COMBINED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY

AT JUNE 30, 2008

Combined balance sheets

In millions of euros	Note	June 30, 2008	Dec. 31, 2007
NON-CURRENT ASSETS			
Intangible assets, net	7	1,757.0	1,712.9
Goodwill	7	2,634.4	2,720.2
Property, plant and equipment, net	7	5,685.4	5,918.6
Available-for-sale securities		995.7	1,143.6
Loans and receivables carried at amortized cost		471.8	312.7
Derivative instruments (incl. commodity derivatives)	10	52.3	58.2
Investments in associates		231.2	237.7
Other non-current assets		51.4	55.1
Deferred tax assets		564.4	574.0
TOTAL NON-CURRENT ASSETS		**12,443.6**	**12,733.0**
CURRENT ASSETS			
Derivative instruments (incl. commodity derivatives)	10	22.2	14.9
Loans and receivables carried at amortized cost		188.1	188.6
Trade and other receivables		3,435.8	3,147.5
Inventories		283.5	242.5
Other current assets		810.4	765.5
Financial assets at fair value through income	10	84.8	179.5
Cash and cash equivalents	10	1,481.7	1,466.2
TOTAL CURRENT ASSETS		**6,306.5**	**6,004.7**
TOTAL ASSETS		**18,750.1**	**18,737.7**
Shareholders' equity		3,519.5	3,643.9
Minority interests		612.6	613.0
TOTAL COMBINED EQUITY	8	**4,132.1**	**4,256.9**
NON-CURRENT LIABILITIES			
Provisions	9	1,034.3	955.2
Long-term borrowings	10	4,310.3	4,722.6
Derivative instruments (incl. commodity derivatives)	10	19.7	16.1
Other financial liabilities	10	2.6	2.3
Other non-current liabilities		415.5	246.8
Deferred tax liabilities		531.2	561.1
TOTAL NON-CURRENT LIABILITIES		**6,313.6**	**6,504.1**
CURRENT LIABILITIES			
Provisions	9	312.2	341.2
Short-term borrowings	10	2,681.0	2,350.1
Derivative instruments (incl. commodity derivatives)	10	6.4	5.4
Trade and other payables	10	3,655.4	3,714.7
Other current liabilities		1,649.4	1,565.3
TOTAL CURRENT LIABILITIES		**8,304.4**	**7,976.7**
TOTAL COMBINED EQUITY AND LIABILITIES		**18,750.1**	**18,737.7**

Combined income statements

In millions of euros	Note	June 30, 2008	June 30, 2007
Revenues		6,030.4	5,776.0
Purchases		(1,341.0)	(1,011.8)
Personnel costs		(1,542.4)	(1,541.4)
Depreciation, amortization and provisions		(368.9)	(362.3)
Other operating income and expenses, net		(2,270.2)	(2,346.1)
CURRENT OPERATING INCOME		**507.9**	**514.4**
Mark-to-market on commodity contracts other than trading instruments		(1.1)	0.4
Impairment of property, plant and equipment, intangible assets and financial assets		(6.8)	(13.0)
Restructuring costs		(2.8)	6.6
Expenses attributable to the stock market listing		(18.9)	
Disposals of assets, net		39.4	24.9
INCOME FROM OPERATING ACTIVITIES	4	**517.7**	**533.3**
Financial expenses		(186.1)	(164.8)
Financial income		65.7	60.7
NET FINANCIAL LOSS	5	**(120.4)**	**(104.1)**
Income tax expense	6	(145.8)	(129.4)
Share in net income of associates		18.2	12.8
COMBINED NET INCOME		**269.7**	**312.6**
Minority interests		69.1	79.4
Net income Group share		200.6	233.2
Combined earnings per share		**0.41**	**0.48**

Combined cash flow statements

In millions of euros	June 30, 2008	June 30, 2007
Combined net income	**269.7**	**312.6**
- Share in combined net income of associates	(18.2)	(12.8)
+ Dividends received from associates	13.9	9.0
- Net depreciation, amortization and provisions	366.5	372.1
- Net capital gains on disposals	(39.4)	(24.9)
- Other items with no cash impact	24.1	9.2
- Income tax expense	145.8	129.4
- Net financial loss	120.4	104.1
Cash generated from operations before income tax and working capital requirements	**882.8**	**898.7**
+ Tax paid	(110.3)	(179.3)
Change in working capital requirements	**(91.6)**	**(102.9)**
Cash flow from (used in) operating activities	**680.9**	**616.5**
Acquisitions of property, plant and equipment and intangible assets	(463.5)	(467.7)
Acquisitions of entities net of cash and cash equivalents acquired (a)	(831.7)	(197.5)
Acquisitions of available-for-sale securities	(25.8)	(128.6)
Disposals of property, plant and equipment and intangible assets	19.8	29.3
Disposals of entities net of cash and cash equivalents sold	(12.6)	56.8
Disposals of available-for-sale securities	62.9	7.4
Interest received on non-current financial assets	4.8	8.4
Dividends received on non-current financial assets	26.1	18.7
Change in loans and receivables originated by the Group and other	(23.6)	(3.4)
Cash flow from (used in) investing activities	**(1,243.5)**	**(676.6)**
Dividends paid	(470.1)	(519.8)
Repayment of borrowings and debt	(234.2)	(177.7)
Change in financial assets at fair value through income	95.3	(29.3)
Interest paid	(149.1)	(129.8)
Interest received on cash and cash equivalents	29.3	26.8
Increase in borrowings and debt (a)	1,339.2	375.3
Increase in capital (b)	0.1	4.2
Cash flow from (used in) financing activities	**610.5**	**(450.3)**
Effect of changes in exchange rates and other	(32.5)	(3.1)
TOTAL CASH FLOW FOR THE PERIOD	**15.4**	**(513.6)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,466.2**	**1,994.8**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,481.7**	**1,481.2**

(a) Of which €708 million in respect of the acquisition of Agbar shares from minority interests financed by debt.

(b) Including capital increases subscribed by minority shareholders of companies reported in the combined financial statements and those relating to SUEZ Environnement.

In millions of euros	Combined reserves and net income	Fair value adjustments and other	Cumulative translation adjustments	Shareholders' combined equity	Minority interests	Total
Combined equity under IFRS at December 31, 2007	**3,418.4**	**412.4**	**(186.9)**	**3,643.9**	**613.0**	**4,256.9**
Income and expense recognized directly in equity		**(43.9)**	**(107.1)**	**(151.0)**	**(62.9)**	**(213.9)**
Combined net income	200.6			200.6	69.1	269.7
Total recognized income and expense for the period	**200.6**	**(43.9)**	**(107.1)**	**49.6**	**6.2**	**55.8**
Employee share issues and share-based payment	21.1			21.1		21.1
Capital increase/reduction						
Dividends paid	(403.0)			(403.0)	(67.1)	(470.1)
Movements relating to the Argentine dispute	236.0 (a)			236.0		236.0
Other changes	(28.1)			(28.1)	60.5 (b)	32.4
Combined equity under IFRS at June 30, 2008	**3,445.0**	**368.5**	**(294.0)**	**3,519.5**	**612.6**	**4,132.1**

(a) See Note 2 – Significant Events, in particular the sections relating to the short-form agreement entered into by SUEZ and SUEZ Environnement concerning the management of the Argentine dispute.
(b) See Note 2 – Significant Events. This item mainly concerns the accounting treatment of the public tender offer for Agbar shares.

