase of +13.3% over the dividend paid for 2006.

Continuous dividend increases since 2003 (+70%) reflect the Group's dynamic shareholder remuneration program, in step with its profit trend, offering a return on investment that is competitive with the entire sector.

Since 2007 the dividend payout policy has been *matched with share* buyback programs that will be continued in 2008.

5-year recruitment program to hire 110,000 new employees

The Group intends to hire 110,000 new employees *between 2008 and* 2012, including 52,000 in France and 10,000 in Belgium. This active hiring policy responds to trends in *SUEZ businesses, to anticipated* structural changes in operations' requirements, and the necessity to match Group resources to customer needs.

This comprehensive recruitment program reflects the Group's confidence in a future where it will hire, invest, and share the fruits of *its performance with employees. The program* positions SUEZ as one of Europe's leading recruiters.

A future bolstered by the Gaz de France merger

The Group's promising outlook is fortified by its Gaz de France merger project. GDF SUEZ will be a leading global player in energy and public utilities industry leader.

Throughout 2007, SUEZ and Gaz de France continued their active development efforts. Even before considering the merger's operational synergies, their 2007 performances bear out the profitability of their respective business activities.

Already, a joint GDF SUEZ integration team is at work to ensure the new Group will be operational from the first day of the merger, scheduled for first-half 2008.

GDF SUEZ has set performance targets to match its ambitions:

- EUR 17 billion in EBITDA by 2010;
- 10% to 15% average annual growth in dividends per share for dividends paid between 2007[6] and 2010;
- strong "A" credit rating.

6 Based on the Gaz de France dividend paid in 2007 for 2006 (EUR 1.10 per share). SUEZ shareholders will also receive a SUEZ Environment dividend.

10 CASH FLOW AND SHARE CAPITAL

10.1 ISSUER CAPITAL

Total equity rose €2.3 billion year-on-year, to €24.9 billion, despite the €2 billion dividend payout and translation losses of €0.4 billion. Equity was boosted by net income for the year (€4.6 billion) and the impact of IAS 32/39 (€0.4 billion).

As indicated below in paragraph 10.3.1, the Group's net debt amounted to €13.1 billion. As a result, the gearing ratio (net debt *divided by total equity*) went from 46.3% at end-2006 to 52.7% at December 31, 2007.

10.2 SOURCE AND AMOUNT OF ISSUER CASH FLOWS AND DESCRIPTION OF CASH FLOWS

10.2.1 CASH FLOW FROM OPERATING ACTIVITIES

CASH GENERATED FROM OPERATIONS BEFORE INCOME TAX AND WORKING CAPITAL REQUIREMENTS

In millions of euros	2007	2006	% change (reported basis)
Electricity and Gas	4,928	4,367	12.8%
SUEZ Energy Europe	3,339	2,953	13.1%
SUEZ Energy International	1,589	1,414	12.4%
SUEZ Energy Services	743	500	48.6%
SUEZ Environment	1,824	1,785	2.2%
Other Services	(228)	(269)	(15.2)%
SUEZ Group	7,267	6,383	13.8%

On a reported basis, cash generated from operations before income tax and working capital requirements came in 13.8% higher year-on-year, at €7,267 million for 2007, outpacing growth in gross operating income (12.4%). This cash flow line reflects a decrease in dividends received from associates further to the partial sale of inter-municipal companies in 2006, more than offset by lower net impairment charges against current assets and a fall in cash disbursements relating to restructuring measures.

Growth in cash flow generated from operations before income tax and working capital requirements is only partly offset by the €244 million increase in working capital requirements, mainly at SUEZ Energy Europe. The €60 million increase in operating working capital requirements at Electrabel reflects the structural impact of the transfer of Walloon and Brussels customers to Electrabel at January 1, 2007, and severe weather conditions at the end of 2007. Gas operations saw a rise of €181 million in working capital requirements, attributable to the timing of its payments for certain supplies, which had a positive impact on 2006 that was not carried over into 2007. SUEZ Energy International reported a €71 million decrease in working capital requirements, thanks mainly to the positive impact of marking-to-market commodity instruments contracted in North America.

Overall, operating activities generated surplus cash of €6.0 billion in 2007.

10.2.2 CASH FLOW FROM INVESTING ACTIVITIES

Investments in 2007 totaled €6.0 billion and include:

- financial investments amounting to €2.9 billion,[1] including €1 billion for the purchase of additional interests in Gas Natural, €0.5 billion for the acquisition of minority interests in Electrabel, and €0.4 billion for investments in the wind power sector (La Compagnie du Vent, Ventus);
- maintenance expenditure totaling €1.5 billion (€1.4 billion in 2006), to which the main contributors were Electrabel (€0.5 billion, relating to conventional power plants and nuclear facilities in Belgium and the Netherlands) and SUEZ Environment (€0.7 billion, including €0.3 billion for European water services and €0.4 billion for European waste services);
- development expenditure of almost €1.6 billion (€1 billion in 2006), concerning mainly facilities in Belgium (Amercoeur 1 and Sidmar), the Netherlands (Maasvlakte and Flevo), Germany, Italy (Leini and Napoli 4), and Brazil (San Salvador).

[1] *This figure does not reflect the impact of the public tender offer for Agbar shares, as there were no related cash flows in 2007. However, as a binding commitment was given to minority shareholders of Agbar in connection with the offer in progress at the balance sheet date, financial debt was recognized in the balance sheet in an amount of €918 million.*

Disposals totaled €1.1 billion in 2007, compared with almost €3 billion in 2006, and related mainly to:

- Agbar's sale of Applus for €0.2 billion;
- the sale of interests in inter-municipal companies in the Walloon and Brussels regions for €0.1 billion. Following the divestments in 2006 and 2007, SUEZ now owns 30% of Flemish inter-municipal companies, around 40% of inter-municipal companies in the Walloon region and around 30% of inter-municipal companies in the Brussels region;
- sales of various other non-strategic listed investments for approximately €0.4 billion.

Interest and dividends from non-current financial assets generated €0.5 billion in cash inflows.

In total, investing activities resulted in a €4.7 billion cash outflow.

10.2.3 CASH FLOW FROM FINANCING ACTIVITIES

Dividends paid in 2007 amounted to nearly €2 billion (€1.7 billion in 2006), including dividends paid by SUEZ SA to its shareholders (€1,514 million versus €1,260 million in 2006), due to the increase in both dividends per share as well as the number of shares carrying dividend rights. This item also includes €455 million in dividends paid by various subsidiaries to minority shareholders, which were in line with dividends paid in 2006. Net interest expense totaled €958 million, compared with €754 million in 2006.

Borrowings over the period outpaced repayments (net cash inflow of €900 million), reflecting the fast-paced growth of investment expenditure.

Capital increases carried out almost exclusively by the parent company relate to subscriptions within the scope of the employee share ownership plan and stock subscription plan offered to the Group's employees, representing a cash inflow of €833 million. The implementation of the share buyback program resulted in a cash outlay of €1.1 billion over the period.

Overall, financing activities resulted in a cash outflow of €2.6 billion in 2007.

10.3 FINANCIAL STRUCTURE AND BORROWING CONDITIONS APPLICABLE TO THE ISSUER

10.3.1 DEBT STRUCTURE

The Group was able to finance its investments without being affected by the turmoil that hit the financial markets in the second half of 2007. During the year, the Group also looked to optimize its debt sourcing.

At December 31, 2007, gross debt (excluding bank overdrafts) was higher than the prior-year figure, at €20.1 billion versus €18.4 billion at end-2006. Gross debt consists primarily of bonds for €9.3 billion (€9.6 billion at end-2006), and bank borrowings (including finance leases) for €8.6 billion (€7.1 billion at end-2006).

Short-term loans represent 27% of total gross debt in 2007 versus 29% in 2006.

Excluding derivative instruments and measurement at amortized cost, net debt totaled €13.5 billion at December 31, 2007, compared to €10.7 billion at end-2006.

Excluding derivative instruments and measurement at amortized cost, 57% of net debt is denominated in euros, 25% in US dollars and 6% in pounds sterling (48%, 32%, and 7%, respectively, at the end of 2006).

