interim financial report 2015

SUEZ

contents

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1 Message from the Chief Executive Officer

The launch of our single worldwide brand, SUEZ, was one of the key events of the first half of 2015.

Present in 70 countries, the Group has no fewer than 40 different brands (including Sita, Degrémont, Lyonnaise des Eaux, Agbar, Aqualogy, United Water, Ondeo Industrial Solutions, Safege...), born in the course of its international growth and the integration of new activities. Since March 2015, all the Groups's trademarks are federated in a single brand, SUEZ environnement, positioned in the sustainable management of resources. The Board of Directors of July 28, 2015 has approved the change of brand name: SUEZ environnement becomes SUEZ, a short, strong name and full of history. This change meets two major objectives: to simplify the existing multi-brand architecture and strengthen the convergences between the Group's activities in order to better meet the new global expectations of customers, authorities and manufacturers.

The transition to a single brand will boost the Group's growth strategy and will strengthen its position as a key player in the resource revolution. Up to now, it has been structured around two core businesses, water and waste; now the Group is positioned in sustainable resource management, with four main businesses: the management of the extended water cycle, the recycling and recovery of waste, water treatment solutions and consulting services for sustainable urban and regional development.

The first six months were also marked by a robust commercial activity, despite a still lacklustre macroeconomy in Europe. Revenues amounted to €7,295 million, up almost 6% compared to 2014, primarily resulting from an organic growth of 2% and positive foreign exchange impacts of over 3%.

Water Europe's activities are growing. An overall rise in volumes, increased tariffs in Spain, France and Chile, and the development of new services which post a 14% increase in revenues. Commercial activity in the first half was very positive, with the award of drinking water contracts for the Gennevilliers water authority and the city of Calais, as well as a water and wastewater management contract with the Alençon urban authority.

Revenues from the Recycling and Recovery Europe segment were positively impacted by foreign exchange effects related to the rise of the British pound against euro: a 0.9% increase despite a still uncertain macroeconomic environment in Europe, reflected in the uneven manufacturing indices across countries. The volumes treated by the Group in Europe were up +0.8%, mainly resulting from the commissioning of new facilities, including the recently-inaugurated energy from waste plant in Suffolk, United Kingdom, with a capacity of 269,000 tons. The first half was also marked by major commercial successes such as the award of the design-build-operate contract for the waste recovery centre in Ivry-Paris XIII, France.

In the International segment, the period was marked by the effective implementation on January 1, 2015 of our new matrix organization, which is now based on five geographical business units: Africa/India/Middle East, North America, Australia, Asia and Europe-Latam (Latin America), to enhance trade efficiency, and four business lines to leverage all of the Group's expertise: design & construction, industrial solutions, water services and waste management.

In addition, business is increasing in each of our international regions, not only due to positive foreign exchange effects, but also to the contributions of newly-acquired companies like Process Group, Poseidon and B&V Group. Since the beginning of the year, SUEZ has also won numerous commercial contracts, such as the one for the operation of a wastewater treatment plant in Gabal el Asfar, Egypt, the one to supply equipment and oversee the commissioning of a wastewater recycling plant for Beijing Drainage Group in China, and the contract for wastewater treatment for the city of Brno, Czech Republic. The Group also signed a new partnership with Chongqing Water Group to accelerate development in China in both the water and waste segments, through a joint venture named Derun Environment.

In terms of operating performance, EBITDA [1] amounted to €1,293 million, down €34 million compared to EBITDA for the first half of 2014. This difference reflects the €129 million gain on the disposal of CEM shares by Sino-French Holdings Limited (SFH), for which there was no equivalent transaction in 2015. Adjusted for this gain on disposals, EBITDA was up by 8% compared to 2014, with a solid EBITDA margin on revenues at 17.7%.

EBIT [2] at €604 million was also down compared to the first half of 2014, although excluding the gain on disposal of the CEM shares, it was up sharply, by +14%. After taking into account the impact of the new IFRIC 21 interpretation, Net income Group share came to €141 million, compared to €255 million in 2014 (including the gain on the CEM disposal).

Net financial debt amounted to €8,024 million, up compared to the end of June 2014 (€7,295 million) mainly due to negative foreign exchange effects. It was also up compared to the end of December 2014 (€7,186 million) due to unfavourable exchange rates and the dividend payment. The net debt to EBITDA ratio was 3.1 at the end of the period, versus 2.8 at June 30, 2014.

Given these satisfactory results, SUEZ is maintaining all of its 2015 objectives.

With a new single brand and a more cross-functional and integrated organization, the Group affirms its ambitious new positioning, focused on the resource revolution. This revolution is circular because it allows us to secure and recover the resources we need for our future, with a world of constantly renewed resources. It is tangible thanks to the daily implementation of solutions and innovations that optimize resource management. And, finally, it is collaborative, because it involves everyone at every level who contributes in some way to imagining and designing the future of resources.

(1) *EBITDA after taking into account the share in the net income of equity-accounted companies considered as core businesses but before the net impact of IFRIC 21.*

(2) *EBIT after taking into account the share in the net income of equity-accounted companies considered as core businesses but before the net impact of IFRIC 21.*

The table below shows extracts of the income statements, statements of financial position and statements of cash flows from the condensed consolidated financial statements for the periods ending June 30, 2015 and June 30, 2014.

The following financial information should be read in conjunction with the interim condensed consolidated financial statements and the interim management report which follow.

In millions of euros	June 30, 2015	June 30, 2014 restated [a]
Revenues	7,295	6,891
EBITDA [b]	1,293	1,326
Net income Group share	141	255
Free cash flow [c]	322	215
Net debt	8,024	7,186
	at 6/30/2015	*at 12/31/2014 restated* [a]

(a) *June and December 2014 data have been restated for comparison purposes to take into account the application of the IFRIC 21 interpretation.*

(b) *The EBITDA indicator is presented without IFRIC 21 impact.*

(c) *Before disposals and development capital expenditures.*

2 Key figures for the first half of 2015

3 2015 highlights – contracts

January 2015

France: The city of Calais (in the North of France) has awarded the public services drinking water contract to SUEZ environnement, for a period of twelve years and a total revenue of €79 million.

Oman: SUEZ environnement wins a contract to build and operate the extension of the municipal landfill at Mascate for a five year period and a total revenue of €32 million.

February 2015

France: SYCTOM and IP13, the Grouping led by SUEZ environnement, sign a design-build-operate contract for the Ivry-Paris-XIII (Paris area) waste recovery facility. The total value of the contract amounts to €1.8 billion over 23 years, half of which being investments.

Canada: SUEZ environnement has acquired Poseidon, a Canadian company specialized in separation systems for industrial water treatment. Poseidon generated around €9 million revenues during the last fiscal year.

United Kingdom: SUEZ environnement has acquired B&V Group, a British company specialized in chemicals for water treatment and equipment and services for industry. This company records around €16 million of total revenues per year.

Egypt: SUEZ environnement has won a 4-year contract worth a total of €84 million to operate and maintain two of the wastewater treatment plants at Gabal El Asfar in Cairo. This contract was won in a consortium with three Egyptian companies: DHCU, ARCOM and ICAT.

March 2015

France: SUEZ environnement opened a monitoring centre in Le Pecq (Paris area) for all of its remote meter reading and Smart Water infrastructures in France and overseas: the Smart Operation Center.

France: SUEZ environnement has been awarded a 12-year public service delegation contract by the Gennevilliers (Paris area) water authority (SEPG), worth total revenues of €639 million.

France: All the Group's trademarks are being federated in a single brand, SUEZ environnement positioned in the sustainable management of resources.

France: SUEZ ENVIRONNEMENT COMPANY issued a third undated deeply subordinated notes (or hybrid), for a nominal amount of €500 million and a coupon of 2.50%, after an inaugural issue in 2010 and another issue in June 2014. The funds raised are partly used for a buy-back and early redemption of hybrid bonds issued in September 2010 (which bear interest at a rate of 4.82%) for a nominal amount of €450 million.

April 2015

Argentina: The ICSID (International Centre for Settlement of Investment Disputes) sentenced on April 9, 2015 the Argentine Republic to pay USD405 million to the shareholders of Aguas Argentinas in damages for the prejudice suffered in relation with the termination of the Aguas Argentinas water and wastewater management concession contract in Buenos Aires.

France: The urban authority of Alençon (Normandy) has renewed with SUEZ environnement the contract for the management of public drinking water services and wastewater treatment through its subsidiary, Eaux de Normandie. The two 12-year contracts are worth total revenue of almost €68 million. The contracts will come into effect on July 1, 2015.

South Korea: SUEZ environnement accelerates its business expansion in South Korea by signing two Memorandum of Understanding with local Korean partners, the first with ENK Co. Ltd in Busan, the two parties agreeing to collaboratively develop business opportunities in ballast water treatment, and the second with Korean Water Resources Corporation, agreeing to join hands together and promote cooperation for Joint Research on Smart Water Technology, to exchange expertise and joint participation in water projects in international and South Korean markets.

France: SUEZ environnement completed the acquisition of Nantaise des Eaux Services, a company specialized in the production and distribution of drinking water and wastewater collection and treatment. This company generated in 2014 total revenues of €38 million.

May 2015

Croatia: SUEZ environnement wins two contracts, the first one to design and build a wastewater treatment plant in Osijek and the second one to supervise the construction of a wastewater treatment network and a wastewater treatment plant and the renovation of the water distribution network in Vukovar.

France: SUEZ environnement wins a second contract with the Gennevilliers (Paris area) water authority (SEPG). The new 15-year contract for the wholesale supply of drinking water is worth a total of €234 million in revenue.

China: SUEZ environnement signed a new contract worth over €140 million with Beijing Drainage Group. SUEZ environnement will provide the equipment and supervise the commissioning, expected in mid-2016, of the Huai Fang reuse water treatment plant in Beijing.

June 2015

Singapore: The PUB, Singapore's national water agency, and SUEZ environnement, through a Memorandum of Understanding over a renewable 5-year period, agree to share expertise and jointly develop technologies designed to protect water resources and make both industrials and the general population more aware of the need to preserve them.

France: SUEZ environnement announced the development of a recycling and recovery solution for carbon composites, which are used to manufacture up to 50% of an aircraft. Its joint investment with start-up CAMILLE in researching a technology that separates and recovers carbon fibres enables SUEZ environnement to aim to recycle up to 90% of an aircraft's mass.

Czech Republic: BVK, a company owned at 51% by the city of Brno and 46% by SUEZ environnement, has been awarded a contract to operate the wastewater treatment facility in Brno, the second largest Czech city with 400,000 inhabitants. The 10-year contract totalling €320 million will be effective January 1, 2016.

China: SUEZ environnement and New World Services signed through their 50/50 joint venture Suyu an agreement with Chongqing Water Assets to jointly create Derun Environment. The company has the ambition to further develop its strong positions as a national leading player in both water and waste industry.

July 2015

France: Sanofi and SUEZ environnement have signed an agreement aimed at optimizing the economic and environmental performance of Sanofi's manufacturing sites, in France and abroad, over a three-year period with the possibility of renewal. Pursuant to the agreement, SUEZ environnement will develop tailor-made solutions aimed at improving the energy efficiency of Sanofi sites and conserving water resources. Already two major projects have been started in France under this agreement.

France: The Lys Water Supply Syndicate (North of France) chooses SUEZ environnement to manage the production of its drinking water for five years and for a total revenue of €23 million.

France: On July 28, 2015, SUEZ environnement becomes SUEZ.

4 Interim management report

In a still lacklustre macroeconomic environment in Europe, SUEZ environnement's business grew in the first half of 2015, buoyed by the dynamic Water Europe and International operational segments, and despite a slight decline in Recycling and Recovery activities.

Operating performance was down compared to 2014, reflecting the €129 million gain on the disposal of the Macao power generation and distribution business last year, for which there was no equivalent in the first half of 2015. Adjusted for this non-recurring item, the Group posted a solid performance.

EBITDA [(1)] and **EBIT** [(1)] rose by +8.0% and +14.2%, respectively, after restatement of this capital gain.

Net income Group share amounted to €141 million compared to €255 million in the first half of 2014 [(2)]. Excluding this same capital gain, the net result Group share was up significantly by +11.4%. This change mainly reflects the increase in EBIT and an improved net financial income.

Free cash flow before disposals and development capex was €322 million, up sharply compared to free cash flow in the first half of 2014, which stood at €215 million.

Net financial debt amounted to €8,024 million at June 30, 2015, versus €7,186 million at December 31, 2014. This increase was partly due to adverse foreign exchange impacts and the mark-to-market of derivative financial instruments for a total of €345 million. It was also the result of cash dividends paid in the first half for €508 million.

Significant events in the first half of 2015

Strengthening of the Group's positions on the industrial water market

Acquisition of Poseidon

In the beginning of 2015, the Group acquired the company Poseidon for CAD27.4 million (€19.9 million).

Established in Canada, Poseidon specializes in the design and manufacture of compact and innovative flotation separation equipment for industrial water treatment.

The company generates annual revenues of CAD12.7 million (approximately €9.2 million).

Acquisition of B&V Group

On February 2, 2015, the Group acquired B&V Group for GBP12.6 million (€17.2 million).

B&V Group is a British company specialized in water treatment chemicals, equipment and services for industry.

The company generates annual revenues of GBP11.7 million (approximately €16.0 million).

(1) *After taking into account, the share in the net income of equity-accounted companies considered as core business (IFRS 10 and 11) but before the net impact of IFRIC 21.*

(2) *After taking into account, for the purpose of comparison, the net impact of IFRIC 21 (-€25 million) at June 30, 2014.*

SUEZ environnement is bringing together all of its activities under a single brand to accelerate its development

Operating in 70 countries, the SUEZ environnement Group is represented by 40 brands (Sita, Degrémont, Lyonnaise des Eaux, Agbar, Aqualogy, United Water, Ondeo Industrial Solutions, Safege, etc.), following international development and the integration of new business lines.

With effect from March 12, 2015, all of the commercial brands that make up the Group have been brought together under a single brand: SUEZ environnement, focusing on the sustainable management of resources.

The costs incurred by the rebranding and change in visual identity are presented on a separate line in the income statement.

New issue and redemption of undated deeply subordinated notes

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY successfully completed a third issue of undated deeply subordinated notes, for a total amount of €500 million, after an inaugural issue in 2010 and another in June 2014. In accordance with the provisions of IAS 32, these notes, or hybrid bonds, are considered as shareholders' equity rather than a debt in the Group's consolidated financial statements. In fact, in the normal course of business for such securities, there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any due date for final redemption, but only optional redemption dates.

The new notes will bear interest at a fixed rate of 2.5%, which will be revised for the first time seven years after issuance on the basis of the 5-year swap rate, and then every five years.

The funds raised are partly used for the redemption and repayment of hybrid bonds issued in September 2010 (which bear interest at a rate of 4.82%) for a nominal amount of €450 million.