In millions of euros	Combined reserves and net income	Fair value adjustments and other	Cumulative translation adjustments	Shareholders' combined equity	Minority interests	Total
Combined equity under IFRS at December 31, 2006	**3,378.1**	**193.3**	**(24.4)**	**3,547.0**	**1,120.1**	**4,667.1**
Income and expense recognized directly in equity		**187.2**	**(25.3)**	**161.9**	**9.4**	**171.3**
Combined net income	233.2			233.2	79.4	312.6
Total recognized income and expense for the period	**233.2**	**187.2**	**(25.3)**	**395.1**	**88.8**	**483.9**
Employee share issues and share-based payment						
Capital increase/reduction	9.6			9.6		9.6
Dividends paid	(440.7)			(440.7)	(79.1)	(519.8)
Other changes	(1.1)			(1.1)	5.0	3.9
Combined equity under IFRS at June 30, 2007	**3,179.1**	**380.5**	**(49.7)**	**3,509.9**	**1,134.8**	**4,644.7**

Statement of recognized income and expense

	Total at June 30, 2008	Of which shareholders' equity	Of which minority interests	Total at June 30, 2007	Of which shareholders' equity	Of which minority interests
Available-for-sale securities	(112.6)	(92.3)	(20.3)	170.2	171.9	(1.7)
Net investment hedges	11.5	10.2	1.3	7.1	3.1	4.0
Cash flow hedges	12.9	8.7	4.2	12.0	10.8	1.2
Commodity cash flow hedges	3.6	3.6	0.0	2.4	2.4	0.0
Actuarial gains and losses	(66.2)	(64.1)	(2.1)	75.4	67.1	8.3
Deferred taxes	34.3	34.0	0.3	(82.5)	(79.5)	(3.0)
Translation adjustments	(97.4)	(51.1)	(46.3)	(13.3)	(13.9)	0.6
Income and expense recognized directly in equity	**(213.9)**	**(151.0)**	**(62.9)**	**171.3**	**161.9**	**9.4**
Combined net income	269.7	200.6	69.1	312.6	233.2	79.4
Total recognized income and expense for the period	**55.8**	**49.6**	**6.2**	**483.9**	**395.1**	**88.8**

Notes to the combined financial statements: contents

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

On September 2, 2007, the Boards of Directors of Gaz de France and Suez approved the merger between the two groups and the simultaneous spin-off of 65% of the Suez group's environment business to Suez shareholders.

The activities of the Environment segment have been grouped together within Suez Environnement Company (formerly Houlival), which is made up of entities already owned by the main combined company, Suez Environnement SA (hereafter referred to as Suez Environnement) and of companies operating in the same line of business but owned by Suez SA or by its subsidiaries other than Suez Environnement.

The creation of the Group results therefore from reclassifications carried out between Suez SA subsidiary holding companies. Suez's direct or indirect interests in these entities will not change as a result of these operations. These link-ups between entities under common control do not fall within the scope of IFRS 3 – Business Combinations, and were accounted for under the "pooling of interests" method at their carrying amount in Suez's consolidated financial statements. As IFRS does not provide any specific guidance for business combinations involving entities under common control, the accounting treatment adopted was reviewed by Group management in light of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – and in particular paragraph 10 of the standard.

In order to reflect the economic substance of the Group, combined financial statements have been drawn up based on the methods and assumptions described below.

These condensed combined financial statements for the six months ended June 30, 2008 were derived from the financial statements of companies historically consolidated by Suez.

Accordingly, these combined financial statements are not necessarily representative of the consolidated financial statements that would have been presented if Suez Environnement Company had been created at an earlier date.

The financial statements have been prepared and presented consistently with the basis of preparation that will be adopted for the 2008 annual financial statements to be published by Suez Environnement Company, in accordance with the accounting policies and legislation applicable to such annual financial statements.

1.2 APPLICABLE ACCOUNTING STANDARDS

The Group's condensed interim combined financial statements for the six months ended June 30, 2008 were prepared in accordance with the provisions of IAS 34 – Interim Financial Reporting, which allows entities to present selected explanatory notes. The interim combined financial statements for the six months ended June 30, 2008 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and must thus be read in conjunction with the combined financial statements for the years ended December 31, 2007, 2006 and 2005, subject to specific dispositions relating to the preparation of interim financial information as described hereafter.

The accounting policies used to prepare the Group's condensed interim combined financial statements for the six months ended June 30, 2008 are consistent with those used to prepare the combined financial statements for the year ended December 31, 2007 in accordance with IFRS as published by the IASB and adopted for use in the European Union at that date[1]. Since December 31, 2006, the Group has applied the provisions of IFRIC 12[2], which may be used as guidance to the extent that it is not incompatible with the standards adopted by the European Union.

IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which has not yet been adopted by European Union, will be applied at December 31, 2008. The impacts on the financial statements of the application of IFRIC 14 are currently being analyzed.

IFRIC 11 – IFRS 2: Group and Treasury Share Transactions, does not apply to the Group's financial statements.

As in 2007, the Group has not early adopted IFRS 8 "Operating Segments", which was published in 2006 and whose application is mandatory for financial periods beginning on or after January 1, 2009. The application of IFRIC 13 "Customer Loyalty Programmes" and of IAS 1 revised "Presentation of Financial Statements", which were published in 2007, is not mandatory in 2008. These standards and interpretations have not been early adopted by the Group.

The following standards or amendments, published by the IASB in 2008 but not yet adopted by the European Union, have not been early adopted by the Group:

- Revised IAS 27: Consolidated and Separate Financial Statements;
- Revised IFRS 3: Business Combinations;
- Amendment to IFRS 2: Vesting Conditions and Cancellations;
- Amendment to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation.

[1] These standards may be consulted on the website of the European Commission at http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.
[2] Not yet endorsed by the European Union.

1.3 USE OF JUDGMENTS AND ESTIMATES

Estimates

The preparation of combined financial statements requires the use of estimates and assumptions to determine the value of the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the revenues and expenses reported during the period.
Due to uncertainties inherent in the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The main estimates used in preparing the Group's combined interim financial statements relate chiefly to:

- the measurement of the recoverable amount of property, plant and equipment and intangible assets;
- the measurement of provisions, particularly for disputes and for pensions and other employee benefits;
- capital renewal and replacement liabilities;
- financial instruments;
- un-metered revenues;
- the measurement of capitalized tax-loss carryforwards.

Detailed information related to the use of estimates is provided in Note 1 to the 2007, 2006 and 2005 combined financial statements.

Judgment

As well as relying on estimates, Group management also uses judgment to define the appropriate accounting treatment to apply to certain activities and transactions when the effective IFRS standards and interpretations do not specifically deal with related accounting issues.
This particularly applies in relation to the recognition of concession arrangements, the classification of services contracts, and the recognition of acquisitions of minority interests.

1.4 INTERIM FINANCIAL REPORTING

Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more heavily influenced by changes in climate conditions. Consequently, the interim results for the six months ended June 30, 2008 are not necessarily indicative of those that may be expected for full-year 2008.

Income tax expense

Current and deferred income tax expense for interim periods is calculated at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to income for the period. The estimate of the effective tax rate does not take account of the tax effects described in Note 15.4.

Pension benefit obligations

Pension costs for interim periods are calculated on the basis of the actuarial valuations performed at the end of the prior year. If necessary, these valuations are adjusted to take account of curtailments, settlements or other major non-recurring events during the period. Amounts recognized in the balance sheet in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (the benchmark used to determine the discount rate) and the expected return on plan assets.

NOTE 2 – SIGNIFICANT EVENTS

2.1 SIGNIFICANT EVENTS IN THE FIRST-HALF OF 2008

Public tender offer for minority shares in Sociedad General de Aguas de Barcelona (Agbar)

The offer launched by Hisusa, Suez Environnement, Suez Environnement España and Criteria Caixa Corp for the Aguas de Barcelona shares they did not already own was concluded successfully on January 16, 2008, with the bidding companies gaining control of 90.01% of Agbar's share capital. Upon completion of the offer, Agbar is:

- 66.44%-owned by Hisusa (proportionately consolidated);
- 12.02%-owned by Suez Environnement and Suez Environnement España (fully consolidated);
- 11.55%-owned by Criteria Caixa Corp, a non-Group company.