49% of gross debt and 78% of net debt are at fixed rates. Despite a significant rise in interest rates, the average cost of gross debt comes to 5.4%, compared with 5.2% in 2006. The average maturity of net debt is 6.9 years at end-2007 compared with 8.1 years at end-2006.

10.3.2 MAIN DEVELOPMENTS IN 2007

In 2007, the Group continued to roll out the automated cash pooling system aimed at optimizing its management of banking assets and liabilities by circulating cash among its various subsidiaries. Improved circulation of cash has enabled the Group to limit its use of external debt, in particular to fund its higher level of investment expenditure in 2007.

To increase its liquidity, in April 2007 Electrabel SA issued 18-month floating rate notes (FRN) for a total amount of €1 billion. SUEZ Finance SA also issued 18-month floating rate notes for the same amount in April 2007, and a four-year private placement for €400 million in May 2007.

In the first quarter of 2007, the Group bought back bonds issued by GIE SUEZ Alliance for an amount of €1,346 million (€746 million on the bond maturing in February 2009 and €600 million on the bond maturing in June 2010), in order to even out the repayment profile of its bond debt.

The Group was also extremely active on banking markets in 2007.

In the six months to June 30, 2007, the Group, together with various local partners, set up the largest non-recourse financing facility for the electricity sector in the Middle East. The facility was intended to fund the development of a power plant and desalination unit in Saudi Arabia (Marafiq – financing totaling USD3,200 million) and a project to acquire and extend Barka II in Oman for an amount of USD800 million. These two facilities have received various awards from the specialist press. Due to the percentage interest and control and in these companies, the financing facilities are not fully consolidated within the Group's consolidated financial statements.

The Group's international energy division also put in place a non-recourse financing facility for USD400 million in Chile and a USD400 million financing program in Peru.

The Group also refinanced its subsidiary Tirreno Power with its Italian partners in an amount of €1.2 billion, as well as its Taweelah A1 power plant in Abu Dhabi, also with a number of partners (€1.1 billion).

In July 2007, Electrabel SA set up a €11.6 billion bank facility to finance part of its acquisition of SUEZ Tractebel SA. The purpose of this intercompany transfer was to increase operating synergies and to prepare the future organization of the Group for the merger with Gaz de France.

The loan was partly refinanced by the transfer of €3.6 billion in bond debt held by SUEZ SA, GIE SUEZ Alliance and SUEZ Finance to a Luxembourg-based subsidiary of Electrabel SA, Belgelec Finance SA.

In August 2007, the Group raised the total amount of its EMTN program by €5 billion to €10 billion. The program includes Electrabel SA and Belgelec Finance SA as issuers along with GIE SUEZ Alliance and SUEZ Finance SA. All bond issues under this program are guaranteed by GIE SUEZ Alliance.

In the context of the upcoming merger with Gaz de France and the new terms approved by the respective Boards of Directors on September 2, 2007, SUEZ shareholders are to receive shares in a new company holding the Group's environment assets.

Prior to the share distribution, certain SUEZ Environment subsidiaries will withdraw from GIE SUEZ Alliance. A consultation process was launched in November 2007 with holders of bonds guaranteed by GIE SUEZ Alliance with the aim of discharging these companies from their contractual obligations with holders of bonds due or guaranteed by GIE SUEZ Alliance. The transaction was approved by the required quorum for all the bond issues concerned, and will be effective as of the date of the merger with Gaz de France.

In January 2008, the Group set up external financing of €814 million to fund its portion of the public tender offer for minority Agbar shares launched by SUEZ Environment, La Caixa and their jointly-owned subsidiary Hisusa, which ran from December 2007 through January 18, 2008.

10.3.3 GROUP CREDIT RATINGS

SUEZ and some of its subsidiaries have been given a senior debt rating by Standard & Poor's and Moody's. On February 27, 2006, Standard & Poor's and Moody's placed their ratings for GIE SUEZ Alliance and SUEZ SA on review in light of the planned merger with Gaz de France. Pending the results of this review, GIE SUEZ Alliance maintains its rating of A2/P-1 from Moody's and A-/A-2 from S&P. SUEZ SA also maintains its A- ratings with S&P.

Ratings agencies have made the following adjustments to the calculation of the Group's net debt:

- inclusion of provisions concerning nuclear power generation (site dismantling and reprocessing of nuclear fuel, see Section 20, Note 19);
- inclusion of the pension fund deficit (see Section 20, Note 20);
- inclusion of unconditional discounted future minimum payments under operating leases (see Section 20, Note 23).

10.4 RESTRICTIONS REGARDING THE USE OF CAPITAL

At December 31, 2007, the Group had €9 billion in undrawn confirmed credit facilities (that can be used as back-up lines for commercial paper). 89% of these facilities are managed centrally and are not subject to financial covenants or credit ratios.

The Group also arranges credit facilities to cover subsidiaries' funding requirements. Drawdowns on the facilities depend on compliance with financial covenants set for the borrower. These lines of credit are not guaranteed by SUEZ SA or GIE SUEZ Alliance.

The definition and the level of these covenants are determined in agreement with lenders and may be reviewed during the life of the loan.

With most loans subject to covenants, lenders require subsidiaries to comply with certain ratios assessing their ability to service the debt (debt-service cover ratio, equal to free cash flow divided by principal plus interest costs) or the related interest (interest cover ratio, equal to EBITDA divided by interest costs).

In the case of project financing, a loan life cover ratio is sometimes requested in addition to the debt-service cover ratio. This is equal to the net present value of cash available for debt service divided by outstanding debt.

For other financing facilities that are not guaranteed by the parent company, banks sometimes require compliance with a balance sheet ratio – chiefly either a debt-equity ratio or a stipulated minimum level of equity.

At December 31, 2007, there were no reported payment defaults on the Group's consolidated debt. All Group companies comply with the covenants and representations stipulated in their financial documentation, with the exception of:

- one SEI company which has not complied with information disclosure requirements regarding financing for a total amount of USD43.7 million;
- three SES companies which have not complied with financial covenants for loans totaling €20 million.

However, these companies have not defaulted on their payment obligations and their failure to comply with the requirements indicated above has no impact on the financing facilities available to the Group.

10.5 PLANNED SOURCES OF FINANCING TO MEET THE COMMITMENTS STEMMING FROM INVESTMENT DECISIONS

10.5.1 CONTRACTUAL COMMITMENTS

The following table presents an estimate of contractual commitments at December 31, 2007 which may have an impact on the Group's future cash flows. This estimate takes account of Group gross borrowings, operational finance leases and irrevocable commitments made by the Group to acquire fixed assets, and other long-term commitments.

AT DECEMBER 31, 2007

	Amounts by maturity			
In millions of euros	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Net debt	(1,030)	8,128	6,416	13,514
Operating leases	296	913	1,105	2,314
Non-cancelable purchase commitments	1,929	2,578	208	4,715
Firm purchases and sales of commodities and fuels	(4,506)	3,760	12,774	12,028
Financing commitments given	774	8,130	182	9,056
Financing commitments received	343	289	253	885

Contractual commitments may have a material impact on operating income or Group sources of financing, in the event of changes in the parameters underlying these specific arrangements.

The table above does not include commitments related to pensions and other employee benefits. At December 31, 2007, payment commitments relating to pension and employee benefit obligations exceeded plan assets in an amount of €2,298 million, excluding (i) the amount due to the Group from Belgian inter-municipal companies following the outsourcing of part of the distribution activities; and (ii) the fair value of the assets of Contassur – SUEZ Group's pension fund management company in Belgium. For further information on these obligations, please refer to Section 20, Note 20 of this Reference Document.

Capital expenditure commitments in an amount of approximately €885 million are also included in the above table under "Other long-term commitments". These commitments are primarily related to the construction of several power generation plants, and include purchases of turbines, gas power plants, cogeneration plants and incinerators (€595 million), and investments in connection with concession contracts (€290 million).