As a result of these two transactions, the Group's outstanding hybrid bonds amounted to €1.0 billion as at June 30, 2015.

Arbitration proceedings against the Argentine Republic: arbitrators rule in favor of SUEZ environnement

On April 9, 2015, the ICSID (International Centre for Settlement of Investment Disputes) delivered its ruling and ordered the Argentine Republic to pay USD405 million to Aguas Argentinas shareholders in damages for the harm suffered in connection with the termination of the Aguas Argentinas water and wastewater concession contract in Buenos Aires [(1)].

This decision represents an important step in the process of resolving this dispute. The next step consists of ensuring that the ICSID's decision is implemented.

In 1993, the Group's subsidiary Aguas Argentinas was awarded the contract to manage water and wastewater services in Buenos Aires. In 2006, the Argentine government terminated the contract.

The ICSID's decision comes after several years of legal proceedings.

Acquisition of Nantaise des Eaux Services

On April 28, 2015, SUEZ environnement, through its subsidiary Lyonnaise des Eaux, completed the acquisition of Nantaise des Eaux Services, a company specialized in the production and distribution of drinking water and wastewater collection and treatment.

Mainly implanted in the Western part of France and in Guadeloupe, the company generated €38 million revenues in 2014.

(1) *These arbitration proceedings were initiated by SUEZ, which has since become ENGIE, and fellow shareholders in Aguas Argentinas. Before SUEZ environnement was listed on the stock exchange in 2008, it entered into an agreement with ENGIE on the economic transfer of rights and obligations to the benefit of SUEZ environnement, related in particular to ENGIE's stake in Aguas Argentinas (including any financial consequences of the above-mentioned arbitration proceedings).*

SUEZ environnement signed an agreement to launch a leading environmental group in China

On June 2, 2015, SUEZ environnement and its partner New World Services (NWS) signed a preliminary cooperation agreement with Chongqing Water Assets Management Co (CWA) to jointly create Derun Environment, a leading group in water and waste activities in China. This preliminary agreement was confirmed on June 30, 2015.

Under the agreement, CWA will contribute to Derun Environment 36.6% shares in Chongqing Water Group, a listed company at Shanghai Stock Exchange and 67.1% shares in Chongqing Sanfeng which operates waste-to-energy projects and provides related equipments and services. SUEZ environnement and NWS will contribute to Derun Environment the 13.4% shares they jointly own in Chongqing Water Group and a cash consideration. Upon completion of the agreement, CWA will own 74.9% of Derun Environment and SUEZ environnement and NWS 25.1%.

Derun Environment will own a 50.1% shareholding in Chongqing Water Group, the market capitalisation of which being CNY 51.6 billion (€7.5 billion) as of 30 June 30, 2015, and 67.1% of Chongqing Sanfeng. Derun Environment will become an investment platform to tap into China's growing environmental-related businesses.

4.1 Revenues and operational results

SUEZ environnement generated **revenues** of €7,295 million in the first half of 2015, up +5.9% year-on-year. This €404 million increase breaks down as follows:

- organic growth of +€134 million. The Water Europe segment was up by +€56 million (+2.6%), primarily as a result of price increases and the development of new businesses. The Recycling and Recovery Europe segment was down slightly, by -0.5% or -€17 million, with very uneven results across countries: the United Kingdom contributed positively to results, driven by the commissioning of new treatment capacity, including the Suffolk plant, as did the Netherlands, thanks to the growth of the plastic recycling business. These performances were offset by the contraction in France, which was impacted by falling prices for recycled metal and electricity, and the reduction in landfill volumes. Finally, the International segment rose by +€91 million (+5.9%) with businesses growing in Europe/Latam, Africa/India/Middle East, North America, and Australia. In contrast, revenues fell in Asia, reflecting the slowdown in activity of an Indonesian water concession;
- positive scope effects of +€43 million, mainly related to the contribution of Process Group, a company acquired in 2014;
- a positive foreign exchange impact of +€227 million, owing mainly to the US dollar (+€79 million), the British pound (+€55 million), the Chilean peso (+€30 million), the Australian dollar (+€22 million) and the Hong Kong dollar (+€17 million).

EBITDA was down €34 million to €1,293 million, or -2.5%, as a result of the following changes:

- organic growth of +€26 million, or +2.0%, mainly generated by the Water Europe segment;
- negative scope effect of -€116 million, primarily related to the €129 million gain on the disposal of the Macao power generation and distribution business in 2014, for which there was no equivalent in 2015. As a reminder, this disposal was carried out by SFH, a 50/50 joint venture between SUEZ environnement and New World Group, and consolidated by the equity method with the application of the new IFRS 10 and 11 standards. The Group's share in the net income of SFH is therefore included in EBITDA and EBIT according to the definitions adopted by SUEZ environnement;
- a positive foreign exchange rate impact of +€56 million.

EBIT amounted to €604 million, down -€54 million (-8.2%) compared to the first half of 2014. This decrease is again explained by the gain on disposal of CEM shares as indicated above. Adjusted for this non-recurring item, EBIT was up by +€75 million, or +14.2%.

Income from operating activities after the share in net income of equity-accounted companies considered as core business amounted to €502 million, compared to €616 million in the first half of 2014 [1], a decline of €114 million. Adjusted for the contribution from the gain on disposal of CEM, income from operating activities was up +€15 million. This change is explained by the increase in EBIT (+€75 million) and non-recurring items totalling -€59 million (mainly the costs of setting up the single brand and restructuring expenses).

(1) *After taking into account the impact of IFRIC 21 (-€38 million before tax effect) in 2014.*

Net income Group share amounted to €141 million compared to €255 million in the first half of 2014 [(1)]. This change is mainly explained by the year-on-year difference in income from operating activities. Changes in net financial expenses, the share of net income from other equity-accounted companies, and tax expense were not material and were fully offset.

Earnings per share amounted to €0.21 in the first half of 2015, *versus* €0.46 per share [(2)] in the first half of 2014.

4.2 Operating segments

Revenues for the first half of 2015 amounted to €7,295 million, up sharply by +5.9% compared to 2014 thanks to positive foreign exchange effects (+3.3%) and robust activity in the Water Europe and International segments. Activity continued to slow in the Recycling and Recovery Europe segment, due to what was still a lacklustre economy. Organic growth amounted to +1.9% (+€134 million), with the breakdown by operating segment as follows:

Water Europe posted organic growth in revenue of +2.6% (+€56 million) thanks to:

- an organic decrease of -0.3% at Lyonnaise des Eaux (-€3 million), mainly the result of a decline in public works, inherently a more volatile activity;
- organic growth of +5.6% at Agbar (+€59 million) thanks to price increases, higher volumes both in Spain and Chile, and the development of new offers.

Recycling and Recovery Europe posted a slight organic decrease of -0.5% (-€17 million) mainly explained by falling prices for some secondary raw materials in the first half (mainly recycled metal, down -11%) and reduced landfill volumes in France. This decline was partially offset by the commissioning of new treatment facilities in the United Kingdom and the growth of the plastic recycling business in the Netherlands. Organic growth by geographical region was -2.6% in France, +2.7% in the United Kingdom and Scandinavia, +1.6% in the Benelux/Germany region, and +0.9% in Central Europe.

The **International** segment posted organic growth of +5.9% (+€91 million), as a result of the following trends:

- strong growth in North America (+6.9%, +€23 million), thanks to the new contracts in Nassau and Middletown which came into operation and an increase in prices and volumes;
- growth in Europe/Latam (+5.5%, +€15 million) mainly stemming from robust industrial water activity in France;
- business dynamism in the Africa/India/Middle East region (+12.3%, +€48 million) due in particular to water and waste activities in Morocco and water treatment activities in the Middle East;
- an increase in business in Australia (+1.8%, +€8 million) thanks to the sustained growth of waste activities;
- a decline in Asia (-1.4%, -€2 million) owing mainly to the slowdown in the Indonesia water business.

EBITDA amounted to €1,293 million, with organic growth of +2.0% (+€26 million), which breaks down as follows:

- **Water Europe** posted organic growth of +5.5% (+€34 million) mainly explained by significant price increases in Chile and, to a lesser extent, in Spain;
- the **Recycling and Recovery Europe** segment fell by -3.1% (-€12 million), reflecting the reduction in landfill volumes in France. This decline was partly offset by a strong performance in the United Kingdom, and the slight improvement of operations in the Benelux/Germany region and in Central Europe;
- in the **International** segment, EBITDA rose by +0.5% (+€2 million) year-on-year resulting primarily from strong business performance in North America.

EBIT amounted to €604 million, with organic growth of +3.7% (+€24 million), which breaks down as follows:

- **Water Europe** posted organic growth of +10.7% (+€29 million);
- **Recycling and Recovery Europe** rose by +3.7% (+€5 million);
- in the **International** segment, EBIT was up by +0.9% (+€3 million).

(1) *After taking into account the net impact of IFRIC 21 (-€25 million) in 2014.*
(2) *After taking into account the impact of IFRIC 21 (-€0.05/share) in 2014.*

4.3 Other income statement items

Income from operating activities after share in net income of the equity-accounted companies considered as core business amounted to €502 million as at June 30, 2015. It includes EBIT of €604 million, minus €59 million in net non-recurring items, and an impact of -€43 million related to the application of the new IFRIC 21 interpretation as of January 1, 2015. Non-recurring items mainly include -€18 million related to the roll-out of the new single worldwide brand, -€8 million on the remeasurement at fair value of a water concession contract in Indonesia, and -€28 million in restructuring costs.

Net financial income at June 30, 2015 showed a net expense of -€200 million, compared with -€212 million in the first half of 2014. This reduction reflects the lower average cost of net debt, which was 4.30% in first half 2015, down from 4.43% in first half 2014.

Income tax expense was up €4 million compared to the first half of 2014. The effective tax rate was 23.1%. This is primarily the result of many of the Group's operating companies being based in countries with lower tax rates than France. It also reflects a tax credit received in Spain.

The share in net income of other "non-core" equity-accounted companies was nil in 2015, *versus* +€6 million in 2014, due to the disposal of the Macao power generation and distribution business in 2014.

Net income attributable to non-controlling interests amounted to +€111 million, a slight increase of €3 million compared with the first half of 2014.

4.4 Financing

Cash flows from operating activities

Cash flows from operating activities before financial expense and income tax amounted to €1,030 million at June 30, 2015, up by +€81 million over the €949 million as at June 30, 2014 [(1)]. This change mainly reflects the positive change in EBITDA before share in net income of the equity-accounted companies, which amounted to +€70 million.

Working capital requirements (WCR) had a negative impact of -€207 million in the first half of 2015, versus -€262 million in the same period last year.

In total, cash flows from operating activities generated a cash surplus of +€787 million in the first half of 2015, up +€173 million compared to June 30, 2014, owing mainly to the effects described above, in addition to the €36 million reduction in taxes paid.

Cash flows from investing activities

Cash flows from investing activities included:

- maintenance capital expenditure in the amount of €316 million, or 4.3% of the Group's consolidated revenues;
- development capital expenditure of €256 million;
- financial investments amounting to €73 million, which primarily corresponded to the acquisition of Poseidon and B&V Group in the International segment, and Malaquin and Nantaise des Eaux in France (Recycling and Recovery Europe and Water Europe segments respectively);
- disposals amounting to €62 million.

(1) *The impact of the application of the new IFRIC 21 is broadly neutral in terms of free cash flow, with a decrease in cash flows from operating activities before financial expense and income tax of €38 million in 2014 (€43 million in 2015) offset by an increase in working capital requirements by the same amount.*

Please note that the first half of 2014 also included €212 million from the deconsolidation of a concession receivable (IFRIC 12) related to the commissioning of the Vernéa energy from waste plant unit in Clermont-Ferrand (France), for which there was no equivalent in the first half of 2015.

In total, cash flows from investing activities generated a cash shortfall of €586 million in the first half of 2015, *versus* a shortfall of €299 million in the first half of 2014.

Cash flows from financing activities

Dividends paid in cash amounted to €508 million (*versus* €468 million in 2014).

Gross debt increased by €878 million in first half 2015 versus a decrease of €139 million in the first half of 2014. This reflects the repayment in 2014 of the remaining nominal amount of €770 million on a bond issued by SUEZ ENVIRONNEMENT COMPANY in April 2009.

In total, cash flows from financing activities generated a cash surplus of €79 million over the first six months of 2015, versus a cash shortfall of €524 million in 2014.

Net debt at June 30, 2015

Net debt at June 30, 2015 amounted to €8,024 million, versus €7,186 million at year-end 2014. This change is mainly explained by:

- the payment of dividends in the first half of 2015 for €508 million;
- foreign exchange effects and the negative impact of the mark-to-market of derivative financial instruments for €345 million.

At June 30, 2015, the Group had confirmed undrawn credit facilities of €2,040 million, including €1,321 million in commercial paper backup lines.

4.5 Other statement of financial position items

Net intangible assets and goodwill amounted to €7,677 million, up €139 million from December 31, 2014 mainly due to the foreign exchange effect of €156 million.

Net property, plant and equipment amounted to €8,243 million, *versus* €8,009 million at December 31, 2014. This increase of €234 million is primarily the result of foreign exchange effects (+€324 million), depreciation and impairment losses for the period (-€362 million) and acquisitions during the period for €284 million.

Investments in associates and **joint ventures** rose by €4 million and €143 million, respectively. The rise in investments in joint ventures was due to positive foreign exchange rate effects (+€44 million) and the remeasurement at fair value of Chongqing Water Group shares for €94 million.

Available-for-sale securities increased by €18 million due to the acquisition of shares in Malaquin by Sita France and the acquisition of Nantaise des Eaux Services by Lyonnaise des Eaux.

Total shareholders' equity amounted to €7,083 million, up €78 million from December 31, 2014.

Provisions were down -€25 million at June 30, 2015, to €1,970 million, *versus* €1,995 million at December 31, 2014. This decrease results mainly from changes in actuarial gains and losses (-€64 million) recorded in provisions for post-employment benefits and other long-term benefits, as well as positive foreign exchange effects (+€40 million).

Deferred tax amounted to a net asset of €206 million, *versus* €214 million at December 31, 2014.

4.6 Related party transactions

Note 14 to the condensed consolidated interim financial statements hereafter provides details on significant related party transactions. These transactions are essentially with ENGIE (mainly as part of the synthetic Argentinean agreement).

4.7 Description of the main risks and uncertainties for the remaining six months of the year

The chapter on Risk factors (chapter 4) of the SUEZ ENVIRONNEMENT COMPANY 2014 Reference Document provides a detailed description of the risk factors to which the Group is exposed. No risks or uncertainties are expected other than those presented in this document.

4.8 Outlook for 2015

Given the satisfactory results achieved in the first half, SUEZ environnement is maintaining all of its targets for 2015 [(1)].