The bidding companies brought their ownership interest to 90.00% shortly after the conclusion of the offer.

As indicated in Note 2 – Significant Events to the 2007 combined financial statements, and in view of the authorization obtained from the Spanish stock market authority (CNMV) on December 27, 2007, the Group considered that it had granted an irrevocable commitment to minority shareholders. Accordingly, an amount of €918 million was recognized within debt in the Group's 2007 combined financial statements, corresponding to its share (51%) in the tender offer for Agbar shares. The matching entry for the debt is a €424 million reduction in minority interests and a €494 million increase in goodwill.
On the basis of the acceptance rate attained in January 2008, the final investment represented €708 million. Accordingly, borrowings were reduced by €210 million and goodwill by €109 million, while minority interests were increased by €101 million.

Sale by Agbar of its interest in Suez SA

In May 2008, the Agbar group sold its remaining shares in Suez SA. The Group recorded capital gains on disposal in the amount of €42 million in combined income from operating activities, representing a positive €25.5 million impact on combined net income.

Professional fees paid in connection with Suez Environnement Company's stock market listing

During the preparations for Suez Environnement Company's stock market listing, the Group had recourse to external service providers. For the six months ended June 30, 2008, professional fees incurred in relation to the stock market listing amounted to €18.9 million, and were recorded on a separate line of the combined income statement.

This accounting treatment was determined by the terms and conditions of the transfer of Suez Environnement shares by Suez, as presented below:

- As this was an internal transaction within the Suez group, it was carried out at the carrying amount (therefore outside the scope of IFRS 3) to the extent that it did not entail any cash contributions from new shareholders.
- The transaction was therefore accounted for under the "pooling of interest" method.

Accordingly, the expenses incurred in relation to this transaction were recorded in expenses for the period.

As these expenses were both unusual in nature and material in amounts, they are presented on a separate line of the combined income statement after current operating income and within income from operating activities.

Acquisitions of shares from Suez SA and its subsidiaries

During the first half of 2008, the Group acquired the following shares from Suez SA and some of its subsidiaries:

- 100% of the capital of Moroccan company Eaux de l'Oum Er Rbia (water production for Lydec) for a purchase consideration of €8.2 million. Eaux de l'Oum Er Rbia is now fully consolidated in the combined financial statements.

- 44.42% of the capital of Calédonienne des Eaux (water distribution) for €12.3 million. The Group now owns 100% of the capital of this company, which is fully consolidated in the combined financial statements.

- 53% of the capital of New Caledonian company Sadet (water distribution) for an acquisition price of €5.3 million. The Group now owns 100% of the capital of this company, which is fully consolidated in the combined financial statements.

- 51% of the capital of Italian holding company Consortium Intesa Aretina, which has a 46% stake in the water supply concession holder for the city of Arezzo in Italy, for a consideration of €14 million.

As set out in the Note 1.1 to the combined financial statements, these business combinations have been analyzed as exchanges of assets under common control and have therefore been recorded at their carrying amount in the consolidated financial statements of Suez.

Other acquisitions

During the first half of 2008, Sita Germany acquired 68.4% of Belland Vision (packaging recycling), which reported revenues of €35 million in 2007.

Suez Environnement acquired 25% of the share capital of Sita Sweden from German group EON. Accordingly, at June 30, 2008, the Group held the entire share capital of Sita Sweden.

Argentine agreement

On June 5, 2008, Suez and Suez Environnement entered into a 20-year agreement for the economic transfer to Suez Environnement of the rights and obligations relating to the interests held by Suez in Argentine companies Aguas Argentinas and Aguas Provinciales de Santa Fe. Suez remains the sole owner of the shares of these two companies. Given the particular situations of the Argentine companies Aguas Argentinas and Aguas Provinciales de Santa Fe and the litigation in progress (see Section 20.5.2 of the 2007 Prospectus), the shares in these two companies could not be reclassified.
This transfer was part of the reclassification of all of Suez's environment-related assets to Suez Environnement prior to the merger with GDF and the Spin-off Distribution of Suez Environnement shares.

The main characteristics of this agreement are as follows:

- Suez bears all costs resulting from the ownership of the shares of these two companies up to the residual amount of the corresponding provision for contingencies booked in Suez's consolidated financial statements at December 31, 2007.
- Suez Environnement bears any costs in excess of this amount.
- In the event that these costs are less than the amount set aside in the provision, Suez will pay Suez Environnement an amount corresponding to the surplus portion of provision.
- Suez will pay over to Suez Environnement any sum that it receives in relation to the current or future proceedings.

2.2 SIGNIFICANT EVENTS IN THE FIRST-HALF OF 2007

Acquisitions

Sita UK acquired the entire share capital of Easco, a metals recycling company which reported revenues of more than €110 million in 2006.

The Suez Environnement Group carried out other less significant transactions in the first half of 2007.

NOTE 3 – SEGMENT INFORMATION

In accordance with IAS 14, the Group's primary reporting format is business segments and its secondary reporting format is geographical location. Only data relating to the primary reporting format are disclosed in the interim combined financial statements.

The Group's business segments are:

- Water Europe
- Waste Europe
- International
- Other

A distinction is made between water distribution and treatment services and waste collection and treatment services in Europe.

International operations are classified separately from water and waste services provided in Europe. This segmentation is consistent with the Group's internal organization and management structure, and reflects the different development strategies adopted for its European business and for its activities further afield.

3.1 BUSINESS SEGMENTS

Suez Environnement Company's subsidiaries have been organized into the following segments:

- Water Europe – the subsidiaries in this segment provide private customers, local authorities and industrial clients with water distribution and treatment services, notably under concession contracts (water management).
- Waste Europe – the subsidiaries in this segment provide local authorities and industrial clients with waste collection and treatment services, including collection, sorting, recycling, composting and landfilling as well as energy recovery and treatment services for regular and hazardous waste materials.
- International – the subsidiaries in this segment provide water, waste and engineering services depending on the opportunities that may arise, with a special focus on managing risks resulting from specific local environments, by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

The "Other" segment is made up of holding companies (Suez Environnement and R+I Alliance) and also includes the operations eliminated from the first three segments.

3.2 SEGMENT INFORMATION – INCOME STATEMENT

In millions of euros

June 30, 2008	Water Europe	Waste Europe	International	Other	Eliminations	Total
Total revenues	**1,887.0**	**2,913.2**	**1,256.8**	**22.6**	**(49.2)**	**6,030.4**
- Revenues (external sales)	1,881.7	2,892.9	1,247.4	8.4	-	6,030.4
- Inter-segment sales (intra-Group)	5.3	20.3	9.4	14.2	(49.2)	0.0
EBITDA (new definition)	387.6	459.3	184.7	(25.7)	-	1,005.9
Current operating income/(loss)	200.5	232.1	122.7	(47.4)	-	507.9
- Mark-to-market on commodity contracts other than trading instruments (IAS 32/39)	-	-	(1.1)	-	-	(1.1)
- Impairment	(2.9)	(2.4)	(2.5)	1.0	-	(6.8)
- Restructuring costs	(1.1)	(1.6)	(0.4)	0.3	-	(2.8)
- Expenses attributable to the stock market listing				(18.9)		(18.9)
Segment result (IAS 14)	*196.5*	*228.1*	*118.7*	*(65.0)*	-	*478.3*
- Asset disposals	46.0	1.4	(7.4)	(0.6)	-	39.4
Income/(loss) from operating activities	**242.5**	**229.5**	**111.3**	**(65.6)**	**-**	**517.7**
Depreciation and amortization (in current operating income)	(105.9)	(211.2)	(64.1)	(1.1)	-	(382.3)
Share in net income of associates	4.8	4.3	9.1	0.0	-	18.2