CONTRACTUAL COMMITMENTS AT DECEMBER 31, 2006

	Amounts by maturity			
In millions of euros	Due in less than 1 year	Due in 1 to 5 years	Due in more Than 5 years	Total
Net debt	(2,302)	8,067	4,955	10,720
Operating leases	221	663	821	1,705
Non-cancelable purchase commitments (*)	842	752	241	1,835
Firm purchases and sales of commodities and fuels	(2,753)	5,392	18,127	20,766
Financing commitments given	661	409	2,547	3,617
Financing commitments received	1,095	2,218	5,834	9,147
Other long-term commitments	298	281	290	869

(*) *Net of sale commitments*

10.5.2 PLANNED SOURCES OF FINANCING

The Group expects that its funding requirements will be covered by cash on hand, cash flows from operating activities and, if need be, existing credit facilities.

The Group may set up specific financing facilities on a project-by-project basis.

A total of €4 billion of the Group's credit facilities and financing matures in 2008. SUEZ Group also has €6.5 billion in available cash (net of bank overdrafts) at December 31, 2007 and, as described in paragraph 10.4, €9 billion in available lines of credit (excluding drawdowns on the commercial paper program).

16 FUNCTIONING OF THE BOARD OF DIRECTORS AND MANAGEMENT STRUCTURES, ACTIVITIES OF THE BOARD OF DIRECTORS

Article 15 of the Bylaws defines the powers of the Board of Directors.

"The Board of Directors determines the strategic direction of the Company's activities and oversees its implementation. It considers all issues concerning the proper functioning of the Company and settles all matters relating thereto, within the scope of the corporate purpose and subject to those powers expressly granted by law to shareholders' meetings.

The Board of Directors performs all controls and verifications it considers appropriate. Each Director receives all information necessary to the performance of his or her duties and may request any documents he or she considers necessary."

Reaffirming its commitment to rules of corporate governance, the Board of Directors adopted Internal Regulations in May 2001, which have subsequently been amended on several occasions, and a Directors' Charter in January 2002. These documents provide the Board with the modus operandi necessary to operate efficiently, while serving the interests of the Company and its shareholders, and set out the rights and obligations of Directors in a fully transparent manner (these documents may be consulted at the Company's headquarters and on its website: www.suez.com).

In addition, the SUEZ Ethics Charter and related documents, notably the Confidentiality and Privileged Information Guide, are applicable to Directors. These documents forbid Directors, in particular, from trading in SUEZ securities or the securities of any of its listed subsidiaries during the period of preparation and approval of the financial statements which begins thirty calendar days prior to the date of the Board of Directors' meeting held to approve the annual and interim financial statements and terminates two business days after this information has been published. This general measure is supplemented by Article 8 of the Directors' Charter, which requires Directors to seek and obtain the advice of SUEZ's Company Secretary before transacting with or having a transaction carried out by a third party in the securities of Group companies.

Article 6 of the aforementioned Charter also provides for the completion of regular evaluations of the Board of Directors' performance by an Independent Director. Jacques Lagarde was asked to perform such evaluations of the Board of Directors and its committees in 2002 and 2003.

In October 2004, the Ethics, Environment and Sustainable Development Committee chose a methodology for evaluating the Board and its committees based on a document prepared by an external consultancy firm and, after an invitation for bids from three specialized firms, it appointed an external consultant to carry out this evaluation. This procedure has been repeated each year since 2004.

For 2006, the summary report on the evaluation work carried out under the responsibility of Etienne Davignon was approved by the Ethics, Environment and Sustainable Development Committee at its meeting of May 4, 2007.

For 2007, the Committee resolved at its meeting of November 14, 2007 to carry out a further evaluation using the same methodology. The results of this evaluation were presented in February 2008.

Pursuant to Article 11 of the Company's Bylaws, each Director must hold at least 2,000 SUEZ shares throughout his/her term of office.

The Board of Directors meets whenever required by the interests of the Company and, in any event, at least four times a year.

It met 8 times during fiscal year 2007 and the overall attendance rate was 90%. From January 1, 2008 to the end of February 2008, the Board of Directors met twice.

Directors receive attendance fees, the total amount of which was set during the General Shareholders' Meeting of April 26, 2002 at an aggregate of €800,000 per year for fiscal year 2002 and all subsequent fiscal years until a new decision is made in this respect.

Pursuant to the recommendation of the Compensation and Nomination Committee made on April 27, 2004, the Board of Directors' meeting held on the same day set the following allocation rules:

Directors	
Fixed fee	€35,000 per year
Variable fee, dependent on attendance	€1,500 per meeting
Committee Chairman (other than Audit Committee)	
Fixed fee	€15,000 per year
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be held in the absence of its Chairman.
Committee member (other than Audit Committee)	
Fixed fee	€7,000 per year
Variable fee, dependent on attendance	€1,000 per meeting

Taking into account the substantial increase in the Audit Committee's workload due to the implementation of the French Financial Security Act (*Loi de Sécurité Financière*) and the US Sarbanes-Oxley Act, the Board of Directors, acting on a recommendation from the Compensation and Nomination Committee, decided at its meeting held on May 13, 2005 to increase the Audit Committee's annual fees as follows:

Audit Committee Chairman	
Fixed fee	€25,000 per year
Variable fee, dependent on attendance	None, given that the Board considers that a Committee meeting cannot be *held in the absence of its Chairman.*
Audit Committee member	
Fixed fee	€10,000 per year
Variable fee, dependent on attendance	€1,000 per meeting

Gérard Mestrallet, as Chairman of the Board, and Jean-Jacques Salane, as a Group employee, do not receive attendance fees. On this basis, the following attendance fees were paid to Directors in respect of fiscal year 2007:

Albert Frère	44,000[*]
Edmond Alphandéry	59,500
René Carron	66,000
Gerhard Cromme	22,500[*]
Etienne Davignon	69,000[*][**]
Paul Desmarais Jr.	51,500[*]
Richard Goblet d'Alviella	60,500[*][**]
Jacques Lagarde	70,500[*]
Anne Lauvergeon	63,500
Jean Peyrelevade	46,500
Thierry de Rudder	45,500[*][**]
Lord Simon of Highbury	60,500[*]

[*] *Before deduction of the 25% withholding tax levied on attendance fees paid to Directors who are not French residents.*

[**] *In fiscal year 2007, Etienne Davignon, Richard Goblet d'Alviella and Thierry de Rudder received €134,123, €69,419.44 and €69,419.44 gross respectively in their capacity as Directors and members of the Audit Committee of SUEZ-TRACTEBEL.*

In 2007, the total amount of attendance fees paid was €658,500, compared with €793,500 in 2006.

16.1 DATES ON WHICH DIRECTORS' TERMS OF OFFICE EXPIRE

See Section 14.1 "Members and functioning of the Board of Directors and management structures".

16.2 INFORMATION ON AGREEMENTS INVOLVING DIRECTORS

REGULATED RELATED-PARTY AGREEMENTS APPROVED IN 2007

The Board of Directors' prior approval was required for three operations due to the fact that certain Directors are members of the Board of both contracting parties.

Sale by SUEZ of SUEZ-TRACTEBEL to Electrabel

The proposal to sell SUEZ-TRACTEBEL to Electrabel was presented to SUEZ's Board of Directors at its meeting of March 7, 2007.

This sale is consistent with Group strategy: it will make it possible to accelerate the growth of Electrabel, strengthen the synergy between gas and electricity within Electrabel and roll out expertise in nuclear power on an international level. In addition, the operation will allow an integrated organization to be put in place, in keeping with the Pax Electrica agreement (SUEZ's commitments to the Belgian government).

Through SUEZ-TRACTEBEL, the principal assets contributed to Electrabel are as follows:

- Suez Energy International (SEI);
- the engineering consultancy company Tractebel Engineering;
- 57.2% interests in Distrigaz and Fluxys.

which account for €9 billion of the Group's revenue.

At its meeting of May 4, 2007, SUEZ's Board of Directors approved the proposal to sell SUEZ-TRACTEBEL to Electrabel based on the enterprise value of SEI (approximately €13.5 billion) and the equity value of SUEZ-TRACTEBEL (approximately €18.2 billion).

This operation will boost SUEZ's net earnings and have a positive impact on the company's financial statements.