With a new single brand and a more cross-functional and integrated organization, the Group affirms its ambitious new positioning focused on the resource revolution, proving its ability to drive important changes in its growth model. With a strong balance sheet and a balanced portfolio of assets, SUEZ environnement is taking the necessary steps to ensure its future growth.

These objectives and outlook have been prepared using accounting principles established by the Group for the purpose of preparing the condensed consolidated financial statements featured in chapter 5 of this Interim Financial Report.

(1) *Based on stable industrial production in Europe in 2015 and EBITDA and EBIT indicators in 2014, adjusted for the €129 million gain on the disposal of CEM shares.*

5.1 Consolidated statements of financial position

In millions of euros	Note	June 30, 2015	December 31, 2014 restated [a]
Non-current assets			
Intangible assets, net	6	4,268.0	4,276.0
Goodwill	6	3,409.1	3,261.9
Property, plant and equipment net	6	8,242.7	8,009.1
Available-for-sale securities	8.1	181.5	163.7
Loans and receivables carried at amortized cost	8.1	773.2	722.7
Derivative financial instruments	8.4	194.7	194.1
Investments in joint ventures	7.1	670.6	527.9
Investments in associates	7.2	749.7	745.6
Other assets		291.8	299.8
Deferred tax assets	4.4	776.5	790.7
TOTAL NON-CURRENT ASSETS		**19,557.8**	**18,991.5**
Current assets			
Loans and receivables carried at amortized cost	8.1	95.8	119.7
Derivative financial instruments	8.4	22.9	7.6
Trade and other receivables	8.1	4,148.5	3,790.1
Inventories		280.3	262.2
Other assets		1,369.1	1,372.4
Financial assets measured at fair value through income	8.1	79.3	62.5
Cash and cash equivalents	8.1	2,539.3	2,248.8
TOTAL CURRENT ASSETS		**8,535.2**	**7,863.3**
TOTAL ASSETS		**28,093.0**	**26,854.8**
Shareholders' equity, Group share		5,557.7	5,486.2
Non-controlling interests	10	1,524.9	1,518.5
TOTAL SHAREHOLDERS' EQUITY		**7,082.6**	**7,004.7**
Non-current liabilities			
Provisions	11	1,487.3	1,511.4
Long-term borrowings	8.3	7,923.5	7,721.6
Derivative financial instruments	8.4	58.3	65.6
Other financial liabilities	8.2	3.0	4.7
Other liabilities		964.4	896.9
Deferred tax liabilities	4.4	570.1	576.8
TOTAL NON-CURRENT LIABILITIES		**11,006.6**	**10,777.0**
Current liabilities			
Provisions	11	482.3	483.3
Short-term borrowings	8.3	2,869.0	1,926.7
Derivative financial instruments	8.4	12.3	42.3
Trade and other payables	8.2	2,744.5	2,871.2
Other liabilities		3,895.7	3,749.6
TOTAL CURRENT LIABILITIES		**10,003.8**	**9,073.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**28,093.0**	**26,854.8**

NB: The values in the tables are generally expressed in millions of euros. Rounding may in some cases produce a non-material discrepancy in totals or variances.

(a) *Data at December 31, 2014 has been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.3.1.*

5.2 Consolidated income statements

In millions of euros	Note	June 30, 2015	June 30, 2014 restated [a]
Revenues	3.2	7,294.7	6,890.8
Purchases		(1,438.3)	(1,383.8)
Personnel costs		(1,911.4)	(1,831.8)
Depreciation, amortization and provisions		(548.9)	(523.6)
Other operating expenses		(3,031.1)	(2,831.3)
Other operating income		111.5	112.0
CURRENT OPERATING INCOME	**4.2**	**476.5**	**432.3**
Mark-to-market on operating financial instruments		1.6	(1.5)
Impairment on property, plant and equipment, intangible and financial assets		(14.1)	(50.5)
Restructuring costs		(27.5)	(28.7)
Scope effects		(6.6)	70.7
Other gains and losses on disposals and non-recurring items		5.9	5.5
Costs incurred by the rebranding and change in visual identity		(18.4)	-
INCOME FROM OPERATING ACTIVITIES	**4.2**	**417.4**	**427.8**
Share in net income of equity-accounted companies considered as core business		84.2	187.8
of which: share in net income (loss) of joint ventures [b]	7.1	*37.2*	*150.5*
of which: share in net income (loss) of associates	7.2	*47.0*	*37.3*
INCOME FROM OPERATING ACTIVITIES AFTER SHARE IN NET INCOME OF THE EQUITY-ACCOUNTED COMPANIES CONSIDERED AS CORE BUSINESS		**501.6**	**615.6**
Financial expenses		(238.5)	(251.0)
Financial income		38.8	39.2
Net financial income (loss)	**4.3**	**(199.7)**	**(211.8)**
Income tax expense	4.4	(50.2)	(46.3)
Share in net income of other equity-accounted companies	7.1	-	5.8
NET INCOME		**251.7**	**363.3**
of which: Group share		140.7	255.3
Non-controlling interests		111.0	108.0
Net income (Group share) per share *(in euros)*	**5**	**0.21**	**0.46**
Net diluted income (Group share) per share *(in euros)*	**5**	**0.21**	**0.45**

(a) *Data at June 30, 2014 has been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.3.1.*
(b) *The change is primarily explained by the sale of the indirect interest held in Companhia de Electricidade de Macau (CEM) by the Group in the first half of 2014.*

5.3 Consolidated statements of comprehensive income

In millions of euros	June 30, 2015	June 30, 2015 of which Group share	June 30, 2015 of which non controlling interests	June 30, 2014 restated [a]	June 30, 2014 restated – of which Group share [a]	June 30, 2014 restated – of which non controlling interests [a]
Net income	**251.7**	**140.7**	**111.0**	**363.3**	**255.3**	**108.0**
Available-for-sale securities	0.5	0.4	0.1	(0.3)	(0.9) [b]	0.6
Net investment hedges	(97.7)	(97.7)	-	(32.8)	(32.6)	(0.2)
Cash flow hedges (excluding commodities)	23.6	19.9	3.7	(6.8)	(2.1)	(4.7)
Commodity cash-flow hedges	4.5	4.5	-	0.6	0.6	-
Deferred taxes on items above	0.1	1.2	(1.1)	12.2	11.3	0.9
Share of joint ventures in reclassifiable items, net of taxes	137.4	137.4 [d]	-	(13.1)	(13.1)	-
Share of associates in reclassifiable items, net of taxes	(6.9)	(6.9)	-	(64.1)	(64.1) [b]	-
Translation adjustments	223.1	180.6 [e]	42.5	17.8	52.4 [c]	(34.6)
Total reclassifiable items	**284.6**	**239.4**	**45.2**	**(86.5)**	**(48.5)**	**(38.0)**
Actuarial gains and losses	64.9	72.1	(7.2)	(38.6)	(37.6)	(1.0)
Deferred taxes on actuarial gains and losses	(40.3)	(42.2)	1.9	15.7	15.4	0.3
Share of joint ventures in non-reclassifiable items, net of taxes	-	-	-	6.4	6.4	-
Share of associates in non-reclassifiable items, net of taxes	(1.6)	(1.6)	-	-	-	-
Total non-reclassifiable items	**23.0**	**28.3**	**(5.3)**	**(16.5)**	**(15.8)**	**(0.7)**
COMPREHENSIVE INCOME	**559.3**	**408.4**	**150.9**	**260.3**	**191.0**	**69.3**

(a) *Data at June 30, 2014 has been changed for comparability purposes to reflect the interpretation IFRIC 21 mentioned in Note 1.3.1.*
(b) *This change was primarily explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates.*
(c) *This change was primarily explained by the appreciation of the British pound and the Australian dollar.*
(d) *It mainly relates to the variation of Chongqing Water Group's fair value. Refer to Note 7.1.*
(e) *This change is primarily explained by the appreciation of the American dollar and the British pound.*

5.4 Statements of changes in consolidated shareholders' equity

In millions of euros	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2013 published		**510,233,829**	**2,040.9**	**4,138.3**	**(2,018.7)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,963.0**	**1,946.6**	**6,909.6**
IFRS 10, 11, 12 and IAS 28 revised restatements [(a)]					(11.4)					(11.4)	52.3	40.9
IFRIC 21 restatements [(b)]	1.3.1				8.3					8.3		8.3
Shareholders' equity at January 1, 2014 restated		**510,233,829**	**2,040.9**	**4,138.3**	**(2,021.8)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,959.9**	**1,998.9**	**6,958.8**
Net income					255.3 [(b)]					255.3	108.0	363.3
Other comprehensive income items					(15.8)	(100.9)	52.4			(64.3)	(38.7)	(103.0)
Comprehensive income					**239.5**	**(100.9)**	**52.4**	**-**	**-**	**191.0**	**69.3**	**260.3**
Share-based payment					5.7					5.7	-	5.7
Dividends distributed in cash					(329.3)					(329.3)	(132.5)	(461.8)
Partial redemption of undated deeply subordinated note issues 2010 (including redemption premium)					(8.1)				(300.0)	(308.1)		(308.1)
Issue of new undated deeply subordinated note									500.0	500.0		500.0
Issuance fees of new undated deeply subordinated note									(3.3)	(3.3)		(3.3)
Interests of undated deeply subordinated notes issue (net of tax)					(21.4)					(21.4)		(21.4)
Purchase/sale of treasury shares					0.3			(41.2)		(40.9)		(40.9)
Capital increase/reduction										-	2.0	2.0
Equity component of OCEANE bonds (net of tax)					23.0					23.0		23.0
Transactions between shareholders					(4.6)					(4.6)	31.9	27.3
Business combinations					(8.4)					(8.4)		(8.4)
Other changes					0.4					0.4	1.1	1.5
SHAREHOLDERS' EQUITY AT JUNE 30, 2014 RESTATED		**510,233,829**	**2,040.9**	**4,138.3**	**(2,124.7)**	**22.6**	**0.2**	**(54.8)**	**941.5**	**4,964.0**	**1,970.7**	**6,934.7**
Shareholders' equity at December 31, 2014 published		**540,233,829**	**2,160.9**	**4,417.4**	**(2,154.0)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,477.9**	**1,518.5**	**6,996.4**
IFRIC 21 restatements [(b)]	1.3.1				8.3					8.3		8.3
Shareholders' equity at December 31, 2014 restated		**540,233,829**	**2,160.9**	**4,417.4**	**(2,145.7)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,486.2**	**1,518.5**	**7,004.7**
Net income					140.7					140.7	111.0	251.7
Other comprehensive income items					28.9	12.8	226.0			267.7	39.9	307.6
Comprehensive income					**169.6**	**12.8**	**226.0**	**-**	**-**	**408.4**	**150.9**	**559.3**
Share-based payment					4.6					4.6		4.6
Dividends distributed in cash					(350.3)					(350.3)	(133.4)	(483.7)
Partial redemption of undated deeply subordinated note issues 2010 (including redemption premium)	2.3				(7.9)				(450.0)	(457.9)		(457.9)
Issue of new undated deeply subordinated note	2.3								500.0	500.0		500.0
Issuance fees of new undated deeply subordinated note									(5.3)	(5.3)		(5.3)
Interests of undated deeply subordinated notes issue (net of tax)					(26.4)					(26.4)		(26.4)
Purchase/sale of treasury shares					(6.2)			4.6		(1.6)		(1.6)
Capital increase/reduction		895,111	3.6	(3.9)	0.3					-		-
Transactions between shareholders					(1.2)					(1.2)	(11.0)	(12.2)
Other changes					1.2					1.2	(0.1)	1.1
SHAREHOLDERS' EQUITY AT JUNE 30, 2015 RESTATED		**541,128,940**	**2,164.5**	**4,413.5**	**(2,362.0)**	**5.4**	**385.7**	**(32.4)**	**983.0**	**5,557.7**	**1,524.9**	**7,082.6**

(a) *The shareholders' equity at January 1, 2014 has been adjusted in order to take the first application of IFRS 10, 11 and 12 into account. Refer to the 2014 Reference Document.*
(b) *Data at January 1, 2014, at December 31, 2014 and the net result published in June 2014 have been changed for comparability purposes to reflect the interpretation IFRIC 21 mentioned in Note 1.3.1.*

5.5 Consolidated statements of cash flows

In millions of euros	Note	June 30, 2015	June 30, 2014 restated [(a)]
Net income		**251.7**	**363.3**
- Share in net income (loss) of joint ventures	7.1	(37.2)	(156.3)
- Share in net income (loss) of associates	7.2	(47.0)	(37.3)
+ Dividends received from joint ventures and associates		76.7	56.4
- Net depreciation, amortization and provisions		540.6	535.7
- Scope effects, other gains and losses on disposal and non-recurring items		(8.4)	(76.2)
- Other items with no cash impact		3.3	5.3
- Income tax expense	4.4	50.2	46.3
- Financial income	4.3	199.7	211.8
Cash flows from operations before financial income/(expense) and income tax		**1,029.6**	**949.0**
+ Tax paid		(35.9)	(72.0)
Change in working capital requirements		**(206.5)**	**(262.4)**
Cash flows from operating activities		**787.2**	**614.6**
Investments in property, plant and equipment and intangible assets	3.4.3	(571.3)	(431.8)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(35.1)	(48.1)
Acquisitions of interests in associates and joint ventures	3.4.3	(7.8)	(92.3)
Acquisitions of available-for-sale securities	3.4.3	(29.7)	(6.8)
Disposals of property, plant and equipment and intangible assets		20.2	18.8
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		29.6	62.0
Disposals of interests in associates and joint ventures		5.1	0.9
Disposals of available-for-sale securities		7.0	-
Interest received on non-current financial assets		1.3	(2.3)
Dividends received on non-current financial assets		2.8	5.3
Change in loans and receivables issued by the Company and others [(b)]		(8.4)	195.8
Cash flows from investing activities		**(586.3)**	**(298.5)**
Dividends paid [(c)]		(545.1)	(479.1)
Repayment of borrowings [(d)]	8	(342.4)	(1,022.4)
Change in financial assets at fair value through income		(10.4)	26.7
Financial interest paid		(175.2)	(181.4)
Financial interest received on cash and cash equivalents		16.2	20.7
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(108.0)	16.2
Increase in financial debt	8	1,220.8	883.6
Capital increase/reduction		-	2.1
Partial redemption of undated deeply subordinated note	8.3.2	(457.9)	(312.4)
Issue of undated deeply Subordinated Notes net of costs	8.3.2	494.7	495.0
OCEANE: equity component		-	35.2
Purchase/sale of treasury shares		(1.7)	(40.9)
Change in share of interests in controlled entities	3.4.3	(12.2)	32.3
Cash flows from financing activities		**78.8**	**(524.4)**
Impact of changes in exchange rates and other		10.8	6.1
TOTAL CASH FLOWS FOR THE PERIOD		**290.5**	**(202.2)**
Opening cash and cash equivalents		**2,248.8**	**2,391.4**
Closing cash and cash equivalents	**8**	**2,539.3**	**2,189.2**

(a) *Data at June 30, 2014 has been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.3.1.*
(b) *The change is primarily explained by the assignment of a financial receivable (IFRIC 12) relating to the commissioning of an incinerator in France in 2014.*
(c) *Including withholding tax and interests of undated deeply subordinated notes issue.*
(d) *In 2014, this item included the redemption of the €770 million nominal residual amount of a bond issued by SUEZ ENVIRONNEMENT COMPANY in April 2009.*

5.6 Notes to the consolidated financial statements

Contents

NOTE 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA, the parent company of the Group, is a *société anonyme* (French corporation) that is subject to the provisions of Book II of the French Commercial Code *(Code de commerce)*, as well as to all other provisions of French law applicable to commercial companies. It was established in November 2000. Its headquarters are located at Tour CB 21 – 16 place de l'Iris – Paris La Défense (92040), France.