June 30, 2007	Water Europe	Waste Europe	International	Other	Eliminations	Total
Total revenues	**1,903.1**	**2,703.6**	**1,202.9**	**18.0**	**(51.6)**	**5,776.0**
- Revenues (external sales)	1,899.8	2,680.3	1,190.4	5.5	-	5,776.0
- Inter-segment sales (intra-Group)	3.3	23.3	12.5	12.5	(51.6)	0.0
EBITDA (new definition)	400.6	443.5	156.1	(21.1)	-	979.1
Current operating income/(loss)	208.2	224.0	108.7	(26.5)	-	514.4
- Mark-to-market on commodity contracts other than trading instruments (IAS 32/39)	-	-	0.4	-	-	0.4
- Impairment	(0.2)	(9.4)	(3.1)	(0.3)	-	(13.0)
- Restructuring costs	(0.4)	(0.6)	(0.2)	7.8	-	6.6
Segment result (IAS 14)	*207.6*	*214.0*	*105.8*	*(19.0)*	-	*508.4*
- Asset disposals	22.2	1.2	1.6	(0.1)	-	24.9
Income/(loss) from operating activities	**229.8**	**215.2**	**107.4**	**(19.1)**	**-**	**533.3**
Depreciation and amortization (in current operating income)	(127.2)	(199.9)	(61.0)	(0.6)	-	(388.7)
Share in net income of associates	6.3	3.3	3.2	0.0	-	12.8

3.3 SEGMENT INFORMATION – CASH FLOW STATEMENT

In millions of euros

June 30, 2008	Water Europe	Waste Europe	International	Other	Total
Cash generated from operations before income tax and working capital requirements	313.8	440.7	170.5	(42.2)	882.8
Acquisitions of property, plant and equipment and intangible assets (a)	(87.1)	(173.3)	(92.8)	(1.0)	(354.2)
Disposals of property, plant and equipment and intangible assets (b)	4.9	7.1	12.7	0.0	24.7

June 30, 2007	Water Europe	Waste Europe	International	Other	Total
Cash generated from operations before income tax and working capital requirements	325.5	425.6	164.4	(16.8)	898.7
Acquisitions of property, plant and equipment and intangible assets (a)	(144.3)	(136.6)	(80.0)	(0.3)	(361.2)
Disposals of property, plant and equipment and intangible assets (b)	21.7	6.3	0.6	0.0	28.6

(a) Acquisitions of property, plant and equipment and intangible assets presented in this table do not include the impact of the change in accounts payable on fixed assets, which totaled a negative €109.3 million at June 30, 2008 and a negative €106.5 million at June 30, 2007.

(b) Similarly, disposals of property, plant and equipment and intangible assets do not include the impact of the change in accounts receivable from sales of fixed assets, which totaled a negative €4.9 million at June 30, 2008 and a positive €0.7 million at June 30, 2007.

3.4 RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

In millions of euros	**June 30, 2008**	**June 30, 2007**
Current operating income	507.9	514.4
- Depreciation, amortization and provisions (a)	(368.9)	(362.3)
- Share-based payment (IFRS 2), net of the impact of coverage	(24.1)	(9.2)
- Net disbursements under concession contracts	(105.0)	(93.2)
EBITDA (new definition)	**1,005.9**	**979.1**

(a) Excluding net additions to provisions for pensions, provision reversals and other similar provisions booked.

3.5 RECONCILIATION OF GROSS OPERATING INCOME

In millions of euros	**June 30, 2008**	**June 30, 2007**
EBITDA (new definition)	1,005.9	979.1
- Depreciation, amortization and provisions for long-term employee benefits	2.2	(1.2)
- Financial income excluding interest	26.5	18.5
- Share in net income of associates	18.2	12.8
Gross operating income (previous definition)	**1,052.8**	**1,009.2**

NOTE 4 – INCOME FROM OPERATING ACTIVITIES

In millions of euros	**June 30, 2008**	**June 30, 2007**
CURRENT OPERATING INCOME	**507.9**	**514.4**
Mark-to-market on commodity contracts other than trading instruments	(1.1)	0.4
Impairment of property, plant and equipment, intangible assets and financial assets	(6.8)	(13.0)
Restructuring costs	(2.8)	6.6
Expenses attributable to the stock market listing	(18.9)	-
Disposals of assets, net	39.4	24.9
INCOME FROM OPERATING ACTIVITIES	**517.7**	**533.3**

EXPENSES ATTRIBUTABLE TO THE STOCK MARKET LISTING

During the first half of 2008, the Group recognized professional fees in the amount of €18.9 million incurred with respect to consulting services during the preparation of Suez Environnement Company's stock market listing (see Note 2).

DISPOSALS OF ASSETS, NET

– Transactions in first-half 2008

In the six months to June 30, 2008, disposal gains in the amount of €42 million were attributable mainly to the sale by Agbar of its interest in Suez SA.

– Transactions in first-half 2007

In the first half of 2007, Agbar generated gains on asset disposals in the amount of €18.6 million, breaking down as follows:

- sales of fixed assets for a gain of €13.7 million;
- partial sale of the shares held in Suez SA for a gain of €4.9 million.

NOTE 5 – FINANCIAL INCOME/(LOSS)

	June 30, 2008			June 30, 2007		
In millions of euros	**Expense**	**Income**	**Total**	**Expense**	**Income**	**Total**
Net finance costs	**(162.1)**	**33.0**	**(129.1)**	**(143.1)**	**29.5**	**(113.6)**
Interest on gross borrowings	(162.1)	-	(162.1)	(143.1)	-	(143.1)
Exchange differences on borrowings and hedges	-	3.1	3.1	-	2.2	2.2
Gains and losses on hedges of borrowings	-	0.4	0.4	-	1.7	1.7
Gains and losses on cash and cash equivalents and financial assets at fair value through income	-	29.5	29.5	-	25.6	25.6
Other financial income and expenses	**(24.0)**	**32.7**	**8.7**	**(21.7)**	**31.2**	**9.5**
Financial income/(loss)	**(186.1)**	**65.7**	**(120.4)**	**(164.8)**	**60.7**	**(104.1)**

The increase in interest expense on gross borrowings is mainly attributable to the cost of financing the acquisition of shares in the Agbar group, as part of the tender offer concluded in January 2008.

NOTE 6 – INCOME TAX EXPENSE

6.1 BREAKDOWN OF INCOME TAX EXPENSE

Income tax expense breaks down as follows:

In millions of euros	June 30, 2008	June 30, 2007
Combined net income (a)	**269.7**	**312.6**
Total income tax expense recognized in income for the period (b)	(145.8)	(129.4)
Share in net income of associates (c)	18.2	12.8
Income before tax and share in net income of associates (a) - (b) - (c) = (d)	**397.3**	**429.2**
Effective tax rate - (b)/(d)	**36.7%**	**30.1%**

At June 30, 2008, the effective tax rate is 36.7%, compared to 30.1% at June 30, 2007.
Suez Environnement's theoretical income tax expense, calculated taking account of all international operations, is 30.5%. The 6.6-percentage point increase in the effective tax rate compared to June 30, 2007 is mainly attributable to the following items:

- provisions set aside for tax risks, notably by Agbar (see the Tax Proceedings section of the 2007 Prospectus); and
- unrecognized tax credits arising on tax losses.

