INTERIM FINANCIAL REPORT

AT JUNE 30,

2012

SUMMARY

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER 3

2 KEY FIGURES FOR THE FIRST HALF OF 2012 4

3 2012 HIGHLIGHTS – CONTRACTS 5

4 INTERIM MANAGEMENT REPORT 7

4.1	Revenues and operational results	8
4.2	Operating segments	9
4.3	Other income statement items	9
4.4	Financing	10
4.5	Other statement of financial position items	11
4.6	Related party transactions	11
4.7	Description of the main risks and uncertainties for the remaining six months of the year	11
4.8	Outlook for 2012	11

5 CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2012 13

5.1	Consolidated statements of financial position	13
5.2	Consolidated income statements	14
5.3	Consolidated statements of comprehensive income	15
5.4	Statements of changes in consolidated shareholders' equity	16
5.5	Consolidated statements of cash flows	17
5.6	Notes to the consolidated financial statements	18

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT 49

7 STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION 50

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In a difficult and uncertain macro-economic context since the beginning of the year, SUEZ ENVIRONNEMENT posted revenues of €7,323 million for the first half of 2012, steady when compared to 2011.

EBITDA was €1,133 million, down from the first half of 2011, particularly following the slowdown of waste activities in Europe. The EBITDA margin on revenues was 15.5%. The free cash flow was €498 million, up from June 30, 2011, and the net result (Group share) was €40 million, affected by non-recurring elements such as a €58 million depreciation subsequent to remeasurement to fair market value of our shares in Acea and an additional provision of €83 million relating to the Melbourne desalination plant. Net financial debt is €7,878 million, a slight increase in comparison to the end of December 2011 (€7,449 million).

The Water Europe activities, both in Spain and in France, are growing and are achieving several commercial successes, such as the winning of the Vinon-sur-Verdon and Morez canton contracts in France, the renewals of the Arona contract in Spain, and, very recently, of the wastewater contract in Bordeaux (France), for a 6-year period.

Activities in the United States, China, Australia and Morocco are also growing. Degrémont's revenues are down, following the progress of the Melbourne contract and the completion of construction contracts in France and the Middle East. Nevertheless, over the course of the first half of 2012, Degrémont has won contracts in Perth in Australia, Baraki in Algeria, or As Samra in Jordan.

With industrial production falling and an uncertain outlook in Europe, the waste activities have been impacted by a decrease in volumes treated of -3.2% at the end of June. However, Sita has won important local contracts such as in Lyon and Valenciennes in France or Neuwied in Germany.

In a macro-economic context more difficult in Europe than foreseen at the beginning of the year, SUEZ ENVIRONNEMENT has immediately reacted, and implemented a supplementary action plan for 2012, by deciding, on the one hand, to increase the profitability requirements for the COMPASS costs optimization program by €40 million, and on the other hand to lower the net investments budget for the year by €100 million.

SUEZ ENVIRONNEMENT is benefiting from solid positioning and a robust development model. With a balanced assets portfolio and water and waste activities supported by strong growth drivers, SUEZ ENVIRONNEMENT is thus implementing the measures required to preserve its financial stability and its future growth and, in this way, shows its capacity to develop its growth model. The Group anticipates stable revenues and EBITDA for the year 2012 versus 2011.

Jean-Louis Chaussade

2 KEY FIGURES FOR THE FIRST HALF OF 2012

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, 2012 and June 30, 2011.

The following financial information should be read in conjunction with the condensed consolidated financial statements and the Interim Management Report which follow.

In millions of euros	June 30, 2012	June 30, 2011
Revenues	7,323	7,376
EBITDA	1,133	1,233
EBITDA margin	*15.5%*	*16.7%*
Net income Group share	40	221
Free cash flow (1)	498	324
Net debt	7,878	7,449 (2)
	at June 30, 2012	*at December 31, 2011* (2)

(1) before disposals and development capital expenditures.

(2) 2011 data restated following the change in the definition of net financial debt; see Chapter 5, Note 7.3; the net financial debt figure published in the Reference Document for 2011 was €7,557 million.

3 2012 HIGHLIGHTS – CONTRACTS

January 2012

France: Lyonnaise des Eaux renewed its contract with *Syndicat Intercommunal à Vocation Unique* of Ura (Pyrénées Atlantiques) under the form of a delegation of public service. This 9-year contract represents cumulative revenues of €18 million.

France: Lyonnaise des Eaux signed a wastewater treatment contract with the town of Vinon-sur-Verdon (Var). This 20-year contract represents cumulative revenues of €9 million.

France: Lyonnaise des Eaux signed a wastewater treatment contract with *Syndicat Mixte* of the Morez canton (Jura). This 12-year contract represents cumulative revenues of €7 million.

SUEZ ENVIRONNEMENT: SUEZ ENVIRONNEMENT and Agbar have received the highest classification, "Gold Class", in the sustainable development yearbook prepared by SAM (Sustainable Asset Management) in collaboration with KPMG.

February 2012

Belgium: Sita Belgium renewed its collection contract with *Association Intercommunale pour la Protection et la Valorisation de l'Environnement* (AIVE). This 8-year contract represents cumulative revenues of €19 million.

Germany: Sita Deutschland won the Neuwied (Rhineland-Palatinate) collection contract. This 3-year contract represents cumulative revenues of €12 million.

Germany: SUEZ ENVIRONNEMENT finalized the sale of its German subsidiary Eurawasser, a specialist in drinking-water distribution and wastewater services, to the Remondis group. The operation that was announced in December 2011 and is worth a total of €95 million, equal to 14.6 times the 2010 Net Income, has received approval from the relevant competition authorities.

March 2012

United States: United Water signed an O&M contract with the city of Bayonne (New Jersey). This 20-year contract represents cumulative revenues of €55 million.

International: SUEZ ENVIRONNEMENT took part in the 6th World Water Forum in Marseilles (France). The Group was involved in proposing new solutions specific to areas linked to social responsibility, stakeholder dialogue, research and innovation and governance.

April 2012

Australia: Degrémont signed a contract with Western Australia Public Water Utility for the operation and maintenance of drinking water production and wastewater treatment installations in Perth. This 10-year contract, which includes the possibility of a 5-year extension, represents cumulative revenues of €294 million.

Algeria: Degrémont signed a design, construction and infrastructure contract with the city of Baraki. This 3-year contract represents cumulative revenues of €31 million.