The Group is a global player in the water and waste services sector. It came into being in 2008 when the SUEZ Group consolidated all of its subsidiaries and interests in the environment sector into SUEZ ENVIRONNEMENT COMPANY, in the context of its merger with Gaz de France. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris (Compartment A) and Euronext Brussels markets since July 22, 2008.

On July 28, 2015, the interim condensed consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2015 were presented to the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, which authorized their publication.

1.2 Accounting standards

In accordance with the European Regulation on international accounting standards dated July 19, 2002, the Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union [1].

The Group's interim condensed consolidated financial statements for the six months ended June 30, 2015 were prepared in compliance with the provisions of IAS 34 – "Interim Financial Reporting", which allows entities to present selected explanatory notes. The interim condensed consolidated financial statements for the six months ended June 30, 2015 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and accordingly must be read in conjunction with the consolidated financial statements for the year ended December 31, 2014, subject to specific provisions relating to the preparation of interim financial information as described hereafter.

(1) *Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/index_en.htm.*

1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed consolidated financial statements for the six months ended June 30, 2015 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2014 in accordance with IFRS as published by the IASB and endorsed by the European Union (EU), with the exception of the items mentioned below in paragraph 1.3.1.

1.3.1 Standards, amendments and interpretations applied by the Group starting January 1, 2015

The standards and amendments applied by the Group for the first time starting January 1, 2015 are the following:

- IFRIC 21 – "Legal Rights or Tax Bases (Levies)";
- Annual improvements to IFRS – "2010-2012 Cycle";
- Annual improvements to IFRS – "2011-2013 Cycle";
- Amendments to IAS 19 – "Defined Benefit Plans: Employee Contributions".

IMPACT OF THE FIRST APPLICATION OF THE NEW IFRIC 21 INTERPRETATION

The IFRIC 21 interpretation is applicable as of January 1, 2015 with retroactive effect.

This text states that the recognition of taxes which do not fall within the scope of IAS 12 depends on the terms of the relevant legislation. Accordingly, the liabilities for the payment of certain taxes may be recognized in full in the interim financial statements, if the contractual obligation took place before the closing date of the period in question.

The application of this interpretation has no significant impact on the Group's annual financial statements.

For the record, the impacts on the consolidated statement of financial position at December 31, 2014 are the following:

- Shareholders' equity, Group share for +€8.3 million;
- Deferred tax liabilities for +€4.3 million;
- Other liabilities for -€12.6 million.

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The impacts on the main indicators of the comparative consolidated income statement as at June 30, 2014 are as follows:

In millions of euros	June 30, 2014 published	First-time application of IFRIC 21 interpretation	June 30, 2014 restated
CURRENT OPERATING INCOME	**470.0**	**(37.7)**	**432.3**
INCOME FROM OPERATING ACTIVITIES	**465.5**	**(37.7)**	**427.8**
Income tax expense	(59.1)	12.8	(46.3)
NET INCOME	**388.2**	**(24.9)**	**363.3**
of which: Group share	279.8	(24.5)	255.3
Non-controlling interests	108.4	(0.4)	108.0
Net income (Group share) per share *(in euros)*	**0.51**	**(0.05)**	**0.46**
Net diluted income (Group share) per share *(in euros)*	**0.49**	**(0.04)**	**0.45**

1.3.2 IFRS standards and amendments applicable after 2015 that the Group has elected not to early adopt

STANDARDS AND AMENDMENTS PUBLISHED BY THE IASB AND NOT ADOPTED YET BY THE EUROPEAN UNION

- IFRS 9 – "Financial Instruments" [(1)];
- IFRS 15 – "Revenue from Contracts with Customers" [(1)];
- Annual improvements to IFRS – "2012-2014 Cycle" [(1)];
- Amendments to IFRS 10, IFRS 12 and IAS 28 – "Applying the Consolidation Exception to Investment entities" [(1)];
- Amendments to IAS 1 – "Disclosure Initiative" [(1)];
- Amendments to IAS 16 and IAS 38 – "Clarification of the principle for the basis of depreciation and amortization" [(1)];
- Amendments to IFRS 11 – "Accounting treatment for the acquisition of an interest in a joint operation" [(1)].

The impact resulting from the application of these standards and interpretations is currently being assessed.

- IFRS14 – "Regulatory Deferral Accounts" [(1)].

This standard will have no impact on the Group's accounts since it is intended to first-time adopters of IFRS.

(1) *These standard amendments and Interpretation have not yet been endorsed by the European Union.*

1.4 Use of judgment and estimates

As the economic and financial crisis continues, the Group maintains its risk management procedures of its financial instruments. The significant market volatility caused by the crisis is taken into account by the Group in the estimates made such as for its business plans and in the various discount rates used in impairment testing and computing provisions.

1.4.1 Estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, and contingent assets and liabilities at the statement of financial position reporting date, as well as revenues and expenses reported during the period.

Due to uncertainties inherent in the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The key estimates used in preparing the Group's consolidated financial statements relate mainly to:

- measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- identification of impairment evidences for goodwill, property, plant and equipment and intangible assets;
- measurement of provisions, particularly for disputes, pensions and other employee benefits;
- capital renewal and replacement liabilities;
- financial instruments;
- measurement of revenue not yet metered, so called "unmetered revenues";
- margin at termination relating to construction contracts measurement;
- measurement of recognized tax loss carry-forwards.

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2014.

1.4.2 Judgment

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions, particularly when the effective IFRS standards and interpretations do not specifically deal with related accounting issues.

In particular, the Group exercised its judgment in determining the accounting treatment applicable to concession contracts and the classification of arrangements which contain a lease.

In compliance with IAS 1, the Group's current and non-current assets and liabilities are shown separately on the consolidated statement of financial position. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the statement of financial position date are classified as current, while all other items are classified as non-current.

1.5 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 influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2015 are not necessarily indicative of those that may be expected for full-year 2015.

Income tax expense

Current and deferred income tax expense for interim periods is consolidated 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.

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 into account curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognized in the statement of financial position 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 actual return on plan assets.

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 17.4 to the consolidated financial statements at December 31, 2014).

NOTE 2 Major transactions

2.1 Strengthening of the Group's positions on the industrial water market

Acquisition of Poseidon

In the beginning of 2015, the Group acquired the company Poseidon for CAD27.4 million (€19.9 million).

Established in Canada, Poseidon specializes in the design and manufacture of compact and innovative flotation separation equipment for industrial water treatment.

The company generates annual revenues of CAD12.7 million (approximately €9.2 million).

Acquisition of B&V Group

On February 2, 2015, the Group acquired B&V Group for GBP12.6 million (€17.2 million).

B&V Group is a British company specialized in water treatment chemicals, equipment and services for industry.

The company generates annual revenues of GBP11.7 million (approximately €16.0 million).

2.2 SUEZ environnement is bringing together all of its activities under a single brand to accelerate its development

Operating in 70 countries, the SUEZ environnement Group is represented by 40 brands (Sita, Degrémont, Lyonnaise des Eaux, Agbar, Aqualogy, United Water, Ondeo Industrial Solutions, Safege, etc.), following international development and the integration of new business lines.

With effect from March 12, 2015, all of the commercial brands that make up the Group have been brought together under a single brand: SUEZ environnement, focusing on the sustainable management of resources.

The costs incurred by the rebranding and change in visual identity are presented on a separate line in the income statement. See Note 4.

2.3 New issue and redemption of outstanding undated deeply subordinated notes

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY successfully completed a third issue of undated deeply subordinated notes, for a total amount of €500 million, after an inaugural issue in 2010 and another in June 2014. In accordance with the provisions of IAS 32, these notes, or hybrid bonds, are considered as shareholders' equity rather than a debt in the Group's consolidated financial statements. In fact, in the normal course of business for such securities, there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any due date for final redemption, but only optional redemption dates.

The new notes will bear interest at a fixed rate of 2.5%, which will be revised for the first time seven years after issuance on the basis of the 5-year swap rate, and then every five years.

The funds raised are partly used for the redemption and repayment of hybrid bonds issued in September 2010 (which bore interest at a rate of 4.82%) for a nominal amount of €450 million.

As a result of these two transactions, the Group's outstanding hybrid bonds amounted to €1.0 billion as at June 30, 2015. See Note 8.3.2.

2.4 Arbitration proceedings against the argentine Republic: arbitrators rule in favor of SUEZ environnement

On April 9, 2015, the ICSID (International Centre for Settlement of Investment Disputes) delivered its ruling and ordered the Argentine Republic to pay USD405 million to Aguas Argentinas shareholders in damages for the harm suffered in connection with the termination of the Aguas Argentinas water and wastewater concession contract in Buenos Aires [1].

This decision represents an important step in the process of resolving this dispute. The next step consists of ensuring that the ICSID's decision is implemented.

In 1993, the Group's subsidiary Aguas Argentinas was awarded the contract to manage water and wastewater services in Buenos Aires. In 2006, the Argentine government terminated the contract.

The ICSID's decision comes after several years of legal proceedings. See Note 13.

(1) *These arbitration proceedings were initiated by SUEZ, which has since become ENGIE, and fellow shareholders in Aguas Argentinas. Before SUEZ environnement was listed in the stock exchange in 2008, it entered into an agreement with ENGIE on the economic transfer of rights and obligations to the benefit of SUEZ environnement, related in particular to ENGIE's stake in Aguas Argentinas (including any financial consequences of the above-mentioned arbitration proceedings).*

2.5 Acquisition of Nantaise des Eaux Services

On April 28, 2015, SUEZ environnement, through its subsidiary Lyonnaise des Eaux, completed the acquisition of Nantaise des Eaux Services, a company specialized in the production and distribution of drinking water and wastewater collection and treatment.

Mainly implanted in the Western part of France and in Guadeloupe, the company achieved revenues in 2014 for €38 million.

2.6 SUEZ environnement signed an agreement to launch a leading environmental group in China

On June 2, 2015, SUEZ environnement and its partner New World Services (NWS) signed a preliminary cooperation agreement with Chongqing Water Assets Management Co (CWA) to jointly create Derun Environment, a leading group in water and waste activities in China. This preliminary agreement was confirmed on June 30, 2015.

Under the agreement, CWA will contribute to Derun Environment 36.6% shares in Chongqing Water Group, a listed company at Shanghai Stock Exchange and 67.1% shares in Chongqing Sanfeng which operates waste-to-energy projects and provides related equipments and services. SUEZ environnement and NWS will contribute to Derun Environment the 13.4% shares they jointly own in Chongqing Water Group and a cash consideration. Upon completion of the agreement, CWA will own 74.9% of Derun Environment and SUEZ environnement and NWS 25.1%.

Derun Environment will own a 50.1% shareholding in Chongqing Water Group, the market capitalisation being CNY 51.6 billion (€7.5 billion) as at June 30, 2015, and 67.1% of Chongqing Sanfeng. Derun Environment will become an investment platform to tap into China's growing environmental-related businesses.

NOTE 3 Operating segments information

In accordance with the provisions of IFRS 8 – "Operating Segments", the segments used below to present segment information have been identified based on internal reporting, in particular those segments monitored by the Management Committee, comprised of the Group's key operational decision-makers.

The Group uses four operating segments:

- Water Europe;
- Recycling and Recovery Europe;
- International;
- Other.

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

The activities conducted internationally are grouped together and separated from those conducted in the Europe region. This specific segmentation reflects the difference in development strategy implemented internationally compared to the strategy pursued in Europe and is consistent with the Group's internal organizational systems and management structure.

3.1 Operating segments

SUEZ ENVIRONNEMENT COMPANY's subsidiaries are divided into the following operating segments:

- **Water Europe:** water distribution and treatment services, particularly under concession contracts (water management). These services are rendered to individuals, local authorities and industrial clients;
- **Recycling and Recovery Europe:** waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;
- **International:** the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments;
- the **"Other"** segment is made up of holding companies, including SUEZ ENVIRONNEMENT COMPANY, as well as SUEZ environnement Consulting (Safege), a consulting subsidiary of the Group (since December 31, 2014). Data related to SUEZ environnement Consulting at June 30, 2014 were reclassified for comparability purposes.

The accounting principles and valuation methods used to prepare internal reporting are the same as those used to prepare the consolidated financial statements. The EBITDA, capital employed and investments indicators are reconciled with the consolidated financial statements.

The EBITDA and EBIT indicators are presented without IFRIC 21 impact. The amount of the IFRIC 21impact is indicated in the reconciliation table of the EBIT and the EBITDA to the current operating income in Note 3.4.1. Refer also to the Note 1.3.1.