The sale took place for the sum of €18.2 billion, with a transfer of ownership on July 24, 2007.

The sale agreement contains a seller's warranty for up to €1.5 billion that will expire on March 31, 2013.

In addition the sale price is also subject to a price adjustment, upward or downwards, linked to the sale price in the framework of a possible sale of Distrigas shares outside the SUEZ Group. This adjustment mechanism will expire on July 19, 2008

At its meeting of July 4, 2007, the Board of Directors approved the sale and the sale agreement and authorized its Chairman, Gérard Mestrallet, Chairman and Chief Executive Officer of SUEZ and Chairman of the Board of Electrabel, to sign the sale agreement.

Appointment of Calyon as advisory bank

In connection with SUEZ's squeeze-out bid on the remaining capital of Electrabel and its proposal to sell SUEZ-TRACTEBEL to Electrabel, management appointed Calyon to provide SUEZ with assistance and advice.

The payment of Calyon's fee was made contingent on the completion of both operations. As both operations were successfully completed, Calyon will receive a commission of €1,000,000 (excl. taxes), for which a provision was made at December 31, 2007.

The appointment of Calyon as advisory bank was approved by the Board of Directors at its meeting of March 7, 2007, as Edmond Alphandéry is a Director of both SUEZ and Calyon.

16 16

Electrabel's membership of the GIE SUEZ Alliance

Electrabel wished to join the GIE SUEZ Alliance when SUEZ-TRACTEBEL left this grouping.

As a new member, Electrabel agreed to abide by the grouping's agreements and was granted an unlimited guarantee by SUEZ in accordance with Article 2 of the internal agreement.

In accordance with Electrabel's request, at its meeting of July 4, 2007, the Board of Directors approved Electrabel's commitment to abide by the grouping's agreements, to which SUEZ is party, and the aforementioned guarantee given by SUEZ, as Gérard Mestrallet is both Chairman and Chief Executive Officer of SUEZ and Chairman of the Board of Directors of Electrabel.

Electrabel joined the SUEZ Alliance economic interest group as of August 28, 2007.

16.3 INFORMATION ON THE AUDIT COMMITTEE AND THE COMPENSATION COMMITTEE

See Section 14 "Corporate Governance".

16.4 COMPLIANCE WITH RULES OF CORPORATE GOVERNANCE REGULATIONS IN THE ISSUER'S HOME COUNTRY

See Section 16 "Functioning of the Board of Directors and management structures, activities of the Board of Directors".

Energy Resources NA

EXHIBIT C-2

SEC FILINGS

Suez Energy Resources NA. Inc. does not file 10-K/8-K filings. SERNA is an indirect wholly-owned subsidiary of Suez Energy North America, Inc. Suez Energy North America, Inc. is a subsidiary of Suez-Tractebel S.A. Suez-Tractebel S.A. is a subsidiary of Suez S. A. Please refer to the attachments for Exhibit C-1 for the Suez S.A. annual reports, which contain information regarding 10-K/8-K filings.

Energy Resources NA

EXHIBIT C-3

FINANCIAL STATEMENTS

C-3 Copies of SERNA's two most recent years (2006 and 2007) of audited financial statements.

The above-required information has been redacted from this Renewal Application pursuant to the Motion for a Protective order filed by Suez Energy Resources NA, Inc. entitled: *In the Matter of the Renewal Application for Retail Generation Providers and Power Marketers submitted by Suez Energy Resources NA, Inc as a Competitive Retail Electric Supplier (PUCO Certificate 04-118(1)–renewal Certificate 04-118(2) issued in EL-CRS Case Number 04-1015-EL-CRS).* Both financial statements are subject to SERNA's Motion for Protective Order and are being submitted under separate cover.

Energy Resources NA

EXHIBIT C-4

FINANCIAL ARRANGEMENTS

C-4 **Copies of SERNA's financial arrangements to conduct CRES as a business activity.**

The above-required information has been redacted from this Renewal Application pursuant to the Motion for a Protective order filed by Suez Energy Resources NA, Inc. entitled: *In the Matter of the Renewal Application for Retail Generation Providers and Power Marketers submitted by Suez Energy Resources NA, Inc as a Competitive Retail Electric Supplier (PUCO Certificate 04-118(1)– renewal Certificate 04-118(2) issued in EL-CRS Case Number 04-1015-EL-CRS).* This information is subject to SERNA's Motion for Protective Order and is being submitted under separate cover.

EXHIBIT C-5

FORECASTED FINANCIAL STATEMENTS

Suez Energy Resources NA, Inc. does not provide forecasted financial statements because (1) it would require SERNA to disclose privileged, confidential and proprietary information and (2) the lack of availability of that information.

Energy Resources NA

EXHIBIT C-6

CREDIT RATING

Suez Energy Resources NA, Inc. does not have an individual credit rating. SERNA is an indirect wholly-owned subsidiary of Suez Energy North America, Inc. Suez Energy North America, Inc. is a subsidiary of Suez–Tractebel S.A. Suez–Tractebel S.A. is a subsidiary of Suez S.A. Attached are the credit ratings for Suez S.A.

STANDARD
&POOR'S

RATINGSDIRECT®

March 20, 2008

Research Update:

Multi-Utility Suez S.A. 'A-/A-2' Ratings Remain On Watch Positive

Primary Credit Analyst:
Hugues De La Presle, Paris (33) 1-4420-6666;hugues_delapresle@standardandpoors.com

Secondary Credit Analyst:
Beatrice de Taisne, London (44) 20-7176-3938;beatrice_de_taisne@standardandpoors.com

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Research Update:

Multi-Utility Suez S.A. 'A-/A-2' Ratings Remain On Watch Positive

Rationale

On March 20, 2008, Standard & Poor's Ratings Services said that its 'A-/A-2' short- and long-term corporate credit ratings on Franco-Belgian multi-utility Suez S.A. remain on CreditWatch with positive implications pending completion of the merger with French gas utility Gaz de France S.A. (GDF; AA-/Watch Neg/A-1+).

The ratings were placed on CreditWatch on Feb. 27, 2006, following the initial merger announcement.

The continued positive CreditWatch status reflects that the merger should have a beneficial impact on Suez from a credit standpoint--in terms of both business and financial risk. From a business risk perspective this reflects that, although Suez is the larger and more diversified company, Standard & Poor's views GDF's business risk as lower, given the large share of earnings it derives from regulated French businesses. Likewise, from a financial risk perspective, although Suez's financial profile has improved significantly, GDF still has much stronger credit ratios.

Under the revised terms, 21 GDF shares will be exchanged for 22 Suez shares, and 65% of the share capital of Suez's environment arm (21% of 2007 Suez EBIT) will be spun off to Suez shareholders at the time of the merger, with the enlarged group retaining a 35% stake.

With respect to the merger process, the filing of a negative opinion by GDF's European works council is an important step forward. Its view is not binding, but French rules demand that this body, made up of union representatives, give an opinion--be it positive or negative--before the tie-up can proceed. GDF must now obtain a similar non-binding opinion from its central works council--another assembly of workers' representatives. Suez's European and central works councils both have already filed their views.

Once GDF has obtained an opinion from its central works council, the main remaining hurdle for the merger will be the approval by both groups' shareholders.

To resolve the CreditWatch placement we will focus on the enlarged group's strategy and financial policy. So far management has announced a large €10 billion per annum capital expenditure program between 2008 and 2010, as well as a planned growth in dividends of 10% to 15% per year between the dividend paid in 2007 (by GDF: €1.1 per share) and the dividend to be paid in 2010, with potential further returns to shareholders, while seeking to maintain a "strong 'A'" rating.

Liquidity

Suez's European utility activities' recurring cash flow generation and strong liquidity underpin the 'A-2' short-term rating. Debt maturities in 2008 and

2009 of respectively €5.5 billion (including €2.2 billion of commercial paper) and €3.1 billion are more than covered by available liquidity of about €6.5 billion and undrawn committed lines of €9.1 billion, of which only €1 billion mature over 2008 and 2009.

Ratings List

Corporate credit ratings   A-/Watch Pos/A-2

NB: This list does not include all ratings affected.