International: SUEZ ENVIRONNEMENT went into partnership with Redox Maritime Technologies, a company specializing in ozonation, through its innovation investment funds Blue Orange in order to develop a new ozone treatment technology for ship ballast water.

May 2012

France: Sita renewed its contract with *SITOM des Vallées du Mont Blanc* under the form of a delegation of public service for the management of the waste-to-energy recovery unit (WtERU) in Passy in the Chamonix-Mont-Blanc valley. This 15-year contract represents cumulative revenues of €89 million.

France: Sita was reappointed to manage household waste collection for 6 districts of the city of Lyon as well as household waste for the city of Villeurbanne. This 5-year contract represents cumulative revenues of €53 million.

Brazil: Aqualogy, an Agbar subsidiary, signed a contract for the drafting of the Limeira wastewater plant construction plan with Foz do Brasil, an Odebrecht subsidiary.

United States: United Water was preselected for operation and maintenance of wastewater treatment assets for Nassau County (Long Island, New York). This contract is the largest public-private partnership in the country.

June 2012

Jordan: Degrémont was awarded a 25-year public-private partnership with the Jordanian ministry of Water and Irrigation in order to expand the As Samra wastewater treatment plant. The contract represents revenues for the construction activities of €150 million for Degrémont and its partner. The expansion works should last 3 years, followed by 22 years of operation.

France: Sita won household waste collection and sorting for the city of Valenciennes. This 5-and-a-half-year contract is worth €68 million of cumulative revenues.

The Netherlands: Degrémont was awarded an engineering and infrastructure supply contract for installation of effluent treatment at the BP refinery in Rotterdam. This contract is worth €11 million in cumulative revenues.

Hungary: Following the preliminary agreement signed on April 16, 2012, SUEZ ENVIRONNEMENT and RWE sold, on June 29, 2012, their respective 25% share in Budapest Water Works, the Budapest water company acquired in 1997, to the city of Budapest.

France: SUEZ ENVIRONNEMENT issued a bond tranche of €250 million, in addition to an existing tranche maturing in 2022 and bearing a coupon of 4.125% The Group has also redeemed €191 million of the tranche maturing in April 2014 and bearing a coupon of 4.875%.

July 2012

SUEZ ENVIRONNEMENT: SUEZ ENVIRONNEMENT signed a research collaboration agreement with the Danish Hydraulic Institute and the Nanyang Technological University (Singapore) to optimize the existing wastewater treatment plants and develop the positive energy wastewater treatment plant.

SUEZ ENVIRONNEMENT: At the Rio Earth Summit, SUEZ ENVIRONNEMENT reaffirmed its role as a provider of technical and partnership solutions for local authorities, local governments and industries. The United Nations Conference on Sustainable Development, known as Rio+20, came to an end with mixed political results. It has however allowed civil society to assert its decisive role in the evolution of global governance with respect to the environment. And at the heart of this, companies participated in debates, providing a reminder of the place they hold in working towards a greener economy.

France: Lyonnaise des Eaux renewed its wastewater treatment contract with the Urban Community of Bordeaux (CUB), subject to a vote by the *Assemblée Communautaire* on September 21, 2012. This 6-year contract represents cumulative revenues of €243 million.

4 INTERIM MANAGEMENT REPORT

In the context of a difficult and uncertain economic climate in Europe since the beginning of the year, SUEZ ENVIRONNEMENT's activity remained stable for the first half of 2012 (-0.7%).

The **EBITDA** and the **current operating income** fell by -8.1% and -18.0% respectively mainly because of the decline in the waste activity in Europe and in the activity of the International segment: this evolution is explained by the impact on Degrémont of the progress of the Melbourne plant construction and the end of contracts in France and the Middle East.

The **net income Group share** was €40 million down -€181 million compared to the first half of 2011. This variation is explained in particular by the decline in current operating income, as well as the impact of the impairment following the remeasurement to market value of the shares held in Acea (-€58 million) and finally by the year-on-year increase of restructuring costs (-€24 million).

The **free cash flow** before disposals and development investments rose to €498 million, up compared to the free cash flow for the first half of 2011 of €324 million. This increase is mainly due to the improvement in working capital requirements, following the set-up of a securitization program allowing derecognition of the receivables (see Chapter 5, Note 7.3.3).

The **net financial debt** was €7,878 million at June 30, 2012, against €7,449 [(1)] million at December 31, 2011. This increase is mainly due to the dividend payment schedule in June 2012 paid in cash (€441 million) and the negative impact of the exchange rate effects (-€148 million). As a reminder, in 2011, 78.4% of SUEZ ENVIRONNEMENT COMPANY shareholders opted for a scrip dividend.

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2012

Sale of Eurawasser

On February 13, 2012, SUEZ ENVIRONNEMENT finalized the sale of its German subsidiary Eurawasser, which specializes in drinking-water distribution and wastewater services, to the Remondis group. Announced in December 2011, the transaction for a consideration of €95 million received the approval by the relevant antitrust authorities.

SUEZ ENVIRONNEMENT and RWE signed an agreement with the city of Budapest to purchase their interest in Budapest Water Works

In accordance with the preliminary agreement signed on April 16, 2012, SUEZ ENVIRONNEMENT and RWE sold their respective 25% stake in Budapest Water Works, acquired in 1997, to the city of Budapest on June 29, 2012.

This amicable agreement was an outcome of the city's wish to directly manage the water service operations and was signed in accordance with the terms of the contract.

Melbourne desalination plant contract

An additional provision of €83 million was recognized at June 30, 2012 for the construction of the Melbourne desalination plant. This provision, which impacts current operating income, will cover:

- additional costs for the completion of construction (expected end of 2012) for €35 million;
- various contingencies, for a total of €48 million, within a complex contractual and local context.

The construction of this plant took place in 2011 under unfavourable weather conditions and low productivity which delayed construction by 6 months leading to water production at mid-2012 and the commissioning at the end of 2012. The physical completion of the project is 95%. Commissioning of the reverse osmosis plant started in May 2012 and first desalinated water production began at the end of June.

(1) 2011 data restated following the change in the definition of net financial debt; see Chapter 5, Note 7.3; the net financial debt figure published in the Reference Document for 2011 was €7,557 million.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe that most of the costs overruns encountered to date are partly due to force majeure events, and that they cannot be totally attributed to them. Therefore, the construction Joint Venture has submitted claims totalling more than AUD 1 billion.