3.2 Key indicators by operating segment

Revenues

	June 30, 2015			June 30, 2014 restated		
In millions of euros	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	2,260.9	23.2	2,284.1	2,159.8	12.0	2,171.8
Recycling and Recovery Europe	3,166.7	17.1	3,183.8	3,137.3	19.0	3,156.3
International	1,814.6	8.6	1,823.2	1,544.7	14.3	1,559.0
Other	52.5	48.5	101.0	49.0	42.4	91.4
Intercompany eliminations		(97.4)	(97.4)		(87.7)	(87.7)
TOTAL REVENUES	**7,294.7**	**-**	**7,294.7**	**6,890.8**	**-**	**6,890.8**

EBITDA

In millions of euros	June 30, 2015	June 30, 2014 restated
Water Europe	661.6	606.5
Recycling and Recovery Europe	368.4	373.7
International	303.4	388.8
Other	(40.5)	(42.6)
TOTAL EBITDA	**1,292.9**	**1,326.4**

EBIT

In millions of euros	June 30, 2015	June 30, 2014 restated
Water Europe	316.9	271.3
Recycling and Recovery Europe	137.2	127.8
International	201.9	298.2
Other	(52.0)	(39.5)
TOTAL EBIT	**604.0**	**657.8**

Depreciation and amortization

In millions of euros	June 30, 2015	June 30, 2014 restated
Water Europe	(227.5)	(218.0)
Recycling and Recovery Europe	(224.0)	(222.8)
International	(98.6)	(79.6)
Other	(5.5)	(4.7)
TOTAL DEPRECIATION AND AMORTIZATION	**(555.6)**	**(525.1)**

Capital Employed

In millions of euros	June 30, 2015	December 31, 2014 restated
Water Europe	6,806.8	6,671.3
Recycling and Recovery Europe	4,216.7	4,099.2
International	3,915.2	3,563.0
Other	62.3	(37.3)
TOTAL CAPITAL EMPLOYED	**15,001.0**	**14,296.2**

Investments in property, plant and equipment, intangible assets and financial assets

In millions of euros	June 30, 2015	June 30, 2014 restated
Water Europe	(254.1)	(235.2)
Recycling and Recovery Europe	(235.8)	(143.4)
International	(160.5)	(162.4)
Other	(5.7)	(5.7)
TOTAL INVESTMENTS	**(656.1)**	**(546.7)**

Financial investments included in this indicator include the acquisitions of additional interests net of disposal in still remaining controlled entities, which are accounted for in cash flows used in financing activities in the consolidated statement of cash flows under the item “Change in share of interest in controlled entities”. Refer to Note 3.4.3.

3.3 Key indicators by geographical area

The indicators below are analyzed by:

- destination of products and services sold for revenues;
- geographical location of consolidated companies for capital employed.

	Revenues		Capital Employed	
In millions of euros	June 30, 2015	June 30, 2014 restated	June 30, 2015	December 31, 2014 restated
France	2,511.0	2,555.0	2,600.8	2,293.4
Europe	2,602.1	2,497.7	8,284.7	8,179.4
International	2,181.6	1,838.1	4,115.5	3,823.4
TOTAL	**7,294.7**	**6,890.8**	**15,001.0**	**14,296.2**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

In millions of euros	June 30, 2015	June 30, 2014 restated [(a)]
Current operating income	**476.5**	**432.3**
(+) Share in net income of equity-accounted companies considered as core business	84.2	187.8
(-) IFRIC 21 impacts	43.3	37.7
EBIT	**604.0**	**657.8**
(-) Net depreciation, amortization and provisions	548.9	523.6
(-) Share-based payments [(b)]	3.3	5.4
(-) Disbursements under concession contracts	136.7	139.6
EBITDA	**1,292.9**	**1,326.4**

(a) *Refer to Note 1.3.1.*
(b) *The impact of Share Appreciation Rights is disclosed after hedging by warrants. Moreover, this amount does not include long term incentive plans in the form of cash bonuses.*

3.4.2 Reconciliation of capital employed with the items of the statement of financial position

In millions of euros	June 30, 2015	December 31, 2014 restated
(+) Tangible and intangible assets, net	12,510.7	12,285.1
(+) Goodwill, net	3,409.1	3,261.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	182.9	163.7
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	868.3	840.0
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	460.1	421.3
(+) Investments in associates (excluding Other comprehensive income net of taxes)	751.8	747.7
(+) Trade and other receivables	4,148.5	3,790.1
(+) Inventories	280.3	262.2
(+) Other current and non-current assets	1,660.9	1,672.2
(-) Provisions and actuarial losses/gains on pensions plans	(1,664.0)	(1,625.6)
(-) Trade and other payables	(2,744.5)	(2,871.2)
(-) Other current and non-current liabilities	(4,860.1)	(4,646.5)
(-) Other financial liabilities	(3.0)	(4.7)
CAPITAL EMPLOYED	**15,001.0**	**14,296.2**

3.4.3 Reconciliation of investments in tangible, intangible assets and financial investments with items in the statement of cash flows

In millions of euros	June 30, 2015	June 30, 2014 restated
Investments in property, plant and equipment and intangible assets	(571.3)	(431.8)
Takeover of subsidiaries net of cash and cash equivalents acquired	(35.1)	(48.1)
Acquisitions of interests in associates and joint ventures	(7.8)	(92.3)
Acquisitions of available-for-sale securities	(29.7)	(6.8)
Change in share of interests in controlled entities	(12.2)	32.3
TOTAL INVESTMENTS	**(656.1)**	**(546.7)**

NOTE 4 Income statement

4.1 Current operating income and EBIT

Changes in EBIT are discussed in the interim management report (see chapter 4 of the present document).

4.2 Income from operating activities

In millions of euros	June 30, 2015	June 30, 2014 restated [(a)]
CURRENT OPERATING INCOME	**476.5**	**432.3**
Mark-to-market on operating financial instruments	1.6	(1.5)
Impairment on property, plant and equipment, intangible and financial assets	(14.1)	(50.5)
Restructuring costs	(27.5)	(28.7)
Scope effects	(6.6)	70.7
Other gains and losses on disposals and non-recurring items	5.9	5.5
Costs incurred by the rebranding and change in visual identity	(18.4)	-
INCOME FROM OPERATING ACTIVITIES	**417.4**	**427.8**

(a) *Refer to Note 1.3.1.*

4.2.1 Impairment on property, plant and equipment, intangible and financial assets

In millions of euros	June 30, 2015	June 30, 2014 restated
Impairments		
Goodwill	-	-
Property, plant and equipment and other intangible assets	(3.2)	(39.0)
Financial assets	(16.2)	(14.2)
Total	**(19.4)**	**(53.2)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	3.9	0.4
Financial assets	1.4	2.3
Total	**5.3**	**2.7**
TOTAL	**(14.1)**	**(50.5)**

In addition to the systematic annual impairment tests on goodwill and non-amortizable intangible assets performed in the second half of the year, tests are occasionally performed on all goodwill, property, plant and equipment and intangible assets when there is an indication of potential impairment. Any impairment loss is determined by comparing the carrying value of the asset concerned with its recoverable value (*i.e.* its value in use as determined by calculating the discounted future cash flows, or the market value).

4.2.1.1 IMPAIRMENT ON GOODWILL

At June 30, 2015, as at June 30, 2014, no loss of value was detected during occasional impairment tests on goodwill.

4.2.1.2 IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As at June 30, 2015, there was no significant impairment.

As at June 30, 2014, this item mainly included impairments on assets in Water Europe and Recycling and Recovery Europe operating segments.

4.2.1.3 IMPAIRMENTS ON FINANCIAL ASSETS

As at June 30, 2015, this items includes especially impairments on financial receivables related to a concession contract in the International segment and financial assets in Water Europe segment.

As at June 30, 2014, this item included mainly impairments on financial receivables related to a concession contract in the International segment and financial assets in Recycling and Recovery Europe segment.

The remeasurement at fair value of available-for-sale securities is presented in Note 8 to the interim condensed consolidated financial statements.

4.2.2 Restructuring costs

As at June 30, 2014, this item mainly includes the costs of the adaptation plans linked to the activity slowdown that were decided upon in the Recycling and Recovery Europe, Water Europe and International segments.

4.2.3 Scope effects

As at June 30, 2015, no significant scope effect on the scope of consolidation to be noticed.

As at June 30, 2014, this item mainly included a revaluation gain of €64.5 million. In accordance with the terms of IAS 28 – "Investments in Associates and Joint Ventures", the interest previously held in Acea was recognized at its fair value as at the date when significant influence came, on April 1, 2014.

4.2.4 Other gains and losses on disposals and non-recurring items

As at June 30, 2014, there were no significant non-recurring items as at June 30, 2015.

4.2.5 Costs linked to changes in the brand and visual identity

In 2015, external service providers worked on the rebranding and change of visual identity. The fees for this work and the costs incurred through the rebranding and change of visual identity reached a total of €18.4 million as at June 30, 2015.

Expenses of an unusual nature and a significant amount are presented on a separate line in the income statement, between the current operating income and the income from operating activities.

4.3 Financial result

	June 30, 2015			June 30, 2014 restated		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(194.5)**	**23.7**	**(170.8)**	**(208.9)**	**26.5**	**(182.4)**
Interest expense on gross borrowings	(171.2)	-	(171.2)	(171.6)	-	(171.6)
Exchange gain/(loss) on borrowings and hedges	(15.0)	-	(15.0)	(26.6)	-	(26.6)
Unrealized income/(expense) from economic hedges on borrowings	0.7	-	0.7	-	-	-
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	21.6	21.6	-	20.1	20.1
Capitalized borrowing costs	-	2.1	2.1	-	6.4	6.4
Financial income (expense) relating to a financial debt or receivable restructuring	(9.0)	-	(9.0)	(10.7)	-	(10.7)
Other Financial Income and Expenses	**(44.0)**	**15.1**	**(28.9)**	**(42.1)**	**12.7**	**(29.4)**
Net interest expenses related to post employment and other long term benefits	(9.9)	-	(9.9)	(10.4)	-	(10.4)
Unwinding of discounting adjustment to long term provisions (except post employment)	(22.3)	-	(22.3)	(19.6)	-	(19.6)
Change in fair value of derivatives not included in net debt	(1.6)	-	(1.6)	-	0.4	0.4
Income from available-for-sale securities	-	3.5	3.5	-	3.4	3.4
Other	(10.2)	11.6	1.4	(12.1)	8.9	(3.2)
FINANCIAL INCOME/(LOSS)	**(238.5)**	**38.8**	**(199.7)**	**(251.0)**	**39.2**	**(211.8)**

The decrease of the cost of net debt between June 30, 2014 and June 30, 2015 is primarily explained by foreign exchange losses on the Group's financial debt in Chile (depreciation of the Chilean peso compared with the euro).

4.4 Income tax

4.4.1 Income tax expense in the income statement

In millions of euros	June 30, 2015	June 30, 2014 restated [(a)]
Net income (A)	251.7	363.3
Income tax expense (B)	(50.2)	(46.3)
Share in net income of joint ventures and associates (C)	84.2	193.6
Income before income tax and before share in net income of joint ventures and associates (A) - (B) - (C) = (D)	**217.7**	**216.0**
THEORETICAL INCOME TAX EXPENSE - (B)/(D)	**23.1%**	**21.4%**

(a) *Refer to Note 1.3.1.*

At June 30, 2015, the Group's effective tax rate was 23.1% compared to 21.4% at June 30, 2014.

At June 30, 2015, this rate is primarily explained by the fact that a large number of the Group's operating companies are established in countries where the tax rates are lower than in France and by a tax credit perceived in Spain. It is also explained by the impact of the tax credit for competitiveness and employment (CICE) in France and other tax credits.

Restated only for these tax credits in France, the effective rate as at June 30, 2015 would have been 26.4%.

At June 30, 2014, this rate was primarily explained by the fact that a large number of the Group's operating companies are established in countries where the tax rates are lower than in France, and by the revaluation of the shares formerly held in Acea, which had no tax impact. It is also explained by the impact of the tax credit for competitiveness and employment (CICE) in France and other tax credits. If restated only for these tax credits, the effective tax rate at June 30, 2014 would have reached 29.8%.

In addition, net deferred tax assets within the French tax consolidation Group, including all temporary differences, totaled €310 million at June 30, 2015, compared to €308 million at December 31, 2014.

4.4.2 Deferred taxes in the statement of financial position

In millions of euros	Assets	Liabilities	Net balances
At December 31, 2014 restated	**790.7**	**(576.8)**	**213.9**
From income statement	55.9	(15.5)	40.4
From other comprehensive income	(53.4)	9.4	(44.0)
Scope effects	0.3	-	0.3
Translation adjustments	28.9	(42.8)	(13.9)
Other impacts	(3.3)	13.0	9.7
Deferred tax netting off by tax entity	(42.6)	42.6	-
At June 30, 2015	**776.5**	**(570.1)**	**206.4**

NOTE 5 Earnings per share

	June 30, 2015	June 30, 2014 restated [(a)]
Numerator *(in millions of euros)*		
Net income, Group share	**140.7**	**255.3**
(-) coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in september 2010	(6.4)	(9.5)
(-) coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in june 2014	(7.5)	-
(+) expenses related to the redemption of the undated deeply subordinated notes	(12.6)	(10.1)
Adjusted Net Income, Group Share	**114.2**	**235.7**
Denominator *(in millions)*		
Weighted average number of outstanding shares	**538.4**	**508.5**
Earnings per share *(in euros)*		
Net income Group share per share	**0.21**	**0.46**
Net diluted income Group share per share	**0.21**	**0.45**

(a) *Refer to Note 1.3.1.*

The Group's dilutive instruments included in the calculation of diluted earnings per share are as follows:

- the SUEZ ENVIRONNEMENT COMPANY bonus share plans;
- the SUEZ ENVIRONNEMENT COMPANY stock option plans;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense after tax of €2.1 million.

NOTE 6 Goodwill, intangible assets and property, plant and equipment

In millions of euros	Goodwill	Intangible assets	Property, plant and equipments
A. Gross amount at December 31, 2014 restated	**3,360.9**	**7,174.1**	**15,507.8**
Acquisitions	-	149.0	284.3
Disposals	-	(1.7)	(169.2)
Changes in scope of consolidation	31.6	3.5	(16.8)
Translation adjustments	118.0	52.4	505.1
Other	-	30.3	8.4
At June 30, 2015	**3,510.5**	**7,407.6**	**16,119.6**
B. Accumulated depreciation and impairment at December 31, 2014 restated	**(99.0)**	**(2,898.1)**	**(7,498.7)**
Depreciation and impairment losses	-	(196.6)	(362.3)
Disposals	-	(5.5)	153.5
Changes in scope of consolidation	-	1.1	17.2
Translation adjustments	(2.4)	(11.8)	(181.3)
Other	-	(28.7)	(5.3)
At June 30, 2015	**(101.4)**	**(3,139.6)**	**(7,876.9)**
C. Carrying amount = A + B			
at December 31, 2014 restated	3,261.9	4,276.0	8,009.1
At June 30, 2015	**3,409.1**	**4,268.0**	**8,242.7**

The scope effects for goodwill correspond mainly to the acquisition of Poseidon and B&V Group as described in Note 2.

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2015, no depreciation was accounted for as at June 30, 2015.

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the American dollar (+€165 million), the Chilean peso (+€104 million) and the British pound (+€39 million).

NOTE 7 Investments in joint ventures and associates

7.1 Investments in joint ventures

In millions of euros	Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures	
	June 30, 2015	Dec. 31, 2014 restated	June 30, 2015	June 30, 2014 restated
SFH group	258.7	251.3	15.4	140.4
Suyu	341.0	216.6	11.6	10.3
Other	70.9	60.0	10.2	5.6
TOTAL	**670.6**	**527.9**	**37.2**	**156.3**

In millions of euros	June 30, 2015	June 30, 2014 restated
Net income	37.2	156.3
Other comprehensive income (OCI)	137.4	(6.7)
COMPREHENSIVE INCOME	**174.6**	**149.6**

The Group's largest joint venture is Sino-French Holdings (SFH), based in Hong Kong, in which the Group has a 50% stake.