Additional Contact:
Infrastructure Finance Ratings Europe;InfrastructureEurope@standardandpoors.com

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

Suez
Energy Resources NA

EXHIBIT C-7

CREDIT REPORT

See the attached Suez Energy Resources NA, Inc. credit report.

DNBi®
Risk Management

ATTN: Matthew Cepni
Report Printed:03/25/2008

Live Report : SUEZ ENERGY RESOURCES NA INC.

D-U-N-S® Number: 09-966-8332
Trade Names: (SUBSIDIARY OF SUEZ ENERGY NORTH AMERICA, INC., HOUSTON, TX)
Endorsement/Billing Reference: Matthew.Cepni@suezenergyna.c

D&B Address

Address	1990 Post Oak Blvd Ste 1900 Houston,TX - 77056	**Location Type**	Headquarters (Subsidiary)
		Web	www.suezenergyresources.com
Phone	713 636-0000		
Fax			

Added to Portfolio:02/02/2007

Company Summary

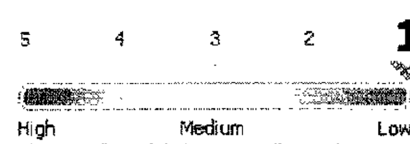
Score Bar

PAYDEX®	59
Commercial Credit Score Class	3
Financial Stress Class	1
Credit Limit - D&B Conservative	$25,000.00
Financial Stress Score	1447

Commercial Credit Score Class

Medium risk of severe payment delinquency over next 12 months.

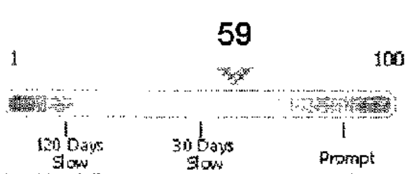
Financial Stress Score Class



Low risk of severe financial stress over the next 12 months.

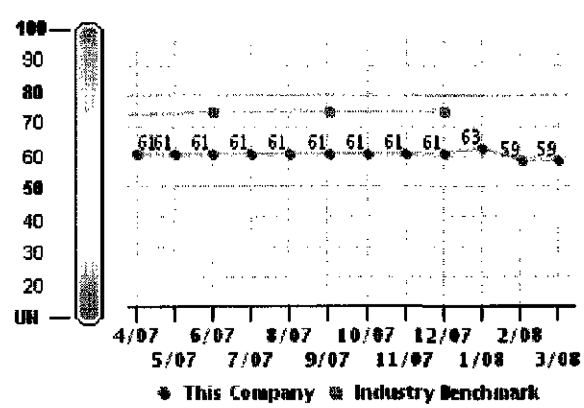
D&B 3-month PAYDEX®

D&B 12-month PAYDEX®



When weighted by dollar amount, Payments to suppliers average 23 days beyond terms

PAYDEX® Trend Chart



D&B Company Overview

This is a headquarters (subsidiary) location

Branch(es) or Division(s) exist	Y
Chief Executive	ZIN SMATI, CEO
Year Started	2001
Employees	100 (Undetermined Here)
SIC	8731
Line of business	Commercial physical research
NAICS	541712
History Status	CLEAR

Public Filings

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	Number of Records	Most Recent Filing Date
Bankruptcies	0	-
Judgments	0	-
Liens	0	-
Suits	0	-
UCC's	0	-

The public record items contained herein may have been paid, terminated, vacated or released prior to todays date.

Corporate Linkage

Global Ultimate

Company	City , Country	D-U-N-S? NUMBER
SUEZ	PARIS , FRANCE	27-514-0648

Parent

Company	City , State	D-U-N-S? NUMBER
SUEZ ENERGY NORTH AMERICA, INC.	HOUSTON , Texas	14-639-5210

Subsidiaries (Domestic)

Company	City , State	D-U-N-S? NUMBER
WHARTON COUNTY GENERATION, LLC	HOUSTON , Texas	80-802-2045

Branches (Domestic)

Company	City , State	D-U-N-S? NUMBER
SUEZ ENERGY RESOURCES NA INC.	EAST AMHERST , New York	19-966-4959
SUEZ ENERGY RESOURCES NA INC.	EDISON , New Jersey	78-505-5844
SUEZ ENERGY RESOURCES NA INC.	OAK BROOK , Illinois	61-916-5314
SUEZ ENERGY RESOURCES NA INC.	ALLENTOWN , Pennsylvania	80-830-3312

Affiliates (Domestic)

Company	City , State	D-U-N-S? NUMBER
SUEZ TRACTEBEL, INC.	HOUSTON , Texas	01-161-2603
TRIGEN ENERGY CORPORATION	HOUSTON , Texas	14-785-5613
SUEZ LNG NA, LLC	BOSTON , Massachusetts	19-671-4414

Predictive Scores

Credit Capacity Summary

This credit rating was assigned because of D&B's assessment of the company's financial ratios and its cash flow. For more information, see the " D&B Rating Key".

D&B Rating Key: --

The blank rating symbol should not be interpreted as indicating that credit should be denied. It simply means that the information available to D&B does not permit us to classify the company within our rating key and that further enquiry should be made before reaching a decision. Some reasons for using a "-" symbol include: deficit net worth, bankruptcy proceedings, insufficient payment information, or incomplete history information.

Below is an overview of the company's rating history since 04-30-2004

Number of Employees Total: 100 (Undetermined here)

D&B Rating	**Date Applied**
--	04-30-2004

Payment Activity:	(based on 4 experiences)
Average High Credit:	$300
Highest Credit:	$500
Total Highest Credit:	$1,200

D&B Credit Limit Recommendation

Conservative credit Limit	$25,000
Aggressive credit Limit:	$80,000
Risk category for this business :	**MODERATE**

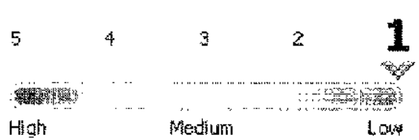
This recommended Credit Limit is based on the company profile and on profiles of other companies with similarities in size, industry, and credit usage. Risk is assessed using D&Bs scoring methodology and is one factor used to create the recommended limits. See Help for details.

Financial Stress Class Summary

The Financial Stress Class Summary Model predicts the likelihood of a firm ceasing business without paying all creditors in full, or reorganization or obtaining relief from creditors under state/federal law over the next 12 months. Scores were calculated using a statistically valid model derived from D&Bs extensive data files.

The Financial Stress Class of 1 for this company shows that firms with this classification had a failure rate of 1.2% (120 per 10,000), which is lower than the average of businesses in D & B's database

Financial Stress Class :



Low risk of severe financial stress, such as bankruptcy, over the next 12 months.

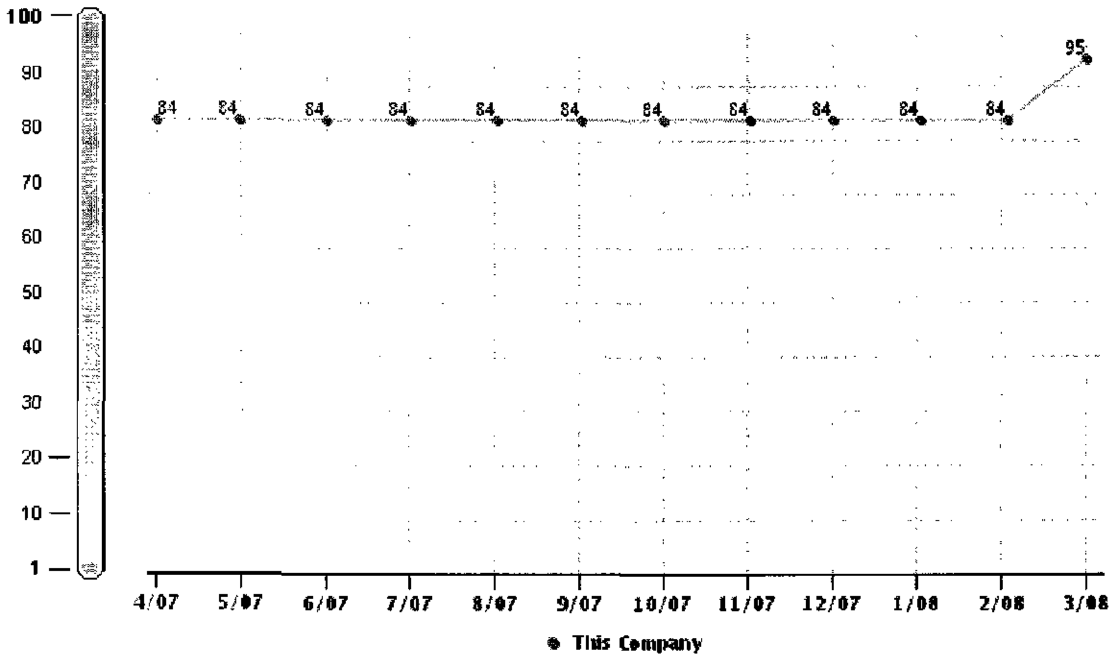
Incidence of Financial Stress:

- Among Businesses with this Classification: **1.20 %** (120 per 10000)
- Average of Businesses in D&Bs database: **2.60 %** (260 per 10000)
- Financial Stress National Percentile : **84** (Highest Risk: 1; Lowest Risk: 100)
- Financial Stress Score : **1447** (Highest Risk: 1001; Lowest Risk: 1875)

The Financial Stress Class of this business is based on the following factors:

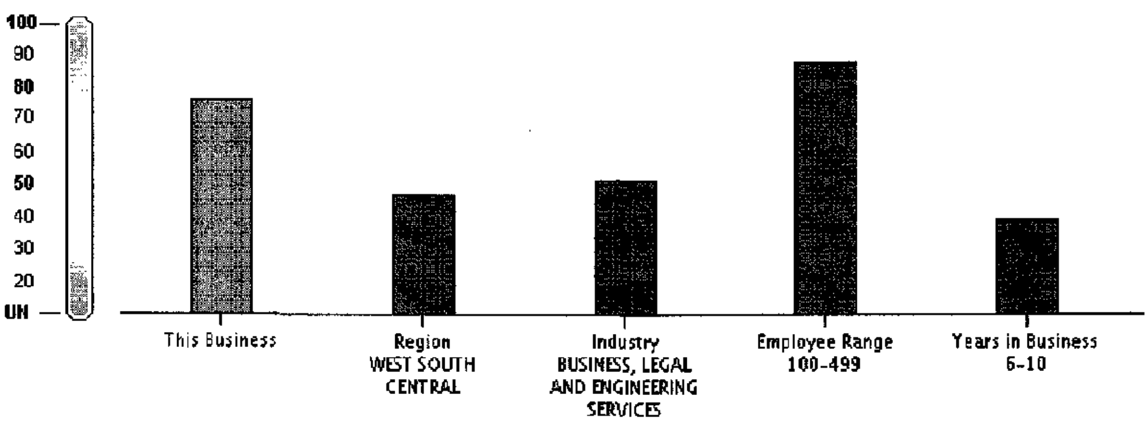
- 45% of trade dollars indicate slow payment(s) are present.
- Control age or date entered in D & B files indicates higher risk.
- Payment experiences exist for this firm which are greater than 60 days past due.

Financial Stress Percentile Trend:



Notes:

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The Incidence of Financial Stress shows the percentage of firms in a given Class that discontinued operations over the past year with loss to creditors. The Incidence of Financial Stress - National Average represents the national failure rate and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&Bs file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Financial Stress Class, Percentile, Score and Incidence statistics are based on sample data from 2004



Norms	National %
This Business	84
Region: WEST SOUTH CENTRAL	47
Industry: BUSINESS, LEGAL AND ENGINEERING SERVICES	52
Employee range: 100-499	99
Years in Business: 6-10	37

This Business has a Financial Stress Percentile that shows:

Lower risk than other companies in the same region.
Lower risk than other companies in the same industry.
Higher risk than other companies in the same employee size range.
Lower risk than other companies with a comparable number of years in business.

Credit Score Class Summary

The Credit Score class predicts the likelihood of a firm paying in a severely delinquent manner (90+ Days Past Terms) over the next twelve months. It was calculated using statistically valid models and the most recent payment information in D&Bs files.
The Credit Score class of 3 for this company shows that 14.3% of firms with this classification paid one or more bills severely delinquent, which is lower than the average of businesses in D & B's database.

Credit Score Class :

Moderate risk of severe payment delinquency over next 12 months.

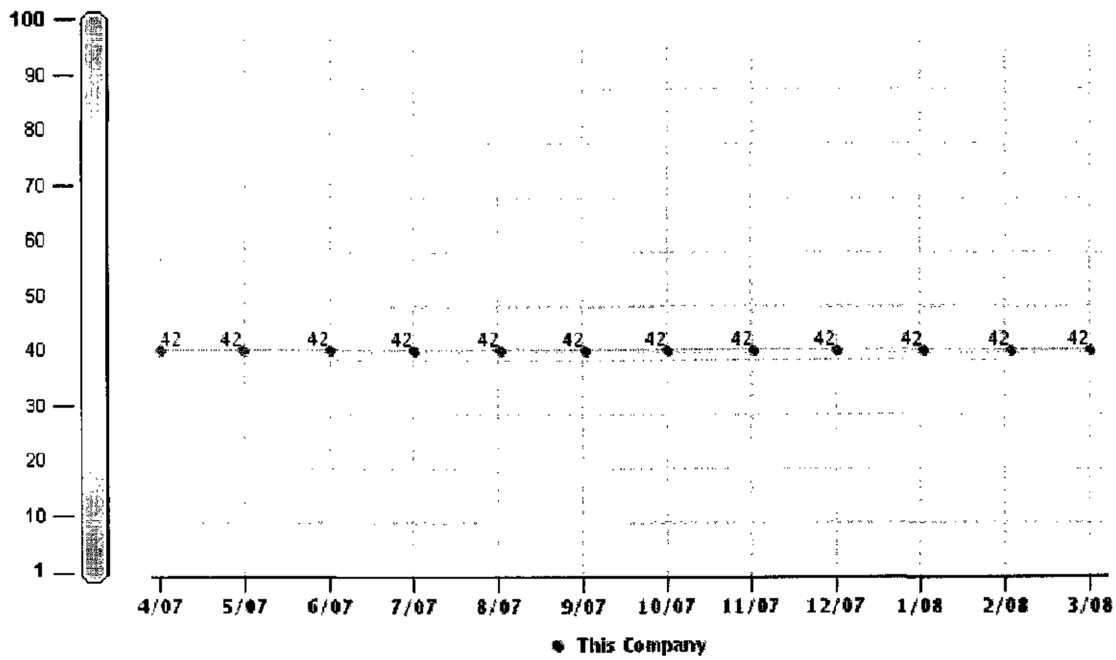
Incidence of Delinquent Payment

- Among Companies with this Classification: **14.30 %**
- Average compared to businesses in D&B's database: **20.10 %**
- Credit Score Percentile : **34** (Highest Risk: 1; Lowest Risk: 100)
- Credit Score : **403** (Highest Risk: 101; Lowest Risk:670)

The Credit Score Class of this business is based on the following factors:

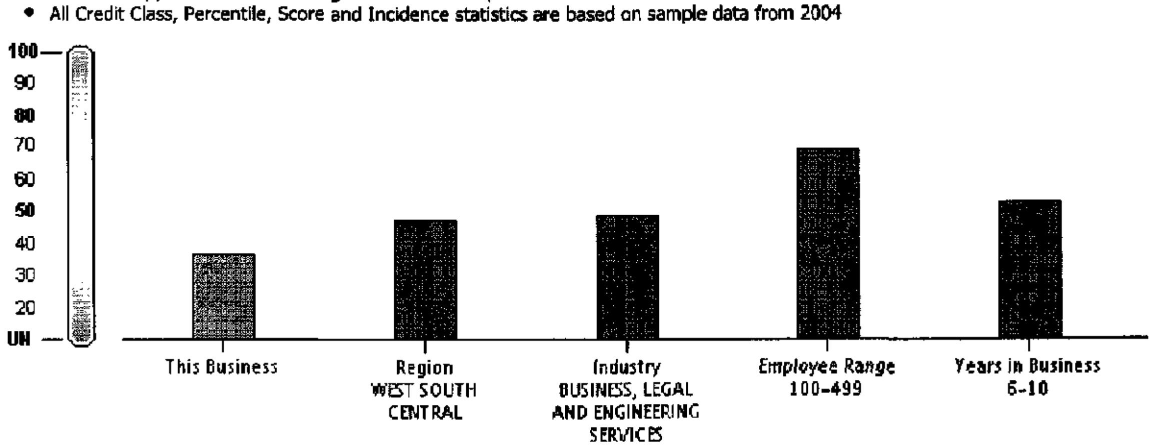
- 45% of trade dollars indicate slow payment(s) are present.
- Payment experiences exist for this firm which are greater than 60 days past due.
- No record of open lien(s), or judgment(s) in the D & B files.
- Business does not own facilities.