Intermediated Tender Offer on the 2014 bond and new bond issue

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group’s average debt maturity.

On the same day, SUEZ ENVIRONNEMENT COMPANY, further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 bearing a fixed coupon of 4.125%.

The 2014 tranche was hedged by “fixed-to-floating” swaps, qualified as fair value hedges, that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by “fixed-to-floating” swaps, qualified as fair value hedges.

4.1 REVENUES AND OPERATIONAL RESULTS

Within the context of a difficult economic climate in Europe since the beginning of the year, SUEZ ENVIRONNEMENT has recorded revenues of €7,323 million, down -0.7%. This -€53 million fall in revenues breaks down as follows:

- an organic decrease of -€104 million. The Water Europe segment was up by +€50 million (+2.4%) in particular thanks to steady volumes and tariff increases. The Waste Europe segment posted an increase of +€45 million (+1.4%) thanks to the increase of the recycling and recovery activities, but partially offset by the decline in the services activities. Finally, the International sector posted a decrease of -€197 million (-9.4%) due to the progress of the Melbourne desalination plant construction;
- the impacts of unfavorable scope effects of -€74 million mainly as a result of the disposals of Bristol Water in the United Kingdom (in the second half of 2011) and Eurawasser in Germany (in the first half of 2012);
- favorable exchange rate effects of +€126 million mainly involving the Australian dollar (+€46 million), the US dollar (+€29 million), the pound sterling (+€25 million) and the Chilean peso (+€13 million).

EBITDA fell by -€99 million to €1,133 million, down -8.1%, due to the following factors:

- an organic decrease of -€86 million (-7.0%), mainly linked to the Waste Europe and International segments;
- negative impact of scope effects of -€33 million;
- positive exchange rate impact of +€20 million.

The current operating income (EBIT) stood at €460 million, down by -€101 million (-18.0%) compared to the first half of 2011.

Income from operating activities stood at €403 million, down by -€178 million compared with the first half of 2011. This decrease resulted mainly from the remeasurement to fair market value of our shares in Acea for a total of -€58 million and the increase in restructuring costs (-€24 million).

Net income Group share was €40 million. The decrease of €181 million is mainly explained by the impact of the above effects, and the increase of financial expenses. Earning per share amounts to €0.06 in the first half of 2012, versus €0.43 per share in the first half of 2011.

4.2 OPERATING SEGMENTS

Within the context of a difficult economic climate in Europe, **revenues** stood at €7,323 million down -0.7%. The organic variation is -1.4% (-€104 million) and is broken down by operating segment as follows:

Water Europe posted organic revenue growth of +2.4% (+€50 million) thanks to:

- an organic growth of +2.9% for Lyonnaise des Eaux (+€32 million) due to tariff indexation formulas and the development of new offers (innovative technological solutions combining environmental and economic performance);
- organic growth of +1.8% for Agbar (+€17 million) due to increased volumes in Chile (+2.8%), and in Spain (+1.0%) and to tariff increases in these two countries.

The +1.4% in the organic growth of revenue in the **Waste Europe** segment (+€45 million) is impacted by falling industrial production in Europe, which is reflected in a -3.2% in treated volumes at the end of June 2012. Revenues benefit from the increase of the recovery activity due to the construction of EfW (Energy from Waste) plants in France and in the United Kingdom, which partially offset the decline in the services activities. The organic variation however is +2.1% in France, +4.4% in the United Kingdom and Scandinavia and -2.3% in the Benelux/Germany area, with particularly harsh macro-economic conditions in the United Kingdom and the Netherlands.

The **International** segment posted organic variation of -9.4% (-€197 million), arising from the following trends:

- a sharp decrease for Degrémont (-31.0%, -€272 million) due to the progress of the Melbourne desalination plant construction and the end of contracts in France and the Middle East;
- dynamic activity in Asia-Pacific (up +10.2%, or +€52 million) mainly in Australia, Hong Kong and China;
- growth in North America (+4.1%, or +€12 million), as a result of tariff increases offsetting a slight decrease in invoiced volumes;
- finally, growth in the Central Europe – Maghreb – Middle East zone (up +2.8%, +€11 million) particularly due to waste activities in Poland and water and waste activities in Morocco.

EBITDA was €1,133 million, with organic variation of -7.0% (-€86 million) broken down as follows:

- **Water Europe** showed strong organic growth of +3.2%, (+€19 million);
- the **Waste Europe** segment fell by -14.7% (-€65 million) affected by the drop in industrial production in Europe, resulting in a fall in treated volumes of -3.2% at the end of June 2012. As a consequence, SUEZ ENVIRONNEMENT has decided, for 2012, on the one hand, to increase the profitability requirements for the COMPASS costs optimization program by €40 million, and on the other hand to lower the net investments budget for the year by €100 million;
- in the **International** segment, EBITDA was down -17.2% (-€41 million) mainly due to additional expenses for the construction of the Melbourne desalination plant, and the end of contracts in France and the Middle East.

4.3 OTHER INCOME STATEMENT ITEMS

Income from operating activities stood at €403 million on June 30, 2012, down -€178 million compared to June 30, 2011; this evolution is mainly explained by the additional provision of -€83 million for the Melbourne desalination plant and the decline in activity in the Waste Europe segment. With the **current operating income** of €460 million, gains and losses on disposals, scope effects, restructuring costs and impairments of assets amount to a total of -€57 million, mainly due to the remeasurement to fair market value of the shares in Acea for a total of -€58 million.

The **financial result** at June 30, 2012 was -€210 million versus -€183 million for the first half of 2011. This decrease of the financial result is mainly explained by a slight increase of the net debt on the one hand, and of its cost on the other hand, related to the extension of its maturity, and finally by the decline of the dividends received from Acea.

Income tax expense declined by €45 million compared to the first half 2011. The effective tax rate stood at 24.8% mainly due to operating companies being located in countries with lower tax rates than in France.

The share in net income of associates decreased slightly by -€2 million compared to June 30, 2011.

Net income attributable to non-controlling interests was €117 million, an increase of +€18 million compared to the first half of 2011; this increase is mainly due to the good performance of Agbar's Chilean activities.

4.4 FINANCING

Cash flows from operating activities

Cash flows generated from operating activities before financial expense and income tax totaled €985 million as at June 30, 2012, down €78 million compared to June 30, 2011, mainly due to the decrease in EBITDA.