6.2 – INCOME TAX RECORDED DIRECTLY IN SHAREHOLDERS' EQUITY

In first-half 2008, the change in deferred taxes recognized directly in equity resulting from actuarial gains and losses calculated over the period and changes in the fair value of financial instruments recorded through equity, amounts to a positive €34 million.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

7.1 MOVEMENTS IN THE CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Property, plant and equipment
A. Gross amount			
At December 31, 2007	**2,875.5**	**3,492.5**	**12,074.0**
Acquisitions	0.0	51.8	308.0
Disposals and assets classified as "held-for-sale"	0.0	(8.9)	(90.3)
Translation adjustments	(81.7)	(30.7)	(283.5)
Other	10.5	82.7	(10.4)
At June 30, 2008	**2,804.3**	**3,587.4**	**11,997.8**
B. Accumulated depreciation, amortization and impairment			
At December 31, 2007	**(155.3)**	**(1,779.6)**	**(6,155.4)**
Depreciation, amortization and impairment	(22.9)	(67.8)	(311.6)
Disposals and assets classified as "held-for-sale"	0.0	8.7	72.9
Translation adjustments	8.2	12.2	67.5
Other	0.1	(3.9)	14.2
At June 30, 2008	**(169.9)**	**(1,830.4)**	**(6,312.4)**
C. Carrying amount = A + B			
At December 31, 2007	**2,720.2**	**1,712.9**	**5,918.6**
At June 30, 2008	**2,634.4**	**1,757.0**	**5,685.4**

7.2 COMMITMENTS

In the ordinary course of their operations, certain Group companies have entered into commitments to purchase, and the related third parties to deliver, property, plant and equipment.

Firm commitments made by the Group to purchase property, plant and equipment amount to €143.2 million at June 30, 2008, versus €59.8 million at December 31, 2007. The increase in this item is essentially attributable to Sita France.

The Group has also given various investment commitments in a total amount of €1,058.3 million, versus €514.5 million at December 31, 2007. The change in this item notably includes €431 million for contractual commitments for the acquisition of the shares granted by the Group, including €140 million for Utility Service Company Inc which provides water tank services in 35 states in central and south-eastern United States.

NOTE 8 – EQUITY

8.1 SHARE CAPITAL

On the date of its stock market listing, Suez Environnement Company had share capital of €1,958.8 million, made up of 489,699,060 shares.

8.2 BREAKDOWN OF INCOME AND EXPENSE RECORDED DIRECTLY IN SHAREHOLDERS' EQUITY

The table below sets out a breakdown of income and expense recorded directly in equity:

In millions of euros	**Dec. 31, 2007**	**Change**	**June 30, 2008**
Available-for-sale securities	367.5	(92.3)	275.2
Cash flow hedges	7.7	8.7	16.4
Net investment hedges	12.5	10.2	22.7
Commodity cash flow hedges	3.0	3.6	6.6
Actuarial gains and losses	25.5	(64.1)	(38.6)
Deferred taxes	(97.0)	34.0	(63.0)
Translation adjustments	(93.7)	(51.1)	(144.8)
Total	**225.5**	**(151.0)**	**74.5**

NOTE 9 – PROVISIONS

In millions of euros	Dec. 31, 2007	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments (1)	Translation adjustments (2)	Other (3)	June 30, 2008
Pensions and other employee benefit obligations	324.8	11.0	(10.5)	0.0	0.4	6.2	(5.9)	64.7	390.7
Sector-related risks	146.0	0.1	(23.8)	0.0	0.0	0.0	0.0	6.0	128.3
Warranties	39.9	2.5	(4.8)	0.0	2.1	0.0	(0.8)	0.0	38.9
Disputes, claims and tax risks	123.5	22.9	(12.6)	(1.9)	0.0	0.0	(0.7)	0.9	132.1
Site rehabilitation	503.0	13.1	(6.1)	0.0	0.0	11.0	(7.0)	0.0	514.0
Restructuring costs	22.6	2.8	(8.1)	(0.6)	0.2	0.0	(0.1)	(0.7)	16.1
Other contingencies	136.6	9.5	(23.2)	(0.2)	1.5	0.2	(1.4)	3.4	126.4
Total provisions	**1,296.4**	**61.9**	**(89.1)**	**(2.7)**	**4.2**	**17.4**	**(15.9)**	**74.3**	**1,346.5**

(1) The amount presented in respect of pensions and other employee benefit obligations relates to the interest cost on pension obligations, net of the expected return on plan assets.
(2) The Group reported €15.9 million in translation losses in the six months to June 30, 2008, relating mainly to its US and UK subsidiaries.
(3) Of which €45.4 million related to experience adjustments arising on differences between the expected and actual return on plan assets.

Allowances, reversals and movements resulting from the unwinding of discounting adjustments presented above break down as follows in the income statement for first-half 2008:

In millions of euros	Net (reversals)/allowances
Income from operating activities	**(42.4)**
Other financial income and expenses	**17.4**
Income tax expense	**12.5**
Total	**(12.5)**

NOTE 10 – FINANCIAL LIABILITIES

Financial liabilities include borrowings and debt, trade and other payables, and other financial liabilities classified within "Other liabilities carried at amortized cost", together with derivative instruments reported on the line "Financial liabilities at fair value through income".

The Group's financial liabilities are classified under the following categories at June 30, 2008:

	June 30, 2008			Dec. 31, 2007		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	4,310.3 (a)	2,681.0	6,991.3	4,722.6 (a)	2,350.1	7,072.7
Derivative instruments (incl. commodity derivatives)	19.7	6.4	26.1	16.1	5.4	21.5
Trade and other payables		3,655.4	3,655.4	-	3,714.7	3,714.7
Other financial liabilities	2.6		2.6	2.3	-	2.3
Total	**4,332.6**	**6,342.8**	**10,675.4**	**4,741.0**	**6,070.2**	**10,811.2**

(a) Borrowings in the amount of €918 million were recognized at December 31, 2007 in respect of the irrevocable commitment granted to minority shareholders in Agbar. At June 30, 2008, this amount was replaced with €708 million in floating-rate bank debt maturing in 2010 taken out to fund the acquisition of the Agbar shares actually contributed by minority interests to the tender offer in January 2008.

10.1 NET DEBT

	June 30, 2008			Dec. 31, 2007		
In millions of euros	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Outstanding borrowings	4,331.8	2,645.2	6,977.0	4,736.0	2,325.9	7,061.9
Impact of measurement at amortized cost	(21.5)	35.5	14.0	(23.5)	24.2	0.7
Impact of fair value hedge (a)	-	0.3	0.3	10.1	-	10.1
Borrowings	**4,310.3**	**2,681.0**	**6,991.3**	**4,722.6**	**2,350.1**	**7,072.7**
Derivatives hedging borrowings carried in liabilities (b)	10.1	2.1	12.2	7.6	2.6	10.2
Gross debt	**4,320.4**	**2,683.1**	**7,003.5**	**4,730.2**	**2,352.7**	**7,082.9**
Financial assets at fair value through income	-	(84.8)	(84.8)	-	(179.5)	(179.5)
Cash and cash equivalents	-	(1,481.7)	(1,481.7)	-	(1,466.2)	(1,466.2)
Cash and cash equivalents and financial assets at fair value through income	**-**	**(1,566.5)**	**(1,566.5)**	**-**	**(1,645.7)**	**(1,645.7)**
Derivatives hedging borrowings carried in assets (b)	(34.5)	(14.9)	(49.4)	(38.5)	(11.6)	(50.1)
Net cash	**(34.5)**	**(1,581.4)**	**(1,615.9)**	**(38.5)**	**(1,657.3)**	**(1,695.8)**
Net debt	**4,285.9**	**1,101.7**	**5,387.6**	**4,691.7**	**695.4**	**5,387.1**
Outstanding borrowings	4,331.8	2,645.2	6,977.0	4,736.0	2,325.9	7,061.9
Financial assets at fair value through income	-	(84.8)	(84.8)	-	(179.5)	(179.5)
Cash and cash equivalents	-	(1,481.7)	(1,481.7)	-	(1,466.2)	(1,466.2)
Net debt excluding the impact of derivative financial instruments and amortized cost	**4,331.8**	**1,078.7**	**5,410.5**	**4,736.0**	**680.2**	**5,416.2**

(a) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.