Credit Score Class Percentile Trend:



Notes:

- The Credit Score Class indicates that this firm shares some of the same business and payment characteristics of other companies with this classification. It does not mean the firm will necessarily experience delinquency.
- The Incidence of Delinquent Payment is the percentage of companies with this classification that were reported 90 days past due or more by creditors. The calculation of this value is based on an inquiry weighted sample.
- The Percentile ranks this firm relative to other businesses. For example, a firm in the 80th percentile has a lower risk of paying in a severely delinquent manner than 79% of all scorable companies in D&Bs files.
- The Credit Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Credit Class, Percentile, Score and Incidence statistics are based on sample data from 2004



Norms **National %**

This Business	34
Region: WEST SOUTH CENTRAL	47
Industry: BUSINESS, LEGAL AND ENGINEERING SERVICES	49
Employee range: 100-499	75
Years in Business: 6-10	54

This business has a Credit Score Percentile that shows:

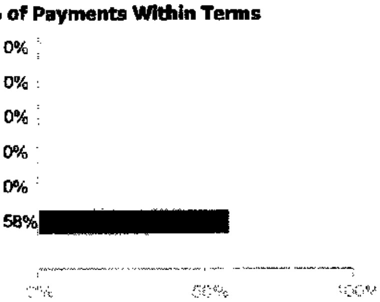
Higher risk than other companies in the same region.
Higher risk than other companies in the same industry.
Higher risk than other companies in the same employee size range.
Higher risk than other companies with a comparable number of years in business.

Trade Payments

Payment Habits

For all payment experiences within a given amount of credit extended, shows the percent that this Business paid within terms. Provides number of experiences to calculate the percentage, and the total credit value of the credit extended.

$ Credit Extended	# Payment Experiences	$ Total Dollar Amount	% of Payments Within Terms
Over 100,000	0	$0	0%
50,000-100,000	0	$0	0%
15,000-49,999	0	$0	0%
5,000-14,999	0	$0	0%
1,000-4,999	0	$0	0%
Under 1,000	4	$1,200	58%



Based on payments collected over last 12 months.
For all Payment experiences reflect how bills are met in relation to the terms granted. In some instances, payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

Payment Summary

There are 4 payment experience(s) in D&Bs file for the most recent 12 months, with 0 experience(s) reported during the last three month period.
The highest **Now Owes** on file is $0 . The highest **Past Due** on file is $0
Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	Total Revd (#)	Total Dollar Amts ($)	Largest High Credit ($)	Within Terms (%)	Days Slow <31 31-60 61-90 90> (%)
Top Industries					
Executive office	2	200	100	100	0 0 0 0
Nonclassified	1	500	500	100	0 0 0 0
Telephone communictns	1	500	500	0	0 0 100 0
Other payment categories					
Cash experiences	0	0	0		
Payment record unknown	0	0	0		
Unfavorable comments	0	0	0		
Placed for collections:					
With D&B	0	0	0		
Other	0	N/A	0		
Total in D&Bs file	4	1,200	500		

Accounts are sometimes placed for collection even though the existence or amount of the debt is disputed.

Indications of slowness can be result of dispute over merchandise, skipper invoices etc.

Payment Details

Date Reported (mm/yy)	Paying Record	High Credit ($)	Now Owes ($)	Past Due ($)	Selling Terms	Last Sale Within (month)
10/07	Ppt	100				1 mo
03/07	(002) Satisfactory .	100				6-12 mos
01/07	Ppt	500	0	0		6-12 mos
05/06	Slow 90	500	0	0		6-12 mos

Payments Detail Key: ▒ 30 or more days beyond terms

Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc. Each experience shown is from a separate supplier. Updated trade experiences replace those previously reported.

Public Filings

Summary

A check of D&B's public records database indicates that no filings were found for SUEZ ENERGY RESOURCES NA INC. at 1990 Post Oak Blvd Ste 1900 , Houston TX .

D&B's extensive database of public record information is updated daily to ensure timely reporting of changes and additions. It includes business-related suits, liens, judgments, bankruptcies, UCC financing statements and business registrations from every state and the District of Columbia, as well as select filing types from Puerto Rico and the U.S. Virgin Islands.

D&B collects public records through a combination of court reporters, third parties and direct electronic links with federal and local authorities. Its database of U.S. business-related filings is now the largest of its kind.

Government Activity

Activity summary

Borrower (Dir/Guar)	NO
Administrative Debt	NO
Contractor	YES
Grantee	NO
Party excluded from federal program(s)	NO

Possible candidate for socio-economic program consideration

Labour Surplus Area	N/A
Small Business	N/A
8(A) firm	N/A

The details provided in the Government Activity section are as reported to Dun & Bradstreet by the federal government and other sources.

History and Operations

Company Overview

Company Name:	SUEZ ENERGY RESOURCES NA INC.
Doing Business As :	(SUBSIDIARY OF SUEZ ENERGY NORTH AMERICA, INC., HOUSTON, TX)
Street Address:	1990 Post Oak Blvd Ste 1900 Houston , 77056
Phone:	713-636-0000
URL:	http://www.suezenergyresources.com
History	Is clear
Present management control	7 years

History

The following information was reported: **01/31/2008**

Officer(s): ZIN SMATI, CEO

DIRECTOR(S) : THE OFFICER(S)

Business started 2001. 100% of capital stock is owned by parent company.
ZIN SMATI. 2001-present active here.

Operations

01/31/2008

Subsidiary of Suez Energy North America, Inc., Houston, TX started 1995 which operates as business services. Parent company owns 100% of capital stock.

Description: Engaged in commercial physical research, specializing in energy research (100%).

Undetermined. Sells to Undetermined. Territory : Undetermined.

Nonseasonal.

Employees: 100 which includes officer(s). Undetermined employed here.

Facilities: Occupies premises in building.
Branches: This business has multiple branches; detailed branch information is available in the D & B linkage or family tree products.

SIC & NAICS

SIC:
Based on information in our file, D&B has assigned this company an extended 8-digit SIC. D&Bs use of 8-digit SICs enables us to be more specific to a companys operations that if we use the standard 4-digit code.
The 4-digit SIC numbers link to the description on the Occupational Safety & Health Administration (OSHA) Web site. Links open in a new browser window.
8731 0301 Energy research
NAICS:

541712 Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)

Financial Statements

Additional Financial Data

On January 31, 2008, attempts to contact the management of this business have been unsuccessful. Outside sources confirmed operation and location.

Request Financial Statements

Requested financials are provided by SUEZ ENERGY RESOURCES NA INC. and are not DUNSRight certified.

Key Business Ratios

D & B has been unable to obtain sufficient financial information from this company to calculate business ratios. Our check of additional outside sources also found no information available on its financial performance.
To help you in this instance, ratios for other firms in the same industry are provided below to support your analysis of this business.