Working capital requirements (WCR) had a positive impact of +€14 million on the first half, particularly due to the implementation of a new securitization program with derecognition of the receivables generating a positive impact of €164 million.

In total, cash flows from operating activities produced a +€956 million cash surplus on first half 2012, up by +€108 million compared to June 30, 2011, due to a positive WCR in first half 2012.

Cash flows from investing activities

Cash flows from investing activities included namely:

- maintenance capital expenditure in the amount of €280 million, that is 3.8% of the Group's consolidated revenues;
- development capital expenditure in the amount of €319 million;
- financial investments of €86 million of which €58 million is linked to the progressive payment of capital of Aquasure, the project company for the construction of the Melbourne desalination plant, in accordance with the capital payment schedule;
- disposals for €118 million on first half 2012 mainly deriving from the disposal of Eurawasser;
- the increase in receivables from concessions contracts with the construction of new industrial facilities in France and the United Kingdom for €53 million.

In total, cash flows from investing activities generated a cash shortfall of €630 million, against €757 million for the first half of 2011, which notably included €173 million for the acquisition of the company WSN Environmental Solutions in Australia.

Cash flows from financing activities

A total of €441 million in cash dividends was paid (compared to €170 million in 2011). This increase is explained by the choice offered in 2011 to the SUEZ ENVIRONNEMENT COMPANY shareholders to opt for a scrip dividend. This option was chosen by 78% of shareholders and resulted in a capital increase of €248 million.

Unlike the first half of 2011, in which the transfer of mutual fund investments generated €256 million cash, no significant movement on this type of investment had taken place in the first half 2012.

Overall, financing activities generated a cash shortfall of €694 million in the first half of 2012, versus a surplus of €111 million in 2011.

Net debt at June 30, 2012

Net debt as at June 30, 2012 was €7,878 million compared to €7,449 [(1)] million at the end of December 2011. This increase was mainly due to:

- the increase in the dividends fully paid in cash in 2012 compared to 2011, where the option for a scrip dividend was offered;
- negative foreign exchange impacts (-€148 million).

The good level of cash generation by operating activities and the maintaining of investment selectivity have made a favorable contribution to net debt.

As of June 30, 2012, the Group had unused authorized credit facilities of €2,260 million.

(1) 2011 data restated following the change in the definition of net financial debt; see Chapter 5, Note 7.3; the net financial debt figure published in the Reference Document for 2011 was €7,557 million.

4.5 OTHER STATEMENT OF FINANCIAL POSITION ITEMS

Net intangible assets and **goodwill** totalled €7,319 million, virtually unchanged from December 31, 2011 (+€28 million).

Net tangible assets rose to €8,916 million, against €8,783 million at December 31, 2011, up +€133 million, mainly due to the effects of positive exchange rates and the investments during the first six months of 2012, partially compensated by depreciation for the period.

Investments in associates and **available-for-sale securities** were almost unchanged at €484 million and €389 million respectively.

Total shareholder equity amounted to €6,675 million, a fall of -€142 million compared to December 31, 2011, after taking into account dividends in the amount of €486 million (€441 million of which being paid at the end of June 2012).

Provisions were relatively steady as at June 30, 2012 at €1,887 million versus €1,835 million as at December 31, 2011.

Deferred taxes represent a net asset of €219 million, against €157 million at December 31, 2011. This increase is mainly due to the loss carry-forwards as well as to the actuarial gains and losses on provisions for post-employment benefits.

4.6 RELATED PARTY TRANSACTIONS

Note 12 to the condensed consolidated financial statements hereafter provides details on the significant related party transactions. These transactions essentially involve GDF SUEZ (primarily the synthetic Argentinean agreement) and companies related to GDF SUEZ (financing of SUEZ ENVIRONNEMENT COMPANY).

4.7 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE YEAR

The section on Risk factors (Chapter 4) of SUEZ ENVIRONNEMENT COMPANY's 2011 Reference Document provides a detailed description of the Group's risk exposure. No other risks or uncertainties are expected other than those presented in this document.

4.8 OUTLOOK FOR 2012

In the context of a difficult and uncertain economic climate in Europe since the beginning of the year, SUEZ ENVIRONNEMENT has made it a priority to protect its profitability and to maintain a sound balance sheet. For the financial year 2012 the Group anticipates [1]:

- operating targets:
  - stability of its revenue,
  - stability of its EBITDA,
  - free cash flow in 2012 equal to or greater than that of 2011;
- a solid balance sheet:
  - net investments reduced to €1.2 billion,
  - Net Debt/EBITDA ratio maintained at around 3 times;
- dividend policy:
  - dividend per share greater or equal to €0.65 for 2012

(1) With macro-economic and regulatory conditions, and steady commodities prices, when compared to the first half of 2012.

In the context of a more difficult macro-economic climate in Europe than was anticipated at the beginning of the year, SUEZ ENVIRONNEMENT immediately reacted and implemented an additional action plan for 2012 by on one hand, increasing the profitability requirement for the COMPASS costs optimization program by €40 million and on the other hand, by reducing the net investments budget for the year by €100 million, bringing it to €1.2 billion.

SUEZ ENVIRONNEMENT is benefiting from strong positioning and a robust development model. With a balanced asset portfolio, and activities in water and waste supported by strong growth drivers, SUEZ ENVIRONNEMENT is therefore implementing the measures required to preserve its financial stability and future growth and to thus show its capacity to develop its growth model.

These targets and outlook have been prepared using accounting principles defined by the Group in drawing up the consolidated financial statements, which appear in Chapter 5 of this Interim Financial Report.