(b) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges.

10.2 NET DEBT BY MATURITY

At June 30, 2008 *In millions of euros*	Total	2008	2009	2010	2011	2012	2013	Beyond 5 years
Outstanding borrowings	6,977.0	1,848.0	1,198.7	1,748.8	144.0	434.4	129.7	1,473.4
Cash and cash equivalents and financial assets at fair value through income	(1,566.5)	(1,365.7)	(200.8)	-	-	-	-	-
Net debt excluding the impact of derivative financial instruments and amortized cost	**5,410.5**	**482.4**	**997.8**	**1,748.8**	**144.0**	**434.4**	**129.7**	**1,473.4**

At December 31, 2007 *In millions of euros*	Total	2008	2009	2010	2011	2012	Beyond 5 years
Outstanding borrowings	7,061.9	2,326.0	759.8	1,871.2	309.2	383.8	1,411.9
Cash and cash equivalents and financial assets at fair value through income	(1,645.7)	(1,645.7)	-	-	-	-	-
Net debt excluding the impact of derivative financial instruments and amortized cost	**5,416.2**	**680.3**	**759.8**	**1,871.2**	**309.2**	**383.8**	**1,411.9**

10.3 CHANGE IN NET DEBT

At December 31, 2007, the Group recognized in net debt its share in the commitment to purchase all of the shares in Agbar contributed to the tender offer, only a portion of which were actually contributed.

Accordingly, the public tender offer for minority shares in Sociedad General de Aguas de Barcelona led to a €210 million decrease in net debt.

In first-half 2008, the impact of exchange rate fluctuations led to a €167.4 million decrease in net debt.

Dividends paid to Group shareholders led to a €470.1 million increase in net debt at June 30, 2008.

10.4 DEBT/EQUITY RATIO

In millions of euros	June 30, 2008	Dec. 31, 2007
Net debt	5,387.6	5,387.1
Total equity	4,132.1	4,256.9
Debt/equity ratio	130.4%	126.6%

NOTE 11 – MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

11.1 CREDIT RISK

The Group's maximum exposure to credit risk should be assessed based on the carrying amount of financial assets (excluding available-for-sale securities) and the fair value of derivatives recognized within assets in its balance sheet (representing €5,736.7 million at June 30, 2008, and €5,367.6 at December 31, 2007).

The Group is exposed to credit risk arising on its operating and investing activities.

Cash surpluses are mainly invested with Suez's cash pooling entities (representing 22% of the total). Cash surpluses placed with banks together with traded financial instruments involve only leading international financial institutions. The Group deals with a diverse range of counterparties who are selected based on the Group's knowledge of them and their credit ratings.

11.2 LIQUIDITY RISK

The Group sources financing from Suez as well as from the credit markets and bond markets (notably via certain subsidiaries in Spain, the US and Chile). It also sells its trade receivables to securitization vehicles.

At June 30, 2008, bank loans accounted for 36% of gross debt (excluding overdrafts, the impact of derivatives and amortized cost), while debt raised on capital markets represent 18% of gross debt, including securitization transactions (4%) and bonds (14%). The balance is primarily financed by Suez.

At June 30, 2008, the Group had €1,025.4 million in confirmed credit facilities, of which €488.8 million had been drawn down.

At June 30, 2008, no single counterparty represented more than 22% of the Group's confirmed undrawn credit lines.

NOTE 12 – SHARE-BASED PAYMENT

Suez Environnement Company employees are eligible for the benefits offered to employees of the Suez group. The following note only explains changes in this item over the first six months of 2008. A description of share-based payment plans implemented in prior years is provided in the combined financial statements for the year ended December 31, 2007.

Expenses recognized in respect of share-based payment break down as follows:

In millions of euros	Expense for the period	
	June 30, 2008	**June 30, 2007**
Stock option plans	7.4	6.0
Share Appreciation Rights	1.2	1.9
Bonus/performance share plans	13.6	3.6
Exceptional bonus	2.9	1.7
Total	**25.1**	**13.2**

Performance shares (bonus shares)

As part of a three-year global financial incentive scheme implemented in 2007 to involve employees more closely in the Group's performance, 15 bonus shares were awarded to each employee of companies controlled by the Group in 2008, representing a total of approximately 928,725 bonus shares. The vesting periods applicable to the share awards vary depending on the country concerned.

Share Appreciation Rights

The accounting impact of cash-settled Share Appreciation Rights (SARs) consists of recognizing a payable to the employee over the vesting period of the rights, with the corresponding adjustment recorded in income. At June 30, 2008, the fair value of the liability related to these awards in 2004, 2005 and 2007 amounted to €9.7 million. The impact of these awards on the income statement is a negative €1.2 million.

NOTE 13 – RELATED PARTY TRANSACTIONS

This note describes material transactions between (i) the Group and its shareholders and their representatives, and (ii) the Group and the companies which it does not exclusively control (joint ventures and associates).

Only material transactions are described below.

13.1 TRANSACTIONS BETWEEN THE PARENT COMPANY AND RELATED ENTITIES

In millions of euros	June 30, 2008	June 30, 2007	Dec. 31, 2007
Transactions with the parent company			
Purchases and sales of goods and services	(13.1)	(14.8)	(30.6)
Financial income	1.4	1.5	1.5
Non-financial payables	13.0		16.7
Borrowings	0.0		173.9
Receivables at amortized cost (a)	53.0		
Transactions with companies related to the parent company			
Purchases and sales of goods and services	(2.1)	(9.7)	(9.3)
Financial income	9.0	17.5	29.4
Financial expenses	(48.0)	(39.8)	(83.7)
Balances outstanding with companies related to the parent company			
Non-financial receivables	36.6		3.7
Financial receivables	78.4		41.9
Non-financial payables	1.5		2.0
Borrowings	2,357.2		1,946.4
Net cash	309.8		461.2

(a) See Note 2.1 – Argentine Agreement.

Outstanding balances relate mainly to amounts payable by SUEZ Environnement, Lyonnaise des Eaux France, Sita Flandres and Sita Wallonie to SUEZ Finance SA and Energy Europe Invest.

13.2 TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions with joint ventures and associates consisted of technical services provided to and received from Hungariavitz, OVAK, Prospect Partner Ltd, the Agbar group, Hisusa, SFWD and Swire in the amount of €14.1 million for the six months ended June 30, 2008, and with Hungariavitz, SFWD and Swire in the amount of €7.8 million for the year ended December 31, 2007.

To finance its acquisition of Agbar shares owned by Torreal, Hisusa received a loan from its shareholders in 2007, including an amount of €104 million from Suez Environnement Company at December 31, 2007. In respect to the funding of the takeover bid for Agbar shares in 2008, Hisusa was granted an additional €285 million loan by Suez Environnement España. At June 30, 2008, aggregate loans granted to Hisusa by its shareholders therefore stand at €389 million.

NOTE 14 – DISPUTES AND ARBITRATION

14.1 COMPETITION AND INDUSTRY CONCENTRATION

In its decision of July 11, 2002, the French Antitrust Council ruled that the existence of equal stakes in water distribution companies held by Compagnie Générale des Eaux (a subsidiary of Veolia Environment) and Lyonnaise des Eaux France (a subsidiary of Suez Environnement) created a collective dominant position between the two groups. Although the Antitrust Council did not impose sanctions against the two companies, it requested the Minister of the Economy to order the two companies to modify or terminate the agreements under which their resources are combined within joint subsidiaries to lift the barrier to competition.