At June 30, 2015, the other comprenhensive income primarily includes the fair value remeasurement of the Chongqing Water Group shares held by the joint venture Suyu.

At June 30, 2014, the SFH group's net income primarily included the capital gain on the disposal of CEM shares (Companhia de Electricidade de Macau).

The summarized financial information at 100% of the SFH Group is presented below.

Summarized Statement of financial position at 100%

In millions of euros	June 30, 2015	Dec. 31, 2014
Non-current assets	739.1	710.7
Current assets	338.6	307.2
of which Cash and cash equivalents	*152.0*	*184.0*
TOTAL ASSETS	**1,077.7**	**1,017.9**
Shareholders' equity, Group share	517.4	502.7
Non-controlling interests	15.1	13.1
Total shareholders' equity	**532.5**	**515.8**
Non-current liabilities	339.2	295.0
Current liabilities	206.1	207.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,077.7**	**1,017.9**

Summarized Income Statement at 100%

In millions of euros	June 30, 2015	June 30, 2014 [(a)]
Revenues	176.0	255.9
Current operating income	32.9	40.1
Net income – Group share	30.9	280.8
Net income – non-controlling interests	1.1	2.3
Net income	**31.9**	**283.1**
Other comprehensive income (OCI)	44.7	12.1
Comprehensive income	**76.6**	**295.2**

(a) *Various amounts are affected by the impact of the disposal of CEM achieved in 2014.*

Dividends paid at 100%

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by SFH at June 30	59.6	18.8

7.2 Investments in associates

	Carrying amount of investments in associates		Share in net income/(loss) of associates	
In millions of euros	June 30, 2015	Dec. 31, 2014 restated	June 30, 2015	June 30, 2014 restated
In Agbar group	303.8	295.4	18.5	11.1
In Acea group	224.6	225.9	12.0	5.6
In Degrémont group	127.0	126.0	10.0	11.8
In the company Brnenske Vodarny A Kanalizace	33.4	32.8	0.7	0.6
In Sita UK group	3.8	11.6	5.0	1.8
In Sita Belgium group	26.2	25.0	1.9	2.7
In United Water group	8.8	8.2	-	(0.1)
In Sita France group	4.5	3.7	(2.0)	(1.7)
Other	17.6	17.0	0.9	5.5
TOTAL	**749.7**	**745.6**	**47.0**	**37.3**

In millions of euros	June 30, 2015	June 30, 2014 restated
Net income	47.0	37.3
Other comprehensive income (OCI) [(a)]	(8.5)	(64.1)
COMPREHENSIVE INCOME	**38.5**	**(26.8)**

(a) *In 2014, this change is mainly explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates following the acquisition of additional shares in 2014.*

The Group's largest individual associate is the Acea group, based in Rome, in which the Group has a 12.5% stake.

The book value of Acea in the statement of financial position as at June 30, 2015 is €224.6 million. Its market value is €302.8 million.

In accordance with the terms of IAS 28 – "Investments in Associates and Joint Ventures", the interest formerly held in Acea has been remeasured at its fair value at the date when significant influence was exercised, on April 1, 2014.

In the first half of 2015, SUEZ environnement finalized the work to assess the fair value of each of Acea's individual assets and liabilities in order to allocate a portion of the goodwill. The amount of goodwill allocated was €20.9 million (remeasurement at fair value of the assets of the power distribution network and of the fixed-rate financial debt).

The impact on net income associated with these various revaluations as at June 30, 2015 is -€0.8 million, including -€0.5 million from 2014.

The summarized financial information at 100% of the Acea group is presented below.

Summarized Statement of financial position at 100%

In millions of euros	March 31, 2015 [(a)]	Dec. 31, 2014
Non-current assets	4,288.8	4,271.1
Current assets	2,537.0	2,640.5
of which Cash and cash equivalents	*891.6*	*1,018.0*
TOTAL ASSETS	**6,825.8**	**6,911.6**
Shareholders' equity, Group share	1,478.1	1,430.6
Non-controlling interests	74.6	71.8
Total shareholders' equity	**1,552.7**	**1,502.4**
Non-current liabilities	3,483.7	3,598.7
Current liabilities	1,789.4	1,810.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,825.8**	**6,911.6**

(a) *The Acea group's consolidated financial statements were not available on the date when the Group's interim condensed consolidated financial statements were published. In compliance with IAS 28 – "Investments in Associates and Joint Ventures", the summarized statement of financial position at March 31, 2015 corresponds to the latest available information.*

Summarized Income Statement at 100% – first quarter results

In millions of euros	March 31, 2015 [(a)]	March 31, 2014
Revenues	761.6	780.1
Gross operating profit	177.4	166.0
Operating profit/(loss)	104.1	99.9
Net income – Group share	**50.5**	**44.5**
Net income – non-controlling interests	3.0	2.3
Net income	**53.5**	**46.7**
Other comprehensive income (OCI)	(3.6)	(6.7)
Comprehensive income	**49.9**	**40.0**

(a) *The Acea group's consolidated financial statements were not available on the date when the Group's interim condensed consolidated financial statements were published. In compliance with IAS 28 – "Investments in Associates and Joint Ventures", the summarized income statement at March 31, 2015 corresponds to the latest available information.*

For information purposes, the Acea group's 2014 annual revenues amounted to €3.0 billion.

Dividends paid at 100%

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by Acea at June 30	85.1	89.4

NOTE 8 Financial instruments

8.1 Financial assets

The following table shows the various financial asset categories and their breakdown as “non-current” and “current”:

	June 30, 2015			Dec. 31, 2014 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	181.5	-	181.5	163.7	-	163.7
Loans and receivables carried at amortized cost	773.2	4,244.3	5,017.5	722.7	3,909.8	4,632.5
Loans and receivables carried at amortized cost (excluding trade and other receivables)	773.2	95.8	869.0	722.7	119.7	842.4
Trade and other receivables	-	4,148.5	4,148.5	-	3,790.1	3,790.1
Financial assets measured at fair value	194.7	102.2	296.9	194.1	70.1	264.2
Derivative financial instruments *(see Note 8.4)*	194.7	22.9	217.6	194.1	7.6	201.7
Financial assets measured at fair value through income	-	79.3	79.3	-	62.5	62.5
Cash and cash equivalents	-	2,539.3	2,539.3	-	2,248.8	2,248.8
TOTAL	**1,149.4**	**6,885.8**	**8,035.2**	**1,080.5**	**6,228.7**	**7,309.2**

8.1.1 Available-for-sale securities

Movements during the period are broken down as follows:

In millions of euros	
At December 31, 2014 restated	**163.7**
Acquisitions	29.7
Net book value of disposals	(0.2)
Changes in fair value posted to equity as other comprehensive income	0.5
Changes in fair value posted to income statement	(7.7)
Changes in scope, exchange rates and other	(4.5)
At June 30, 2015	**181.5**

The value of available-for-sale securities held by the Group amounts to €181.5 million as at June 30, 2015, which is divided between €15.7 million for listed securities and €165.8 million for unlisted securities.

The Group analyzed the fair value of the various available-for-sale securities, on a case-by-case basis, and taking market context into consideration, to determine whether it was necessary to recognize impairment losses.

Among the factors taken into consideration for listed securities, the Group believes that a decline in the share price of more than 50% below historical cost or a decline in the share price below historical cost for more than 12 months consecutively are indicators of impairment.

Gains and losses on available-for-sale securities are recognized either in equity or in the income statement as follows:

		Post acquisition remeasurement			
In millions of euros	Dividends	Change in fair value	Impact of exchange rates	Impairment	Income/(loss) on disposals
Shareholders' equity [(a)]		0.5	-		
Net income	3.5	-		(7.7)	2.7
Total at June 30, 2015	**3.5**	**0.5**	**-**	**(7.7)**	**2.7**
Shareholders' equity [(a)]		(4.7)	-		
Net income	24.5	-		(18.2)	(2.2)
Total at December 31, 2014 restated	**24.5**	**(4.7)**	**-**	**(18.2)**	**(2.2)**

(a) *Excluding tax impact.*

8.2 Financial liabilities

Financial liabilities are accounted for:

- in "liabilities at amortized cost" for borrowings and debt, trade and other payables and other financial liabilities;
- or in "liabilities measured at fair value through income" for derivative financial instruments.

The following table shows the various financial liability categories as at June 30, 2015, as well as their breakdown as "non-current" and "current":

	June 30, 2015			Dec. 31, 2014 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,923.5	2,869.0	10,792.5	7,721.6	1,926.7	9,648.3
Derivative financial instruments (see Note 8.4)	58.3	12.3	70.6	65.6	42.3	107.9
Trade and other payables	-	2,744.5	2,744.5	-	2,871.2	2,871.2
Other financial liabilities	3.0	-	3.0	4.7	-	4.7
TOTAL	**7,984.8**	**5,625.8**	**13,610.6**	**7,791.9**	**4,840.2**	**12,632.1**

8.3 Net debt

8.3.1 Analysis by type of net debt

	June 30, 2015			Dec. 31, 2014 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,840.8	2,790.6	10,631.4	7,621.5	1,822.1	9,443.6
Impact of measurement at amortized cost [(a)]	(49.7)	78.4	28.7	(49.4)	104.6	55.2
Impact of fair value hedge [(b)]	132.4	-	132.4	149.5	-	149.5
Borrowings and debts	**7,923.5**	**2,869.0**	**10,792.5**	**7,721.6**	**1,926.7**	**9,648.3**
Debt-related derivatives under liabilities [(c)] *(see Note 8.4)*	7.6	8.0	15.6	8.3	29.9	38.2
Gross debt	**7,931.1**	**2,877.0**	**10,808.1**	**7,729.9**	**1,956.6**	**9,686.5**
Assets related to financing [(d)]	(0.8)	-	(0.8)	(2.5)	-	(2.5)
Assets related to financing	**(0.8)**	**-**	**(0.8)**	**(2.5)**	**-**	**(2.5)**
Financial assets at fair value through income excluding financial derivative instruments (see Note 8.1)	-	(79.3)	(79.3)	-	(62.5)	(62.5)
Cash and cash equivalents	-	(2,539.3)	(2,539.3)	-	(2,248.8)	(2,248.8)
Debt-related derivatives under assets [(c)] *(see Note 8.4)*	(144.1)	(20.9)	(165.0)	(180.6)	(6.5)	(187.1)
Net cash	**(144.1)**	**(2,639.5)**	**(2,783.6)**	**(180.6)**	**(2,317.8)**	**(2,498.4)**
Net debt	**7,786.2**	**237.5**	**8,023.7**	**7,546.8**	**(361.2)**	**7,185.6**
Outstanding borrowings	7,840.8	2,790.6	10,631.4	7,621.5	1,822.1	9,443.6
Assets related to financing [(d)]	(0.8)	-	(0.8)	(2.5)	-	(2.5)
Financial assets measured at fair value through income excluding financial derivative instruments *(see Note 8.1)*	-	(79.3)	(79.3)	-	(62.5)	(62.5)
Cash and cash equivalents	-	(2,539.3)	(2,539.3)	-	(2,248.8)	(2,248.8)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**7,840.0**	**172.0**	**8,012.0**	**7,619.0**	**(489.2)**	**7,129.8**

(a) *Includes accrued interest on gross debt as well as premiums and fees for setting up borrowings to be amortized.*
(b) *This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.*
(c) *This item represents the fair value of debt-related derivatives, regardless of whether or not they are designated as hedges.*
(d) *The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.*

The fair value of borrowings and debts amounted to €12,007.9 million at June 30, 2015, compared with a book value of €10,792.5 million.

The increase in the current portion of financial debt at June 30, 2015 is primarily explained by the increase of the outstanding of commercial papers.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and currency risk is presented in Note 9.

8.3.2 Issue of Undated Deeply Subordinated Notes

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY has issued Undated Deeply Subordinated Notes amounting to €500 million with a coupon of 2.5%. Moreover, SUEZ ENVIRONNEMENT COMPANY has totally redeemed Undated Deeply Subordinated Notes from the tranche issued in 2010, for which the residual par value was €450 million.

As was the case for the 2010 and 2014 issues, this new issue is not recognized in financial debt, as it satisfies the conditions for recognition in shareholders' equity provided for by IAS 32 (See Note 2 "Major transactions" of the present chapter).

8.3.3 Commercial paper issue

Since 2013, SUEZ ENVIRONNEMENT COMPANY has established a commercial paper program, of which the total amount was initially of €1,500.0 million. This program was renewed on June 15, 2015 and increased to €1,750.0 million. At June 30, 2015, the outstanding notes totaled €1,321.0 million.

Commercial paper is recognized as current financial debt. However, the Group's policy is to back all commercial paper by available credit lines. Thus, the refinancing of commercial paper is guaranteed even in case of closure of the money market.

At June 30, 2015, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

8.3.4 Assignment of receivables (securitization)

CONTEXT

In 2012, SUEZ environnement implemented a program for the sales of trade receivables to a special purpose vehicle (SPV) called Fonds Commun de Créances.

This so-called "deconsolidation" program concerns assignors from Sita France, Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland.

The aim of the receivable assignment or receivable securitization program is to carry out so-called "deconsolidation" assignments within the meaning of IAS 39.

The main characteristics of the program are as follows:

(a) A compartment dedicated to the Group's receivables was created within a SPV, called *fonds commun de titrisation* (or FCT).

(b) The FCT used in the program is financing the compartment by issuing three types of instruments:

- shares known as "senior", issued on the markets through a dedicated channel;
- a deposit known as "mezzanine", underwritten by the Group;
- shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group.

(c) These shares are presented here in order of payment priority related to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last.

(d) The Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

The sales of receivables are made by Group subsidiaries at their nominal value, minus a discount that covers the cost of financing the receivables, the risk of late payment and the credit risk.

The main commitments of the Group towards the securitization fund are the following:

(e) Set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above.

(f) Set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At June 30, 2015, this security deposit had not yet been formed.

(g) Existence of a mechanism known as "excess fee" through which, in certain cases, the FCT can give back part of the excess cash accumulated in the compartment when recovering receivables (transferred at discount prices). This mechanism corresponds to a part of the remuneration of Group subsidiaries for collecting receivables (see below).

(h) An option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term), or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date.

(i) Issue of a guarantee for the risk of modification of tax rules.

(j) Preservation by each Group subsidiary of the follow-up and collection of receivables that it has transferred to the compartment; to this effect, a follow-up and collection agreement was signed by each of the subsidiaries acting as collector and by the compartment, this service being remunerated by FCT.

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits. It also receives part of the benefits from the FCT *via* the collection of an excess fee in its role as servicer.