5 CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2012

5.1 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Note	June 30, 2012	December 31, 2011
NON-CURRENT ASSETS			
Intangible assets, net	6	4,050.7	4,045.9
Goodwill	6	3,268.4	3,245.3
Property, plant and equipment net	6	8,915.8	8,782.6
Available-for-sale securities	7	388.8	410.9
Loans and receivables carried at amortized cost	7	681.1	662.3
Derivative financial instruments	7	165.8	193.5
Investments in associates		484.4	498.2
Other assets		83.5	87.3
Deferred tax assets		793.3	741.3
TOTAL NON-CURRENT ASSETS		**18,831.8**	**18,667.3**
Current assets			
Loans and receivables carried at amortized cost	7	237.5	196.8
Derivative financial instruments	7	2.7	34.4
Trade and other receivables	7	4,131.5	4,118.0
Inventories		319.6	331.0
Other assets		1,099.0	1,172.9
Financial assets measured at fair value through income	7	16.5	14.7
Cash and cash equivalents	7	2,148.7	2,493.5
TOTAL CURRENT ASSETS		**7,955.5**	**8,361.3**
TOTAL ASSETS		**26,787.3**	**27,028.6**
Shareholders’ equity, Group share		4,737.9	4,946.1
Non-controlling interests		1,937.0	1,871.1
TOTAL SHAREHOLDERS’ EQUITY		**6,674.9**	**6,817.2**
NON-CURRENT LIABILITIES			
Provisions	9	1,348.8	1,289.0
Long-term borrowings	7	8,736.1	8,035.6
Derivative financial instruments	7	135.6	156.4
Other financial liabilities	7	2.7	3.1
Other liabilities		552.1	569.3
Deferred tax liabilities		574.7	583.9
TOTAL NON-CURRENT LIABILITIES		**11,350.0**	**10,637.3**
CURRENT LIABILITIES			
Provisions	9	538.0	545.6
Short-term borrowings	7	1,427.5	2,035.2
Derivative financial instruments	7	18.0	32.8
Trade and other payables	7	2,661.3	2,752.5
Other liabilities		4,117.6	4,208.0
TOTAL CURRENT LIABILITIES		**8,762.4**	**9,574.1**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**26,787.3**	**27,028.6**

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.

5.2 CONSOLIDATED INCOME STATEMENTS

In millions of euros	Note	June 30, 2012	June 30, 2011
Revenues		7,323.2	7,375.7
Purchases		(1,705.5)	(1,758.7)
Personnel costs		(1,893.1)	(1,862.2)
Depreciation, amortization and provisions		(524.1)	(528.8)
Other operating expenses		(2,875.1)	(2,732.5)
Other operating income		134.8	68.0
CURRENT OPERATING INCOME	**4**	**460.2**	**561.5**
Mark-to-market on operating financial instruments		(3.5)	(3.5)
Impairment on property, plant and equipment, intangible and financial assets		(58.6)	(6.6)
Restructuring costs		(34.5)	(11.0)
Scope effects		36.7	2.4
Other gains and losses on disposals and non-recurring items		2.9	38.5
INCOME FROM OPERATING ACTIVITIES	**4**	**403.2**	**581.3**
Financial expenses		(292.1)	(266.6)
Financial income		82.1	84.1
NET FINANCIAL INCOME (LOSS)	**4**	**(210.0)**	**(182.5)**
Income tax expense	4	(47.8)	(92.4)
Share in net income of associates		11.9	14.0
NET INCOME		**157.3**	**320.4**
of which: Group share		40.2	221.0
non-controlling interests		117.1	99.4
Net income (Group share) per share *(in euros)*	**5**	**0.06**	**0.43**

5.3 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Note	June 30, 2012	Of which, Group share	Of which, non-controlling interests	June 30, 2011	Of which, Group share	Of which, non-controlling interests
NET INCOME		**157.3**	**40.2**	**117.1**	**320.4**	**221.0**	**99.4**
Available-for-sale securities	7	51.8	51.8 [(b)]	-	(21.3)	(21.0)	(0.3)
Net investment hedges		(37.7)	(35.6)	(2.1)	71.1	66.0	5.1
Cash flow hedges (excluding commodities)		(3.9)	(1.0)	(2.9)	8.0	6.6	1.4
Commodity cash-flow hedges		(2.7)	(2.9)	0.2	(0.8)	1.3	(2.1)
Deferred taxes on items above		10.4	10.0	0.4	(19.9)	(19.8)	(0.1)
Share of associates in reclassifiable items (including translation adjustments), net of taxes		(8.8)	(8.8)	-	(10.1)	(10.1)	-
Translation adjustments		187.0	88.0 [(c)]	99.0	(217.6)	(144.2)	(73.4)
TOTAL Other comprehensive income reclassifiable [(a)]		**196.1**	**101.5**	**94.6**	**(190.6)**	**(121.2)**	**(69.4)**
Actuarial gains and losses		(32.1)	(32.1)	-	39.6	35.5	4.1
Deferred taxes on actuarial gains and losses		11.9	11.9	-	(10.4)	(9.4)	(1.0)
Translation adjustments on actuarial gains and losses		(2.0)	(2.0)	-	2.9	2.9	-
TOTAL Other comprehensive income non reclassifiable [(a)]		**(22.2)**	**(22.2)**	**-**	**32.1**	**29.0**	**3.1**
COMPREHENSIVE INCOME		**331.2**	**119.5**	**211.7**	**161.9**	**128.8**	**33.1**

(a) The Group has decided to early adopt the amended IAS 1 (see Note 1). Some elements under "Other comprehensive income" will therefore be subsequently reclassified to net income, and others will not.

(b) Change linked mainly to the reversal of the negative change in fair value of Acea shares. This impairment henceforth is recorded in the income statement (see Notes 4 and 7).

(c) This change is the result of the exchange rates appreciation for certain currencies: the US dollar, the pound sterling, the Australian dollar and the Hong-Kong dollar.