Based on this Number of Establishments 71

	Industry Norms Based On 71 Establishments		
	This Business	**Industry Median**	**Industry Quartile**
Profitability			
Return on Sales	UN	(0.4)	UN
Return on Net Worth	UN	1.0	UN
Short-Term Solvency			
Current Ratio	UN	2.2	UN
Quick Ratio	UN	1.6	UN
Efficiency			
Assets/Sales	UN	95.6	UN
Sales / Net Working Capital	UN	3.8	UN
Utilization			
Total Liabilities / Net Worth	UN	42.4	UN

UN = Unavailable

Associations

All Credit Files with same D-U-N-S® Number as this D&B Live Report

Company Name	Type	Status	Date Created
SUEZ ENERGY RESOURCES NA INC.	Snapshot D-U-N-S Number 09-966-8332	Saved	10/25/2006 08:23 AM EST

Energy Resources NA

EXHIBIT C-8

BANKRUPTCY INFORMATION

None.

Suez
Energy Resources NA

EXHIBIT C-9

MERGER INFORMATION

None.

suez
Energy Resources NA

EXHIBIT D-1

OPERATIONS

Suez Energy Resources NA, Inc. ("SERNA") operations will include the scheduling of power for transmission and delivery and the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers. SERNA provides risk-managed retail electricity to commercial and industrial customers, with products and services that offer budget certainty, reduce energy expenditures, and set new standards in electricity supply. In-house expertise and market-based knowledge helps control costs and manage risks and volatility through a variety of energy products.

SERNA serves commercial and industrial accounts customer. SERNA's sources of supply include power generation facilities, which are owned and operated internally by Suez Energy Generation NA, Inc., and power purchase agreements with power generation and wholesale partners around the United States.

SERNA manages the supply and procurement of electricity through its power generation units, gas distribution and storage facilities, and more than 100 power purchase agreements with power generation and wholesale partners around the United States. SERNA schedules and causes the delivery of electricity through agreements with Independent System Operators (ISO) and relationships with regulated transmission and distribution companies.

The origination, supply, and delivery of power is handled by SERNA's 24/7 operation facilities across the United States. SERNA has invested significant resources to ensure that all customers receive on-time switching, timely and accurate billing, and immediate response to customer care issues. Our Customer Service and Support organization is designed to provide dedicated professionals to handle all aspects of energy supply, delivery, and risk management. SERNA publically guarantees an on-time enrollment. SERNA is recognized a leader in quick problem resolution, execution on price quotes, and on-time billing. SERNA will respond to all customer inquires and/or complaints in accordance with the Commission rules adopted pursuant to Section 4928.10 of the Revised Code. SERNA has also instituted quality control and quality assurance practices to ensure our people, processes, vendors and systems operate at this highly level of quality.

Energy Resources NA

EXHIBIT D-2

OPERATIONS EXPERTISE

Suez Energy Resources NA, Inc. ("SERNA") is now the 6th largest energy provider in the U.S. Since SERNA launched its marketing efforts in January 2003, it has become the fastest growing retail energy provider in the nation and now serves over 25,000 accounts having peak demand ranging from 50kw to 200MW, for a total load of approximately 4500MW. SERNA serves customer accounts representing almost $2 billion in contract value and to mare than 25,000 meters. SERNA has the financial backing of SUEZ, one of the works most established companies, dating back to 1822. SERNA maintains a centralized, scalable back office to enable competitive pricing.

SUEZ Energy Resources currently serves commercial and industrial customers in the following the following states: Connecticut, Delaware, District of Columbia, Illinois, Main, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Texas. Affiliated interests of SERNA have FERC authorization to market wholesale electric power. SERNA's sources of supply include power generation facilities, which are owned and operated internally by Suez Energy Generation NA, Inc., and power purchase agreements with power generation and wholesale partners around the United States. SERNA's sources of supply also include physical bilateral purchases both from SUEZ Energy Marketing NA, Inc. (SEMNA) and other third party suppliers. SERNA manages the supply and procurement of electricity through its power generation units, gas distribution and storage facilities, and more than 100 power purchase agreements with power generation and wholesale partners around the United States. SERNA schedules and causes the delivery of electricity through agreements with Independent System Operators (ISO) and relationships with regulated transmission and distribution companies.

SERNA has received high marks in customer satisfaction, as evidenced by independent surveys placing SERNA in the top-tier of all energy providers. Additionally, SERNA enjoys industry leading receivables performance. SERNA has also instituted quality control and quality assurance practices to ensure our people, processes, vendors and systems operate at this highly level of quality.

SUEZ
Energy Resources NA

EXHIBIT D-3

KEY TECHNICAL PERSONNEL

MICHEL SIRAT, PRESIDENT AND CEO

1990 Post Oak Blvd. Suite 1900
Houston, Texas 77056
Tel. 713-636-0000
Email: Michel.Sirat@suezenergyna.com

Before being appointed to his present position, Mr. Sirat was Senior Executive Vice President of SUEZ Energy North America, serving as Deputy to the company's President and CEO, responsible for Accounting, Business Control, Risk Control, Credit, Treasury, Tax, and Finance. Mr. Sirat joined the SUEZ Group in 2000 as Senior Vice President, Corporate Finance and Treasury. In 2003 he was named Group Senior Vice President, Finance, Tax and Treasury. Mr. Sirat holds graduate degrees from the Ecole Centrale de Paris and the Ecole Nationale d'Administration.

GUY BRADEN, SENIOR VICE PRESIDENT OPERATIONS

1990 Post Oak Blvd. Suite 1900
Houston, Texas 77056
Tel. 713-636-0000
Email: Guy.Braden@suezenergyna.com

Mr. Braden joined the Suez Group in 2002 and currently holds the title of Senior Vice President, Operations. Mr. Braden is responsible for business services, customer service, order validation, and information technology. Mr. Braden holds an MBA from the University of Texas at Austin and a BS in Physics from the United States Naval Academy

JAY HARPOLE, VICE PRESIDENT POWER SUPPLY

1990 Post Oak Blvd. Suite 1900
Houston, Texas 77056
Tel. 713-636-0000
Email: Jay.Harpole@suezenergyna.com

Mr. Harpole has 8 years experience in the energy industry. He began his career with Exxon in the Baytown Olefins Plant analyzing and reporting the fixed and variable costs associated with the facility, which included 200Mw of cogeneration units. Mr. Harpole then spent two years with Dynegy structuring retail and wholesale power and gas transactions. During that period, Mr. Harpole became very interested in the retail power business and helped lead Dynegy Energy Solutions into the ERCOT market as it opened its first retail competition via a pilot program in August of 2001. During his 5 years in the retail energy business, Mr. Harpole worked in nearly every market open to competition, including Texas, New York, Massachusetts, Maine, New Jersey, Maryland, Pennsylvania, Illinois, and Washington D.C. Mr. Harpole graduated Cum Lade from Louisiana State University with a Bachelor of Science degree in International Trade and Finance. Mr. Harpole also holds a Masters of Business Administration with a concentration in Finance from the same institution.

CECILIA HEILMANN, VICE PRESIDENT OF BUSINESS CONTROL

1990 Post Oak Blvd. Suite 1900
Houston, Texas 77056
Tel. 713-636-0000
Email: Cecilia.heilmann@suezenergyna.com

Cecilia Heilmann joined Suez in 2004 as the Vice President of Business Control for SUEZ Energy Resources NA. She is responsible for the company's financial functions including accounting, credit and budgeting. Prior to SUEZ, Ms. Heilmann worked at El Paso Corporation where she served in various capacities, including Vice President of Corporate Planning and Vice President and Controller of the merchant division. Ms. Heilmann is a certified public accountant and holds a BA in Accounting from the University of Texas at El Paso.

VIKRAM KULKARNI, DIRECTOR OF SUPPLY PRICING

1990 Post Oak Blvd. Suite 1900
Houston, Texas 77056
Tel. 713-636-0000
Email: Vikram.Kulkarni@suezenergyna.com

Director of Supply Pricing: Mr. Kulkarni has 8 years of experience in the energy industry. He has had previous experience with Enron and Texas Utilities (TXU) in a commodity structuring role. He has broad experience in a number of deregulated electricity markets including ERCOT, NEPOOL, NYISO and PJM. At Suez, he is responsible for managing the structuring and pricing function for retail transactions. He holds a Bachelors Degree in Economics from the University of Wisconsin at Madison and a Masters Degree in Finance from Boston College.

Energy Resources NA

EXHIBIT D-4

FERC POWER MARKETERE LICENSE NUMBER

Not applicable.