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favorable than those attributable to the Group, and the granting of the liquidation profit.

ACCOUNTING TREATMENT

The new compartment of the FCT is not controlled by the Group and is therefore not consolidated.

According to IAS 39 and based on the terms of the program and the quantitative analyses implemented, the Group transferred almost all the risks and rewards inherent to the ownership of the receivables sold. The receivables transferred within the scope of the new program are therefore fully derecognized from the Group's consolidated statement of financial position.

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 4).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated statement of financial position. Its remuneration is recorded in the income statement under financial income (see Note 4).

The remuneration of services provided by the Group for follow-up and recovery of receivables transferred is shown in the income statement under financial income (see Note 4).

FIGURES AT JUNE 30, 2015

In millions of euros		
Total of receivables sold over the period	1,219.0	
Loss arising from sale over the period	(14.5)	(b)
Remuneration for CC1	0.5	(c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	5.8	(d)
Outstanding receivables transferred as of June 30, 2014	403.1	(a)
Book value of CC1 as of June 30, 2014	32.2	(e)
Fair value of CC1	32.2	
Book value of CC2	*	
Residual maturity of CC1	23 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**362.7**	**(a) + (b) + (c) + (d) - (e)**

* *No security deposit known as "CC2" had been formed as of June 30, 2015; payment of this deposit is subject to the conditions described above.*

8.3.5 Change in net debt

During the first half of 2015, net debt increased by €838.1 million, primarily for the following reasons:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €360.8 million (tax of €10.5 million included);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to €157.9 million;
- the exchange rate variations resulted in an increase of €241.8 million in net debt;
- the losses realized on the derivative financial instruments qualifying as net investment hedges generated a €102.9 million increase of the net financial debts.

These increases are partially compensated with the excess cash generated by the Group's activities, which generated a decrease of the net debt of €86,0 million.

8.3.6 Debt/equity ratio

In millions of euros	June 30, 2015	Dec. 31, 2014 restated
Net debt	8,023.7	7,185.6
Total equity	7,082.6	7,004.7
Debt/equity ratio	**113.3%**	**102.6%**

8.4 Derivative financial instruments

Derivative financial assets

	June 30, 2015			Dec. 31, 2014 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	144.1	20.9	165.0	180.6	6.5	187.1
Derivatives hedging commodities	-	0.1	0.1	-	0.5	0.5
Derivatives hedging other items	50.6	1.9	52.5	13.5	0.6	14.1
TOTAL *(see Note 8.1)*	**194.7**	**22.9**	**217.6**	**194.1**	**7.6**	**201.7**

Derivative financial liabilities

	June 30, 2015			Dec. 31, 2014 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	7.6	8.0	15.6	8.3	29.9	38.2
Derivatives hedging commodities	-	2.8	2.8	-	7.7	7.7
Derivatives hedging other items	50.7	1.5	52.2	57.3	4.7	62.0
TOTAL *(see Note 8.2)*	**58.3**	**12.3**	**70.6**	**65.6**	**42.3**	**107.9**

These instruments are set up according to the Group's risk management policy and are analyzed in Note 9.

8.5 Fair value of financial instruments by level

8.5.1 Financial assets

AVAILABLE-FOR-SALE SECURITIES

Listed securities are recognized in the consolidated statement of financial position at fair value for €15.7 million at June 30, 2015. They have a fair value Level 1 based on stock market prices at that date.

Unlisted securities valued at €165.8 million at June 30, 2015 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As at June 30, 2015, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros

At December 31, 2014 restated	**148.6**
Acquisitions	29.7
Disposals	(0.2)
Gains and losses posted to equity	0.5
Gains and losses posted to income	(7.7)
Changes in scope, exchange rates and other	(5.1)
At June 30, 2015	**165.8**

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a -€4.2 million decline in equity. The net value of other unlisted securities is not of a significant uniform amount that would have to be presented separately.

LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE AND OTHER RECEIVABLES)

Loans and receivables carried at amortized cost (excluding trade and other receivables) amounting to €869.0 million at June 30, 2015. This book value of €869.0 million is an approximation of the fair value. Loans and receivables may contain elements that contribute to a fair value hedging relationship. At June 30, 2015, no hedges were put in place.

DERIVATIVE FINANCIAL INSTRUMENTS

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options, and currency swaps. It is recognized at its fair value at June 30, 2015 for €217.6 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME

Financial assets measured at fair value through the income statement amounting to €79.3 million at June 30, 2015, determined based on observable data, are considered Level 2.

8.5.2 Financial liabilities

The fair value of borrowings and debts, and financial instruments excluding commodities posted to liabilities is distributed as follows among the various levels of fair value:

	June 30, 2015				Dec. 31, 2014 restated			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**12,007.9**	**5,695.7**	**6,312.2**		**11,462.5**	**5,478.3**	**5,984.2**	
Derivative financial instruments	**70.6**		**70.6**		**107.9**		**107.9**	
Debt-related derivates	15.6		15.6		38.2		38.2	
Derivatives hedging commodities	2.8		2.8		7.7		7.7	
Derivatives hedging other items	52.2		52.2		62.0		62.0	
TOTAL	**12,078.5**	**5,695.7**	**6,382.8**	**-**	**11,570.4**	**5,478.3**	**6,092.1**	**-**

BORROWINGS AND DEBTS

Only listed bonds issued by SUEZ ENVIRONNEMENT COMPANY are presented in this table at Level 1. Other bonds are shown in this table at Level 2. These borrowings are notably revalued in terms of the interest rate components, the fair value of which is based on observable data.

DERIVATIVE FINANCIAL INSTRUMENTS

The rationale for determining the level of fair value of derivative financial instruments is presented in Note 8.5.1

8.6 Offsetting of derivative assets and liabilities

At June 30, 2015, as at December 31, 2014, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, SUEZ environnement has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These master netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

	June 30, 2015				Dec. 31, 2014 restated			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
In millions of euros	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross Amount [(a)]	217.5	(67.8)	0.1	(2.8)	201.2	(100.2)	0.5	(7.7)
Value after offsetting	**197.4**	**(47.7)**	**0.1**	**(2.8)**	**180.8**	**(79.8)**	**0.5**	**(7.7)**

(a) *Gross amount of recorded financial assets and liabilities.*

NOTE 9 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to market risks.

The risk management policy is described in Note 14 to the consolidated financial statements as at December 31, 2014.

9.1 Market risks

9.1.1 Commodity market risks

9.1.1.1 HEDGING OPERATIONS

The Group sets up cash flow hedges on fuel and electricity as defined by IAS 39 by using the derivative instruments available on over-the-counter markets, whether they are firm commitments or options, but always settled in cash. The Group's aim is to protect itself against adverse changes in market prices, which may specifically affect its supply costs.

9.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

The fair values of derivative instruments linked to commodities at June 30, 2015 and at December 31, 2014 are presented in the table below:

	June 30, 2015				Dec. 31, 2014 restated			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	0.1	-	2.8	-	0.5	-	7.7	-
TOTAL	**0.1**	**-**	**2.8**	**-**	**0.5**	**-**	**7.7**	**-**

9.1.2 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates when consolidating the financial statements of its non-eurozone foreign subsidiaries (translation risk).

Translation risk is mainly concentrated on equity holdings in the United States, United Kingdom, Chile and Australia. The Group's hedging policy with regard to investments in non-eurozone currencies consists in contracting liabilities denominated in the same currency as the cash flows expected to derive from the hedged assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign currency derivatives (swaps, cross currency swaps..), which allow for the creation of synthetic currency debts.

The sensitivity analysis was based on the net debt position (including interest rate and currency derivatives), and derivatives designated as net investment hedges at the reporting date.

As regards currency risk, the sensitivity calculation consists in evaluating the impact in the consolidated financial statements of a more or less 10% change in foreign exchange rates compared to closing rates.

INCOME SENSITIVITY TO CURRENCY RISK AFTER THE IMPACT OF FOREIGN EXCHANGE DERIVATIVES

Changes in exchange rates against the euro only affect income through gains and losses on assets and liabilities denominated in a currency other than the reporting currency of the companies carrying them on their statement of financial position, and to the extent that these assets and liabilities do not qualify as net investment hedges. A uniform more or less 10% change in foreign exchange rates against the euro would generate a gain or a loss of €5.3 million.

IMPACT ON EQUITY AFTER TAKING INTO ACCOUNT FOREIGN EXCHANGE DERIVATIVES

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform more or less 10% change in foreign exchange rates against the euro would have a positive or negative impact on equity of €156.0 million. This impact is offset by a counter effect on the net investment in the hedged currency.

9.1.3 Interest rate risk

The Group aims to reduce its financing costs by limiting the impact of interest rate fluctuations on its income statement.

The Group's policy is to diversify net debt interest rate references between fixed and floating rates. The Group's aim is to achieve a balanced interest rate structure for its net debt in the medium term (5 to 15 years). The interest rate mix may change depending on market trends.

The Group therefore uses hedging instruments (particularly swaps) to protect itself from increases in interest rates in the currencies in which the debt is denominated.

In 2014 and in 2015, to protect the refinancing of a portion of its debt, the Group set up forward interest pre-rate hedges maturing in nine years with deferred start dates in 2017 and 2018.

9.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE

The breakdown of the financial debt outstanding and of net debt before and after the inclusion of hedging derivatives by type of interest rate is set out in the tables below:

Outstanding borrowings

	June 30, 2015		Dec. 31, 2014 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	32%	40%	26%	33%
Fixed rate	59%	51%	65%	58%
Fixed rate indexed to inflation	9%	9%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	June 30, 2015		Dec. 31, 2014 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	8%	18%	0%	10%
Fixed rate	80%	70%	88%	78%
Fixed rate indexed to inflation	12%	12%	12%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**

9.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY

The sensitivity analysis was based on the net debt position as at the reporting date (including interest rate and currency derivative instruments).

For interest rate risk, sensitivity is calculated based on the impact of a rate change of more or less 1% compared with interest rates at June 30, 2015.

Income sensitivity to interest rate risk after impact of interest rate derivatives

A more or less 1% change in short-term interest rates (uniform for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives would have a negative or positive impact of €24.4 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €6.9 million in the income statement due to the change in fair value of non-qualified derivatives. On the other hand, a 1% decrease in interest rates would also generate a loss of €8.2 million.

Impact on equity after taking into account interest rate derivatives

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €47.1 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of €54.1 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

9.2 Counterparty risk

Through its operational and financial activities, the Group is exposed to the risk of default on the part of its counterparties (customers, suppliers, intermediaries, banks) in the event that they find it impossible to meet their contractual obligations.

9.2.1 Operating activities

The maturity of past-due trade and other receivables is broken down below:

Trade and other receivables	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2015	148.4	15.7	40.4	204.5	356.7	3 884.4	4,445.6
At December 31, 2014 restated	157.4	10.9	46.4	214.7	318.6	3 543.2	4,076.5

(a) *This figure corresponds to the nominal value of trade and other receivables that are partially or fully depreciated.*

The Group does not consider that it is exposed to any material credit concentration risk in respect of receivables, taking into account the diversified nature of its customer portfolio.

9.2.2 Financial activities

COUNTERPARTY RISK ARISING FROM LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE AND OTHER RECEIVABLES)

The maturity of past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables)	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2015	-	-	0.1	0.1	79.4	866.9	946.4
At December 31, 2014 restated	-	-	0.3	0.3	108.8	815.8	924.9

(a) *This figure corresponds to the nominal value of loans and receivables carried at amortized cost (excluding trade and other receivables) that are partially or fully depreciated.*

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment or amortized cost in the amount of, respectively, €77.6 million and €0.2 million as at June 30, 2015. The change in these items is presented in Note 8.1.

COUNTERPARTY RISK ARISING FROM INVESTING ACTIVITIES AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to counterparty risk on the investment of its cash surplus (cash and cash equivalents) and through its use of derivative financial instruments. Counterparty risk corresponds to the loss which the Group might incur in the event of counterparties failing to meet their contractual obligations. In the case of derivative instruments, that risk corresponds to positive fair value.

The Group invests the majority of its cash surplus in, and negotiates its financial hedging instruments with, leading counterparties. As part of its counterparty risk management policy, the Group has set up management and control procedures that focus on the counterparty's accreditation according to its credit ratings, its financial exposure, as well as objective market factors (Credit Default Swaps, market capitalization), plus an assessment of risk limits.

At June 30, 2015, "cash and cash equivalents" as well as derivative financial instruments, assets side after compensation, are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

Counterparty risk arising from investing activities	June 30, 2015 Total	Investment Grade [a]	Unrated [b]	Non Investment Grade [b]	Dec. 31, 2014 restated Total	Investment Grade [a]	Unrated [b]	Non Investment Grade [b]
% of exposure to counterparties	2,736.8	93%	3%	4%	2,430.1	92%	2%	6%

(a) *Conterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.*

(b) *Most of the two latter types of exposure consisted of consolidated companies with non-controlling interests or Group companies operating in emerging countries where cash cannot be centralized and is therefore invested locally.*

9.3 Liquidity risk

As part of its operating and financial activities, the Group is exposed to a risk of insufficient liquidity, preventing it from meeting its contractual commitments.

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

- diversification of financing sources between the banking and capital markets;
- balanced repayment profile of borrowings.

As at June 30, 2015, the Group's total net cash stood at €2,783.6 million, consisting of cash and cash equivalents of €2,539.3 million, financial assets at fair value through income of €79.3 million, and debt-related derivatives recorded as assets of €165.0 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at June 30, 2015, the Group specifically had €2,454.8 million in confirmed credit facilities, including €415.2 million already drawn; unused credit facilities therefore totaled €2,039.6 million, €157.1 million of which will be maturing before June 30, 2016.

74% of total credit lines and 80% of undrawn facilities are centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As at June 30, 2015, bank funding accounted for 11% of gross financial debt (excluding bank overdrafts and current accounts, as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 70% and commercial papers for 13%) represented 83% of outstanding borrowings (excluding bank overdrafts and current accounts).

At June 30, 2015, available cash, composed of cash and cash equivalents (€2,539.3 million) and financial assets measured at fair value through income (€79.3 million), net of bank overdrafts and liability current accounts (€801.7 million), amounted to €1,816.9 million.

The Group anticipates that its financing needs for the major planned investments will be covered by its net cash, the sale of mutual fund shares held for trading purposes, its future cash flows resulting from operating activities, and the potential use of available credit facilities.