5.4 STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In millions of euros	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2010	**489,699,060**	**1,958.8**	**4,002.9**	**(1,881.4)**	**(43.4)**	**21.1**	**(30.2)**	**744.8**	**4,772.6**	**1,854.2**	**6,626.8**
Net income				221.0					221.0	99.4	320.4
Other comprehensive income items				26.1	25.9	(144.2)	-		(92.2)	(66.3)	(158.5)
Comprehensive income				**247.1**	**25.9**	**(144.2)**	**-**	**-**	**128.8**	**33.1**	**161.9**
Share-based payment				13.3					13.3		13.3
Dividends distributed in cash [(a)]				(68.8)					(68.8)	(143.2)	(212.0)
Scrip dividends [(a)]	19,008,731	76.0	171.7	(247.7)					-	-	-
Interests on undated deeply subordinated notes issue								(23.7)	(23.7)	-	(23.7)
Purchase / sale of treasury shares				(9.0)			(35.1)		(44.1)	-	(44.1)
Capital increase / reduction									-	34.8	34.8
Transactions between shareholders				(0.6)					(0.6)	(1.4)	(2.0)
Business combinations									-	(23.9) [(b)]	(23.9)
Other changes				0.1					0.1	1.7	1.8
Shareholders' equity at June 30, 2011	**508,707,791**	**2,034.8**	**4,174.6**	**(1,947.0)**	**(17.5)**	**(123.1)**	**(65.3)**	**721.1**	**4,777.6**	**1,755.3**	**6,532.9**
Shareholders' equity at December 31, 2011	**510,233,829**	**2,040.9**	**4,147.2**	**(1,911.0)**	**(152.5)**	**136.8**	**(36.4)**	**721.1**	**4,946.1**	**1,871.1**	**6,817.2**
Net income				40.2					40.2	117.1	157.3
Other comprehensive income items		-	-	(20.2)	9.5	90.0			79.3	94.6	173.9
Comprehensive income		**-**	**-**	**20.0**	**9.5**	**90.0**	**-**	**-**	**119.5**	**211.7**	**331.2**
Share-based payment				11.7					11.7		11.7
Dividends distributed in cash [(c)]				(330.8)					(330.8)	(155.5)	(486.3)
Interests on undated deeply subordinated notes issue								(23.7)	(23.7)	-	(23.7)
Purchase / sale of treasury shares				(4.0)			18.7		14.7	-	14.7
Capital increase / reduction									-	-	-
Transactions between shareholders				0.3					0.3	9.6 [(d)]	9.9
Business combinations									-	-	-
Other changes				0.1					0.1	0.1	0.2
Shareholders' equity at June 30, 2012	**510,233,829**	**2,040.9**	**4,147.2**	**(2,213.7)**	**(143.0)**	**226.8**	**(17.7)**	**697.4**	**4,737.9**	**1,937.0**	**6,674.9**

(a) The Shareholders' Meeting of May 19, 2011 gave shareholders the option to receive the €0.65 per share dividend either in cash or as a scrip dividend. This dividend was paid out on June 27, 2011 in the form of €68.8 million in cash and €247.7 million in shares, increasing the number of shares by 19,008,731.

(b) Change due mainly to Jiangsu Water moving from the fully consolidated to the proportionately consolidated method following the loss of control of this entity in 2011.

(c) The Shareholders' Meeting of May 24, 2012 decided to distribute a dividend of €0.65 per share for the financial year 2011, this means a total dividend distribution of €330.8 million.

(d) Change mainly due to the impact of the dilution of Sita France, without loss of control, in Boone Comenor, following a sale of shares to Renault.

5.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	June 30, 2012	June 30, 2011
NET INCOME	**157.3**	**320.4**
- Share in net income of associates	(11.9)	(14.0)
+Dividends received from associates	26.2	22.9
- Net depreciation, amortization and provisions	582.2	484.8
- Scope effects, other gains and losses on disposal and non-recurring items	(39.0)	(40.8)
- Other items with no cash impact	12.0	14.0
- Income tax expense	47.8	92.4
- Financial income	210.0	182.5
Cash flows from operations before financial income/(expense) and income tax	**984.6**	**1,062.2**
+Tax paid	(42.3)	(68.9)
Change in working capital requirements	**13.9**	**(145.2)**
CASH FLOWS FROM OPERATING ACTIVITIES	**956.2**	**848.1**
Investments in property, plant and equipment and intangible assets	(598.3)	(647.1)
Takeover of subsidiaries net of cash and cash equivalents acquired	(0.9)	(174.6)
Acquisitions of interests in associates and joint-ventures	(60.6)	(17.4)
Acquisitions of available-for-sale securities	(25.8)	(12.0)
Disposals of property, plant and equipment and intangible assets	11.0	50.6
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold	79.1	24.9
Disposals of interests in associates and joint ventures	1.2	1.0
Disposals of available-for-sale securities	26.4	4.9
Interest received on non-current financial assets	7.7	3.6
Dividends received on non-current financial assets	18.7	23.4
Change in loans and receivables issued by the Company and others	(88.3)	(13.9)
CASH FLOWS FROM INVESTING ACTIVITIES	**(629.8)**	**(756.6)**
Dividends paid [(a)]	(441.2)	(170.0)
Repayment of borrowings	(976.9)	(861.9)
Change in financial assets at fair value through income	(1.7)	254.1
Financial interest paid	(235.7)	(262.9)
Financial interest received on cash and cash equivalents	30.7	23.4
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives	(43.0)	27.9
Increase in financial debt	959.9	1,111.9
Increase / Reduction in share capital	-	33.4
Purchase / sale of treasury shares	13.2	(44.5)
Change in share of interests in controlled entities	0.8	(0.6)
CASH FLOWS FROM FINANCING ACTIVITIES	**(693.9)**	**110.8**
Impact of changes in exchange rates and other	22.7	3.9
TOTAL CASH FLOWS FOR THE PERIOD	**(344.8)**	**206.2**
OPENING CASH AND CASH EQUIVALENTS	**2,493.5**	**1,826.5**
CLOSING CASH AND CASH EQUIVALENTS	**2,148.7**	**2,032.7**

(a) Including withholding tax.

(b) The Group has applied a new definition of total "Net debt" (see Note 7.3).
In order to ensure consistency with this new definition and clearly present the non-recurring impact of compensation payments associated with the unwinding of financial derivatives, the cash flows related to net investment hedges and compensation payments made/received in connection with the unwinding of financial derivatives are presented in the statement of cash flows on the line entitled "Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives". Comparative information from the first half of 2011 has been restated in order to present the relevant cash flows in accordance with this new procedure.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Note 1	Basis of presentation, principles and accounting policies	18
Note 2	Major transactions	21
Note 3	Operating segments information	22
Note 4	Income statement	25
Note 5	Earnings per share	28
Note 6	Goodwill and property, plant and equipment, and intangible assets	29
Note 7	Financial instruments	30
Note 8	Management of risks arising from financial instruments	36
Note 9	Provisions	41
Note 10	Share-based payments	42
Note 11	Legal and arbitration proceedings	43
Note 12	Related party transactions	47
Note 13	Subsequent events	48

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 31st 2012, the condensed interim consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2012 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 condensed interim consolidated financial statements for the six months ended June 30, 2012 were prepared in compliance with the provisions of IAS 34 – *Interim Financial Reporting*, which allows entities to present selected explanatory notes. The condensed interim consolidated financial statements for the six months ended June 30, 2012 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, 2011, 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 condensed interim consolidated financial statements for the six months ended June 30, 2012 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2011 in accordance with IFRS as published by the IASB and endorsed by the European Union, with the exception of the following items in note 1.3.1:

1.3.1 Amendments applicable in 2012

- Amendment to IAS 12 – *Deferred tax – recovery of underlying assets*. The Group is not concerned by this amendment.
- Amendment to IFRS 7 – *Disclosures – transfers of financial assets.* See Note 7.3.3 of the present chapter.