Compagnie Générale des Eaux unsuccessfully appealed the decision to the Paris Court of Appeal. Compagnie Générale des Eaux filed a further appeal before the Court of Cassation (France's highest court of ordinary jurisdiction). In its decision of July 12, 2004, the Court of Cassation overruled the decision of the Paris Court of Appeal on the grounds that the Paris Court of Appeal did not have jurisdiction to rule on matters governed by merger control laws. However, the decision of the Court of Cassation does not overturn the decision of the Antitrust Council.

Compagnie Générale des Eaux also filed an appeal to the *Conseil d'Etat* (France's highest administrative court) against the decision of the French Antitrust Council for abuse of power. This appeal was dismissed by the *Conseil d'Etat* in its decision of November 7, 2005, on the grounds that the decision of the French Antitrust Council did not impose any sanctions and was only a preparatory act to the decision of the Minister of the Economy, which is not subject to appeal.

As of the date of publication, there are no outstanding proceedings challenging the ruling of the Antitrust Council and no formal ministerial decision has been handed down. In a letter dated February 18, 2008 addressed to not-for-profit consumer association *UFC-Que Choisir*, Minister of the Economy Christine Lagarde stated that she had "set a six-month target for the conclusion of an amicable solution, which should be implemented within 24 months." In the event that no such agreement is reached, the Minister indicated that she would "take any measures required to ensure the effective application of the Antitrust Council's decision."

14.2 DISPUTES AND ARBITRATION

In the normal course of its business, the Group is involved in certain litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for this litigation and arbitration proceedings when (i) a legal, contractual, or constructive obligation exists at the balance sheet date with respect to a third party; (ii) it is probable that there will be an outflow of resources without equivalent compensation in order to settle the obligation; and (iii) a reliable estimate can be made of this obligation. Provisions recorded in respect of these claims, disputes and tax risks totaled €132.1 million at June 30, 2008 and €123.5 million at December 31, 2007.

To the best of the Company's knowledge, over the past six months, there have been no other litigation or arbitration proceedings (including proceedings of which the Company is aware, that are pending or threatened against it) that could have or recently had a material impact on the financial position or results of operations of the Company and/or Group.

14.3 DISPUTES WITH THE ARGENTINE GOVERNMENT

In Argentina, tariffs under concession contracts have been frozen since the Public Emergency and Exchange Regime Reform Law (Emergency Act) was passed in January 2002. Consequently, in 2003, pursuant to the Franco-Argentine Bilateral Investment Protection Treaties, Suez and certain other shareholders of concession holders (Aguas Argentinas in Buenos Aires, Aguas Provinciales de Santa Fe in Rosario and Aguas Cordobesas in Cordoba) launched arbitration proceedings in relation to this situation before the International Center for Settlement of Investment Disputes (ICSID). These proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentine government following the adoption of the abovementioned Emergency Act.

Negotiations with the concession-granting authorities were immediately initiated in each case.

With respect to Aguas Cordobesas, an agreement providing for a new tariff regime was reached with the Province of Cordoba on October 13, 2006 and approved by the Provincial Congress on November 11, 2006. At the same time, Suez and Agbar sold control of the company to Roggio SA, a private Argentine utilities group, keeping only 10% (5% Suez, 5% Agbar) in Aguas Cordobesas. Pursuant to the terms of the agreement with the Province and the sale agreement with Roggio SA, Aguas Cordobesas and its foreign shareholders (including Suez) withdrew from the ICSID arbitration proceeding on December 22, 2006.

With respect to Aguas Argentinas and Aguas Provinciales de Santa Fe, negotiations between the concession holder and the concession-granting authorities continued in 2005, but stopped in 2006 without having resulted in the implementation of tariff increases or the drafting of new guidelines to restore a sustainable financial and economic equilibrium for the two Argentine contracts. Given this context and the resulting decline in the companies' financial and operational performance, Aguas Argentinas and Aguas Provinciales de Santa Fe were obliged to initiate termination proceedings in respect of their concession contracts.

The voluntary liquidation of Aguas Provinciales de Santa Fe was announced at the company's annual Shareholders' Meeting on January 13, 2006. On January 31, 2006, an administrative decree was issued by the authorities terminating the current concession contract and duly acknowledging the transfer of services to the grantor, with effect from February 8, 2006. On April 20, 2006, Aguas Provinciales de Santa Fe challenged the validity of this administrative decree.

The concession-granting authorities rejected Aguas Argentinas' termination request. Negotiations with a view to selling European shareholders' interests in Aguas Argentinas failed. On March 21, 2006, the Argentine government issued a decree terminating the Aguas Argentinas concession contract citing alleged infringement by the concession holder, and transferred all its assets to AYSA, a newly established, wholly-owned Argentine state company. The decision of the Argentine authorities resulted in the suspension of payments owed by Aguas Argentinas. On April 28, 2006 Aguas Argentinas filed for *Concurso Preventivo* (a similar mechanism to bankruptcy in France). Within the scope of the bankruptcy proceedings, a settlement proposition novating the liabilities of Aguas Argentinas was approved by the creditors and was confirmed by the bankruptcy court on April 11, 2008.

ICSID arbitration proceedings in relation to the protection of foreign shareholders' interests in both of these contracts are ongoing. The ICSID found that it had jurisdiction to decide both cases. The decision on jurisdiction in the Aguas Provinciales de Santa Fe case was delivered on May 16, 2006 and that regarding Aguas Argentinas on August 3, 2006. Hearings on the merits of the cases took place between April 28, 2007 and May 2, 2007 (Aguas Provinciales de Santa Fe) and between October 29, 2007 and November 8, 2007 (Aguas Argentinas).

However, Banco de Galicia, an Argentine minority shareholder in Aguas Argentinas, was excluded from the ICSID proceedings on the basis of its nationality, and has initiated an action for abuse or majority shareholder power against Suez and the other foreign shareholders in the concession operators before the Argentine courts. Banco de Galicia is claiming compensation for the prejudice caused to it as a result of the withdrawal from the ICSID proceedings of AASA, which was initially also party to the arbitration proceedings. No set amount of compensation has yet been claimed as part of this action before the civil commercial courts.
Finally, a claim was filed with the Federal District Court of New York in late September 2006 by an entity entitled "Aguas Lenders Recovery Group" in order to obtain the payment by Suez, Agbar and AYSA (the Argentine state-owned company that succeeded Aguas Argentinas in its obligations) of US$130 million owed by Aguas Argentinas to unsecured lenders.

In this context, Suez and Suez Environnement entered into an agreement for the economic transfer to Suez Environnement of the rights and obligations relating to the ownership interest held by Suez in Aguas Argentinas and Aguas Provinciales de Santa Fe.

NOTE 15 – SUBSEQUENT EVENTS

The merger between Suez and Gaz de France was announced in February 2006 and became effective on July 22, 2008. The significant consequences of the merger for Suez Environnement Company are described hereinafter.

15.1 Stock market listing of Suez Environnement Company

Within the scope of the merger, Suez decided to complete the consolidation of its environment-related activities within a new entity, named Suez Environnement Company. Prior to the merger, Suez transferred to the new Company all of the shares of Suez Environnement and distributed 65% of the Company's capital to Suez shareholders. After this distribution, the merged GDF SUEZ entity held a stable 35.41% interest in the Company. On July 22, 2008, the effective date of the merger between Suez and Gaz de France, Suez Environnement Company shares were listed for trading on the Euronext Paris and Euronext Brussels stock exchanges.

15.2 Reclassification of the Environment segment's interests to Suez Environnement or its subsidiaries

Suez transferred the following companies to Suez Environnement or its subsidiaries at market value:
- 100% of the capital of Australian holding company Lyonnaise Prospect (which owns 51% of the rights in Prospect Water Partnership, the drinking water concession holder for the city of Sydney) to Degrémont;
- all of the remaining shares held (i.e., 5% of the capital) in Argentine company Aguas Cordobesas (water distribution concession holder in the province of Cordoba), to Suez Environnement.