At June 30, 2015, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond five years
Bonds issues	6,883.8	31.3	88.9	674.6	208.9	837.9	5,042.2
Commercial paper	1,321.0	1,321.0	-	-	-	-	-
Draw downs on credit facilities	415.2	124.2	211.0	9.6	10.3	38.3	21.8
Borrowings under finance leases	355.7	25.4	51.1	51.6	80.7	41.0	105.9
Other bank borrowings	717.1	78.3	136.0	152.0	162.3	88.7	99.8
Other borrowings	136.9	44.6	16.5	11.2	9.2	8.2	47.2
Overdrafts and current accounts	801.7	801.7	-	-	-	-	-
Outstanding borrowings	**10,631.4**	**2,426.5**	**503.5**	**899.0**	**471.4**	**1,014.1**	**5,316.9**
Financial assets relating to financing	(0.8)	-	-	-	-	-	(0.8)
Financial assets measured at fair value through income	(79.3)	(79.3)	-	-	-	-	-
Cash and cash equivalents	(2,539.3)	(2,539.3)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**8,012.0**	**(192.1)**	**503.5**	**899.0**	**471.4**	**1,014.1**	**5,316.1**

As at June 30, 2015, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond five years
Undiscounted contractual interest payments on outstanding borrowings	**2,540.4**	128.5	308.7	303.1	260.0	251.3	1,288.8

At June 30, 2015 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond five years
Derivatives (excluding commodities)	**(117.3)**	3.5	(16.3)	(19.8)	(17.5)	(20.8)	(46.4)

In order to best reflect the economic circumstances of operations, the cash flows related to derivatives recognized as liabilities and assets presented above are net positions.

Moreover, the values presented above are positive for a liability, and negative for an asset.

The maturity of the confirmed undrawn credit facilities is as follows:

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond five years
Confirmed undrawn credit facilities	**2,039.6**	17.7	141.1	59.9	60.7	254.3	1,505.9

As at June 30, 2015, no counterparty represented more than 13% of confirmed unused credit facilities.

NOTE 10 Non-controlling interests

SUEZ environnement fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 100% at June 30, 2015.

The Agbar group includes the Chilean holding company IAM in its consolidated financial statements with a percentage of interest of 56.6%.

IAM includes the Chilean operating company Aguas Andinas in its consolidated financial statements with a percentage of interest of 50.1%.

Aguas Andinas is therefore fully consolidated within the SUEZ environnement Group with a percentage of interest of 28.4%.

IAM and Aguas Andinas are both listed entities on the Santiago de Chile Stock Exchange (Chile).

Summarized financial information on the Aguas Andinas (at 100%) appears below in accordance with IFRS 12.

They are extracted from the data published by the company.

Summarized Statement of financial position at 100%

In millions of euros	March 31, 2015 [(a)]	December 31, 2014
Non-current assets	2,209.3	2,016.7
Current assets	209.2	173.3
of which Cash and cash equivalents	*26.7*	*35.7*
TOTAL ASSETS	**2,418.5**	**2,190.0**
Shareholders' equity, Group share	983.3	832.6
Non-controlling interests	84.9	75.8
Total shareholders' equity	**1,068.1**	**908.4**
Non-current liabilities	1,150.7	1,040.9
Current liabilities	199.6	240.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,418.5**	**2,190.0**
Closing exchange rate CLP/EUR	669.6	733.6

(a) *The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's interim condensed consolidated financial statements were published. The summarized statement of financial position at March 31, 2015 is extracted from the most recent published data (not audited).*

Summarized Income Statement at 100%

In millions of euros	March 31, 2015 [(a)]	March 31, 2014
Revenues	186.5	158.4
Operating profit/(loss)	96.4	85.1
Net income – Group share	67.8	54.1
Net income – non-controlling interests	1.7	1.3
Net income	**69.4**	**55.5**
Other comprehensive income (OCI)	-	-
Comprehensive income	**69.4**	**55.5**
Average exchange rate CLP/EUR	702.3	755.7

(a) *The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's interim condensed consolidated financial statements were published. The summarized income statement at March 31, 2015 is extracted from the most recent published data (not audited).*

Dividends paid at 100%

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by Aguas Andinas at March 31	55.3	49.0

The contribution of the Agbar group to "non-controlling interests" reaches €1,099.8 million out of a total of €1,524.9 million at June 30, 2015, *versus* €1,100.8 million out of a total of €1,518.5 million at December 31, 2014.

The contribution of €1,099.8 million at June 30, 2015 is primarily the result of the 71.6% non-controlling interest in Aguas Andinas in Chile.

NOTE 11 Provisions

In millions of euros	December 31, 2014 restated	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [a]	Translation adjustments	Other	June 30, 2015
Post-employment benefit obligations and other long-term benefits	774.3	1.7	(9.8)	(19.3)	-	10.0	19.4	(67.6)	708.7
Sector-related risks	113.6	0.8	(0.9)	(1.9)	0.1	-	0.1	0.6	112.4
Warranties	24.9	2.4	(3.6)	-	-	-	0.5	(0.8)	23.4
Tax risks, other disputes and claims	172.2	5.2	(8.1)	(0.1)	-	-	0.7	0.1	170.0
Site restoration	556.6	16.0	(17.7)	(1.7)	-	10.0	13.5	0.2	576.9
Restructuring costs	25.4	7.2	(5.9)	-	0.1	-	0.4	0.8	28.0
Other contingencies	327.7	29.9	(30.5)	(1.5)	(0.3)	3.7	5.4	15.8	350.2 [b]
TOTAL PROVISIONS	**1,994.7**	**63.2**	**(76.5)**	**(24.5)**	**(0.1)**	**23.7**	**40.0**	**(50.9)**	**1,969.6**

(a) *The discounting impact on post-employment and other long-term benefits relates to the interest expense calculated on the net amount of pension obligations and the fair value of plan assets, in accordance with IAS 19 revised.*

(b) *Provisions for "other contingencies" include a provision for onerous contracts for €105.9 million at June 30, 2015 versus €114.1 million at December 31, 2014, following the acquisition of WSN by Sita Australia in 2010.*

For the first half of 2015, the variation of total provisions mainly derived from:

- the decrease in provisions for site restoration of -€3.2 million excluding exchange rate and unwinding discount adjustment impacts;
- the decrease in provisions for post-employment and other long-term benefits of -€95.0 million excluding exchange rate and unwinding discount adjustment impacts. This variation takes into account -€63.8 million of actuarial gains posted in the column "Other" of the above table;
- the translation adjustments of +€40.0 million, which are primarily generated by the American and British subsidiaries;
- the +€23.7 million impact of unwinding discount adjustments related to provisions for site restoration, post-employment benefit obligations and other long-term benefits, and onerous contracts.

The allowances, reversals and the impact of unwinding discount adjustments presented above are broken down as follows in the consolidated income statement as at June 30, 2015:

In millions of euros	(Reversals)/net allowances
Income from operating activities	(35.8)
Other financial income and expenses	23.7
Income tax expense	(2.0)
TOTAL	**(14.1)**

NOTE 12 Share-based payments or cash-based payments

Expenses recognized in respect of share-based payment or cash-based payments are as follows:

	(Expense) for the period	
In millions of euros	June 30, 2015	June 30, 2014 restated
Stock-option plans [(a)]	-	0.4
Performance share plans [(a)]	0.7	2.5
Worldwide financial incentive scheme	(5.1)	(5.2)
Employees share issues [(b)]	1.1	(3.1)
Long-term incentive plan [(c)]	(5.0)	(1.5)
TOTAL	**(8.3)**	**(6.9)**

(a) *Incomes presented for stock options and performance share plans in 2015 take into account the partial achievement of performance conditions on 2012 and 2013 plans.*
(b) *Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the expense of the first half of the year 2015 related to capital increases reserved for employees amounts to -€1.4 million versus -€3,9 million in the first half of the year 2014.*
(c) *For comparability purposes, the 2014 figures have been changed to show the impact in the income statement of the long-term incentive plan, decided by the Board of Directors of March 26, 2014.*

These expenses are recognized in accordance with IFRS 2 and IAS 19.

All transactions and allocations prior to 2015 are disclosed in Note 23 to the consolidated financial statements at December 31, 2014 in the SUEZ ENVIRONNEMENT COMPANY Reference Document.

Long-term incentive plan

The Board of Directors, in its meeting of January 14, 2015, has decided to implement a long-term incentive plan in the form of a cash bonus, whose total budget amounts to €15.2 million, which concerns 1,780 beneficiaries.

The vesting period runs from January 14, 2015 to March 30, 2018 included.

This cash bonus plan is conditional upon the following performance conditions:

For 607 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, concerning the trend of the Total Shareholder Return of SUEZ ENVIRONNEMENT COMPANY over the period between January 1, 2015 and December 31, 2017 included, compared with the trend in the Total Shareholder Return of the Eurostoxx Utilities indices over the same period;
- a non-market performance condition based on the Group's cumulative recurring net Income (defined as net income, Group share, excluding exceptional items) from January 1, 2015 to December 31, 2017 included;
- a non-market performance condition based on the Group's cumulative EBITDA from January 1, 2015 to December 31, 2017 included.

Furthermore, the amount of the payment to these 607 beneficiaries, can be increased or decreased by 10% according to the level of the man/woman parity rate in the Group management on December 31, 2017.

For the other beneficiaries, all granted bonuses are subject to both non-market performance condition, the Group's EBITDA and recurring net income between January 1, 2015 and December 31, 2017 included.

Market performance condition is measured using Monte Carlo simulations.

The fair value of this plan results in a total expense of -€10.4 million, recognized on a straight line basis over the duration of the plan. Thus, this plan has generated an expense in the 2015 half-year consolidated accounts of -€2.2 million (taking into account the social contributions).

In addition, the 2014 long-term incentive plan has generated an expense of -€2.8 million in the first half of the year 2015.

NOTE 13 Legal and arbitration proceedings

13.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €170.0 million as at June 30, 2015 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of, that is suspended or with which it is threatened, likely to have or that has already had, in the past six months, a material impact on the Group's financial position or profitability.

Litigation in Argentina

In Argentina, tariffs applicable to public-service contracts were frozen by the Public Emergency and Exchange Regime Reform Law (Emergency Act) in January 2002, preventing the application of contractual price indexation that would apply in the event of a depreciation of the Argentine peso against the US dollar.

In 2003, Suez – now ENGIE – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The proposal provided for an initial payment of 20% (about USD40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD6.1 million and USD3.8 million respectively.

For the record, SUEZ and SUEZ environnement – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange – agreed to the economic transfer to SUEZ environnement of the rights and obligations associated with the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

The reports on the Buenos Aires and Santa Fe concessions were presented by the expert to the ICSID respectively in September 2013 and in April 2014. Regarding the Buenos Aires concession, ICSID rendered its decision on April 9, 2015 ordering the Argentine Republic to pay Aguas Argentinas shareholders USD405 million in damages (including USD346 million to SUEZ environnement and its subsidiaries). This decision is an important step in the process of resolving this dispute. The next step is to ensure the execution of the ICSID's decision, which could be appealed by the Argentine Republic. The decision on the Santa Fe concession should be rendered in 2015.

The Group considers that the provisions recorded in the financial statements relating to this litigation are appropriate.

13.2 Tax litigation

Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

In court, the company challenged these notices, which were, for each period in question, justified with similar arguments by the tax authorities. Agbar considers the tax authorities' arguments groundless.

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal made by the Spanish government with respect to 1996 and 1997, Agbar received the repayment of €4.1 million in taxes wrongly levied as well as €1 million in late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008, the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, Agbar was awarded a partially favorable decision by the court of appeal and Agbar subsequently filed an appeal with the Supreme Court concerning the disputes related to the reassessments upheld. The Spanish government also appealed the ruling in favor of Agbar.

On October 25, 2012, Agbar was given the ruling of the Supreme Court, validating what had been decided by the Court of Appeals.

Agbar received notification of the decision of the Supreme Court in March 2013 and paid the sum of €20 million corresponding to the principal. The interest of €9 million was challenged before the Central Administrative Tribunal.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012, the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeals regarding the other elements for which the Administrative Court has not held in favor of Agbar.

NOTE 14 Related party transactions

The purpose of this Note is to disclose any transactions that exist between the Group and its related parties, as defined by IAS 24. As regards the half-year closing, compensation for key executives will not be disclosed in this Note.

Only material transactions are described below.

14.1 Transactions with the ENGIE group

In millions of euros	June 30, 2015	December 31, 2014 restated	June 30, 2014 restated
Transactions with ENGIE:			
Purchases/sales of goods and services	-	5.7	(0.9)
Non financial payables	2.5	0.3	21.1
Non financial receivables	0.3	0.4	0.8
Receivables carried at amortized cost [a]	20.5	21.1	22.9
Transactions with companies linked to ENGIE:			
Purchases/sales of goods and services	-	0.6	(1.2)
Non financial receivables	28.9	29.7	28.8
Non financial payables	3.0	3.2	2.1
Borrowings excluding financial instruments	1.2	0.9	-
Commodity derivatives (Liabilities)	0.8	2.5	0.2
Guarantees and commitments given	0.5	0.5	0.4

(a) *Refer to Note 2.2.1 of the chapter 20 of the 2009 SUEZ environnement Reference Document – Synthetic Argentinean contract.*

14.2 Transactions with joint operations, joint ventures and associates

14.2.1 Joint operations

The Group has a €302 million current account in the joint venture that was responsible for the construction of the seawater desalination plant near Melbourne (Australia). This joint operation is proportionately consolidated at 35%. The non-Group share of €196 million was recognized under assets in the Group's consolidated statement of financial position.

14.2.2 Joint ventures and associates

There was no significant transaction or commitment involving joint ventures or associates in the first halt of 2015.

NOTE 15 Subsequent event

There is no subsequent event.

6 Declaration of the person responsible for the Interim Financial Report

Paris, July 29, 2015

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2015 have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company and all of the consolidated companies. I also certify that the interim management report presents a true and fair picture of the significant events over the first six months of the year, their impact on the financial statements, the major related party transactions and a description of the main risks and uncertainties they face for the remaining six months of 2015.

The Statutory Auditor's Report on their review of the above-mentioned interim condensed consolidated financial statements, presented in chapter 7 of this Interim Financial Report, contains an observation that does not put their opinion into question. This observation outlines the impact of the new standards and amendments whose application is mandatory from January 1, 2015 and in particular of the first application of the new interpretation of IFRIC 21.

Jean-Louis Chaussade

Chief Executive Officer

SUEZ ENVIRONNEMENT COMPANY

7 Statutory Auditors' Review Report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1 to June 30, 2015;
- the verification of the information presented in the half-yearly management Report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to Note 1.3.1 "Standards, amendments and interpretations applied by the Group starting January 1, 2015" to the condensed half-yearly consolidated financial statements, which outline the impact of the first application of the new interpretation of IFRIC 21.

2. Specific verification

We have also verified the information provided in the half-yearly management Report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 28, 2015

The Statutory Auditors
French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Gonzague Senlis	Isabelle Massa	Stéphane Pedron	Jean-Pierre Letartre

This is a free translation into English of the Statutory Auditors' Review Report on the half-yearly financial information issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group's half-yearly management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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