1.3.2 Amendments applicable after 2012 that the Group has elected to early adopt

- Amendment to IAS 1 – *Presentation of items of Other Comprehensive Income.*

1.3.3 IFRS standards and amendments applicable after 2012 that the Group has elected not to early adopt

- IFRS 10 – *Consolidated Financial Statements* [1]
- IFRS 11 – *Joint arrangements* [1]
- IFRS 12 – *Disclosure of Interests in Other Entities* [1]
- Amendment to IAS 28 – *Investments in Associates and joint ventures* [1]
- IFRS 13 – *Fair value measurement* [1]
- Amendment to IAS 19 – *Employee benefits* [1]
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities* [1]
- Improvements to IFRS 2009-2011 [1]

The impact resulting from the application of these new or revised standards is currently being assessed.

1.4 Use of judgement and estimates

The financial crisis prompted the Group to step up its risk oversight procedures and include an assessment of risk – particularly counterparty risk – in measuring its financial instruments. The Group's estimates used in business plans and determination of discount rates used in impairment tests and for calculating provisions take into account the crisis situation and the resulting extreme market volatility.

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, 2011.

(1) As these standards and interpretations have not yet been adopted by the European Union their exact terminology may change.

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, the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

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, 2012 are not necessarily indicative of those that may be expected for full-year 2012.

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 account of 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 15.4 to the consolidated financial statements at December 31, 2011).

NOTE 2 Major transactions

2.1 Sale of Eurawasser

On February 13, 2012, SUEZ ENVIRONNEMENT finalized the sale of its German subsidiary Eurawasser, which specializes in drinking-water distribution and wastewater services, to the Remondis group.

Announced in December 2011, the transaction for a consideration of €95 million received the approval by the relevant antitrust authorities.

2.2 SUEZ ENVIRONNEMENT and RWE sign an agreement with the city of Budapest to purchase their interest in Budapest Water Works

In accordance with the preliminary agreement signed on April 16, 2012, SUEZ ENVIRONNEMENT and RWE sold their respective 25% stake in Budapest Water Works, acquired in 1997, to the city of Budapest on June 29, 2012.

This amicable agreement was an outcome of the city's wish to directly manage the water service operations and was signed in accordance with the terms of the contract.

2.3 Melbourne desalination plant contract

An additional provision of €83 million was recognized at June 30, 2012 for the construction of the Melbourne desalination plant. This provision, which impacts current operating income, will cover:

- additional costs for the completion of construction (expected end of 2012) for €35 million;
- various contingencies, for a total of €48 million, within a complex contractual and local context.

The construction of this plant took place in 2011 under unfavourable weather conditions and low productivity which delayed construction by 6 months leading to water production at mid-2012 and the commissioning at the end of 2012. The physical completion of the project is 95%. Commissioning of the reverse osmosis plant started in May 2012 and first desalinated water production began at the end of June.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe that most of the costs overruns encountered to date are partly due to force majeure events, and that they cannot be totally attributed to them. Therefore, the construction Joint Venture has submitted claims totalling more than AUD 1 billion.

2.4 Intermediated Tender Offer on the 2014 bond and new bond issue

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

On the same day, SUEZ ENVIRONNEMENT COMPANY, further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 bearing a fixed coupon of 4.125%.

The 2014 tranche was hedged by "fixed-to-floating" swaps, qualified as fair value hedges, that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by "fixed-to-floating" swaps, qualified as fair value hedges.

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;
- Waste Europe;
- International;
- Other;

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

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

3.1 Operating segments

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

- Water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services are rendered to individuals, local authorities and industrial clients;
- Waste Europe: waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;
- International: the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

The "Other" segment is made up of holding companies, including SUEZ ENVIRONNEMENT COMPANY.

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

3.2 Key indicators by operating segment

Revenues

	June 30, 2012			June 30, 2011		
In millions of euros	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	2,022.0	8.8	2,030.8	2,062.7	10.1	2,072.8
Waste Europe	3,271.6	18.5	3,290.1	3,208.4	21.3	3,229.7
International	2,019.7	16.4	2,036.1	2,092.7	18.7	2,111.4
Other	9.9	35.0	44.9	11.9	32.8	44.7
Intercompany eliminations		(78.7)	(78.7)		(82.9)	(82.9)
TOTAL REVENUES	**7,323.2**	-	**7,323.2**	**7,375.7**	-	**7,375.7**

EBITDA

In millions of euros	June 30, 2012	June 30, 2011
Water Europe	572.1	584.4
Waste Europe	377.9	439.6
International	207.5	237.3
Other	(24.4)	(28.8)
TOTAL EBITDA	**1,133.1**	**1,232.5**

Current operating income

In millions of euros	June 30, 2012	June 30, 2011
Water Europe	266.4	285.1
Waste Europe	136.1	188.8
International	88.7	126.3
Other	(31.0)	(38.7)
TOTAL CURRENT OPERATING INCOME	**460.2**	**561.5**

Depreciation and amortization

In millions of euros	June 30, 2012	June 30, 2011
Water Europe	(190.4)	(191.4)
Waste Europe	(232.2)	(231.7)
International	(104.6)	(85.9)
Other	(2.2)	(1.9)
TOTAL DEPRECIATION AND AMORTIZATION	**(529.4)**	**(510.9)**

Capital Employed

In millions of euros	June 30, 2012	Dec. 31, 2011
Water Europe	6,433.6	6,435.7
Waste Europe	4,431.5	4,439.7
International	3,680.5	3,498.2
Other	93.7	33.5
TOTAL CAPITAL EMPLOYED	**14,639.3**	**14,407.1**

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

In millions of euros	June 30, 2012	June 30, 2011
Water Europe	(236.1)	(301.3)
Waste Europe	(247.0)	(274.4)
International	(187.9)	(270.9)
Other	(13.8)	(5.1)
TOTAL INVESTMENTS	**(684.8)**	**(851.7)**

Financial investments included in this indicator include the acquisitions of additional interests in 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").