Following the completion of these transactions, all of the reclassifications provided for within the scope of the GDF SUEZ merger and the Spin-off Distribution of Suez Environnement shares were complete.

15.3 Tax treatment

From a tax standpoint, the Spin-off Distribution of Suez Environnement shares has two consequences.

Firstly, with effect from January 1, 2008, a consolidated tax group was formed in France by Suez Environnement Company and the subsidiaries in which it holds at least 95% of the share capital. The creation of this tax group will result in Suez Environnement Company entering into tax consolidation agreements with each of the members of its tax group.

Secondly, a ruling request was filed in accordance with section 223 I 7 of the French tax code (*Code general des impôts*), for the transfer of the portion of the Suez tax group's tax-loss carryforwards generated by the tax group's subsidiaries that are to join Suez Environnement Company's tax group.

Approval for this request is subject to the review of the definitive documents to be filed with the French tax authorities (*Direction Générale des Impôts*). However, in a letter dated June 3, 2008, the French tax authorities indicated its agreement in principle to issue the aforementioned ruling in favor of Suez Environnement Company. Nevertheless, no formal decision has yet been made concerning the portion of the tax-loss carryforwards to be transferred to Suez Environnement Company. These tax-loss carryforwards could be reduced in the event of tax adjustments resulting from current or future tax audits concerning companies that were previously members of the Suez tax group, regardless of whether they were part of the Environment segment or any other segment of the former Suez tax group (including Suez itself).

Based on the aforementioned information, Suez Environnement Company will recognize a deferred tax asset at December 31, 2008. The matching entry in the consolidated income statement for the year then ending is a tax benefit.

NOTE 16 – LIST OF THE MAIN COMBINED COMPANIES AT JUNE 30, 2008

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**June 30, 2008**	**Dec. 31, 2007**	**June 30, 2008**	**Dec. 31, 2007**	**June 30, 2008**	**Dec. 31, 2007**
		WATER EUROPE					
LYONNAISE DES EAUX France	11, place Edouard VII 75009 Paris - France	100.0	100.0	100.0	100.0	FC	FC
EAU ET FORCE	30, rue Paul Vaillant Couturier - BP 712 92007 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC
EAUX DE MARSEILLE	25, rue Edouard-Delanglade 13006 Marseille - France	48.8	48.8	48.8	48.8	PC	PC
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille - France	49.6	49.6	49.6	49.6	PC	PC
SCM (SDEI)	988, chemin Pierre Drevet 69140 Rillieux la Pape - France	100.0	100.0	100.0	100.0	FC	FC
STEPHANOISE DES EAUX	28, rue Eugène Beaune 42043 Saint-Etienne - France	50.0	50.0	50.0	50.0	PC	PC
HISUSA	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Spain	51.0	51.0	51.0	51.0	PC	PC
AGBAR (a)	Torre Agbar - Avenida Diagonal, 211 08018 Barcelona - Spain	45.9	51.0	51.0	51.0	PC	PC
AGUAS ANDINAS (b)	Avenida Presidente Balmaceda 1398, Piso - 4, Santiago - Chile	13.2	14.5	51.0	51.0	PC	PC
EURAWASSER	Carl-Hopp-Strasse 1, D-18069 Rostock - Germany	100.0	100.0	100.0	100.0	FC	FC
ONDEO INDUSTRIAL SOLUTIONS	23, rue du Professeur Pauchet 92420 Vaucresson - France	100.0	100.0	100.0	100.0	FC	FC
		WASTE EUROPE					
SITA HOLDINGS UK LTD	Grenfell Road, Maidenhead, Berkshire SL6 1ES - United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999, Cologne - Germany	100.0	100.0	100.0	100.0	FC	FC
SITA NEDERLAND BV	Mr EN van Kleffensstraat 6, Postbis 7009, NL - 6801 HA Amhem, Netherlands	100.0	100.0	100.0	100.0	FC	FC
SITA France	132, rue des 3 Fontanot 92000 Nanterre - France	99.9	99.9	99.9	99.9	FC	FC
SITA Ile de France	2 à 6, rue Albert de Vatimesnil 92532 Levallois-Perret - France	99.9	99.9	99.9	99.9	FC	FC
TERIS	54, rue Pierre Curie - ZI des Gâtines - BP 131 - 78373 Plaisir - France	99.9	99.9	99.9	99.9	FC	FC
SITA Belgium	254, rue de Gatti de Gamond - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
SOCALUX	Lamesch SA - ZI Wolser Nord BP 75 - L-3201 Bettembourg - Luxembourg	100.0	100.0	100.0	100.0	FC	FC
NOVERGIE HOLDING	235, avenue Georges Clémenceau 92746 Nanterre Cedex - France	99.9	99.9	99.9	99.9	FC	FC
SITA SVERIGE AB	Kungsgardsleden - 26271 Angelholm - Sweden	100.0	75.0	100.0	75.0	FC	FC
SITA FINLAND OY AB	Sahaajankatu 49 - 00880 Helsinki - Finland	100.0	75.0	100.0	75.0	FC	FC

(a) Agbar is fully consolidated in the accounts of Hisusa, which is itself proportionately consolidated by Suez Environnement Company. See also Note 2.

(b) Aguas Andinas, a subsidiary of IAM, has been consolidated by Agbar since January 1, 2006. Suez Environnement's interest in IAM was sold in 2005 at the time of IAM's stock market flotation. Accordingly, the percentage interest shown in the table only corresponds to the interest held via Agbar.

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**June 30, 2008**	**Dec. 31, 2007**	**June 30, 2008**	**Dec. 31, 2007**	**June 30, 2008**	**Dec. 31, 2007**
			INTERNATIONAL				
SWIRE SITA	2801 Island Place Tower - 510 King's Road - North Point - Hong Kong	50.0	50.0	50.0	50.0	PC	PC
SITA Australia	PO Box 160, Kemps Creek NSW 2171 - Australia	60.0	60.0	60.0	60.0	FC	FC
SITA CZ	Konevova, 1107/54 - 130 00 Prague 3 - Czech Republic	100.0	100.0	100.0	100.0	FC	FC
BVK	Hybelota 16 65733 Brno — Czech Republic	46.2	46.2	46.2	46.2	EM	EM
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey - United States	100.0	100.0	100.0	100.0	FC	FC
MACAU WATER	718 Avenida do Conselheiro Borja Macau Via - Hong Kong - China	42.5	42.5	Consolidated by SFH	Consolidated by SFH	PC	PC
DEGREMONT	183, avenue du 18 juin 1940 92500 Rueil Malmaison - France	100.0	100.0	100.0	100.0	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca - Morocco	51.0	51.0	51.0	51.0	FC	FC
SINO FRENCH HOLDING (SFH)	New World Tower 29/f 16-18 Queensroad Central - Hong Kong	50.0	50.0	50.0	50.0	PC	PC
ONDEO PORTO RICO	Barbosa 604 Rio Pedras PR00919 - Puerto Rico	100.0	100.0	100.0	100.0	FC	FC
PT PAM LYONNAISE JAYA	Central Senayan 1, 7th floor JI. Asia Afrika n°8 - 10270 Jakarta - Indonesia	51.0	51.0	51.0	51.0	FC	FC
SE POLSKA	Ul Kopernika, 17 - 02359 Warsaw - Poland	100.0	100.0	100.0	100.0	FC	FC
			OTHER				
SUEZ ENVIRONNEMENT	1, rue d'Astorg 75008 Paris - France	100.0	100.0	100.0	100.0	FC	FC

FC = Full consolidation
PC = Proportionate consolidation (joint ventures)
EM = Equity method (associates)