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, 2012	June 30, 2011	June 30, 2012	Dec. 31, 2011
France	2,676.2	2,636.2	2,805.2	2,673.3
Europe	2,463.4	2,594.6	8,269.6	8,239.4
International	2,183.6	2,144.9	3,564.5	3,494.4
TOTAL	**7,323.2**	**7,375.7**	**14,639.3**	**14,407.1**

3.4 Reconciliation of EBITDA with Current Operating Income

In millions of euros	June 30, 2012	June 30, 2011
Current Operating Income	**460.2**	**561.5**
(-) Depreciation, amortization and provisions	524.1	528.8
(-) Share-based payments (IFRS 2)	12.0	14.0
(-) Disbursements under concession contracts	136.8	128.2
EBITDA	**1,133.1**	**1,232.5**

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

In millions of euros	June 30, 2012	Dec. 31, 2011
(+) Tangible and intangible assets, net	12,966.5	12,828.5
(+) Goodwill, net	3,268.4	3,245.3
(+) Available-for-sale securities (excluding marketable securities and impact of revalutation of available-for-sale securities to fair value)	386.2	460.1
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	914.5	859.1
(+) Investments in associates	484.4	498.2
(+) Trade and other receivables	4,131.5	4,118.0
(+) Inventories	319.6	331.0
(+) Other current and non-current assets	1,182.4	1,260.2
(-) Provisions and actuarial losses/gains on pensions plans	(1,680.6)	(1,660.4)
(-) Trade and other payables	(2,661.3)	(2,752.5)
(-) Other current and non-current liabilities	(4,669.6)	(4,777.3)
(-) Other financial liabilities	(2.7)	(3.1)
CAPITAL EMPLOYED	**14,639.3**	**14,407.1**

The decrease in available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value) is explained mainly by the impairment recorded by the Group on its Acea shares, a company listed on the Milan stock exchange, based on the share price at June 30, 2012 (see Note 7.1) as well as by the sale of its 25% share in Budapest Water Works to the city of Budapest.

NOTE 4 Income statement

4.1 Current operating income

Changes in current operating income are discussed in the management report (see chapter 4 of the present document).

4.2 Income from operating activities

In millions of euros	June 30, 2012	June 30, 2011
CURRENT OPERATING INCOME	**460.2**	**561.5**
Marked-to-market on operating financial instruments	(3.5)	(3.5)
Impairment on property, plant and equipment, intangible and financial assets	(58.6)	(6.6)
Restructuring costs	(34.5)	(11.0)
Scope effects	36.7	2.4
Other gains and losses on disposals and non-recurring items	2.9	38.5
INCOME FROM OPERATING ACTIVITIES	**403.2**	**581.3**

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

In millions of euros	June 30, 2012	June 30, 2011
IMPAIRMENTS :		
Property, plant and equipment and other intangible assets	(0.2)	(2.4)
Financial assets	(61.7)	(6.2)
TOTAL	**(61.9)**	**(8.6)**
WRITE-BACK OF IMPAIRMENTS:		
Property, plant and equipment and other intangible assets	2.5	1.1
Financial assets	0.8	0.9
TOTAL	**3.3**	**2.0**
TOTAL	**(58.6)**	**(6.6)**

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, 2012, as at June 30, 2011, 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, 2011, there were no significant impairments as at June 30, 2012.

4.2.1.3 Impairments on financial assets

Impairments recorded at June 30, 2012 amount to €61.7 million. This includes an impairment of €57.9 million recorded by the Group on Acea shares, a company listed on the Milan stock exchange, remeasured at fair value based on the June 30, 2012 stock exchange price (see Note 7.1).

There were no significant amounts in this item as at June 30, 2011.

The remeasurement at fair value of available-for-sale securities is presented in Note 7 “Financial Instruments” to the interim consolidated financial statements.

4.2.2 Restructuring costs

At June 30, 2012, this item mainly consisted of the costs linked to the restructuring plan decided by Agbar and its subsidiaries, as well as adaptation plans costs related to the slowdown in activity in the Waste Europe segment.

There were no significant restructuring costs as at June 30, 2011.

4.2.3 Scope effects

At June 30, 2012, this item includes the profit on the sale of Eurawasser for €34 million, as described in Note 2 “Major Transactions”.

There were no significant scope effects as at June 30, 2011.

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

There were no significant non-recurring items as at June 30, 2012.

As at June 30, 2011, this item mainly included the capital gain realized by Degrémont on the sale of its former headquarters in Rueil-Malmaison (Paris area), for an amount of €34 million.

4.3 Financial result

	June 30, 2012			June 30, 2011		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(241.4)**	**29.8**	**(211.6)**	**(222.8)**	**26.2**	**(196.6)**
Interest expense on gross borrowings	(219.7)	-	(219.7)	(210.4)	-	(210.4)
Exchange gain/(loss) on borrowings and hedges	(16.4)	-	(16.4)	(12.4)	-	(12.4)
Unrealized income/(expense) from economic hedges on borrowings	-	-	-	-	-	-
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	28.3	28.3	-	24.9	24.9
Capitalized borrowing costs	-	1.5	1.5	-	1.3	1.3
Financial income (expense) relating to the restructuring of a financial debt or loan	(5.3)	-	(5.3)	-	-	-
Other financial income and expenses	**(50.7)**	**52.3**	**1.6**	**(43.8)**	**57.9**	**14.1**
FINANCIAL INCOME / (LOSS)	**(292.1)**	**82.1**	**(210.0)**	**(266.6)**	**84.1**	**(182.5)**

Following the change in the definition of the aggregate “net debt” (see Note 7.3 “Net Debt”), some reclassifications have been made between “cost of net debt” and “other financial income and expenses”. In order to ensure comparability between the two periods, an income of €4.1 million has been reclassified from the item “cost of net debt” to the item “Other financial income and expenses” at June 30, 2011.

The cost of net debt at June 30, 2012 rose by €15 million for the following reasons:

- the increase at June 30, 2012 of net exchange losses on borrowings and hedges on borrowings, directly related to changes in exchange rates;
- increase in interest expenses related to the new borrowings undertaken over the second half 2011;
- a discount of €5.3 million related to the receivables securitization program (see Note 7.3.3 Securitization of receivables);

The €12.5 million decrease in other financial income and expenses is mainly due to a reduction in dividends paid by non-controlled entities.

4.4 Income tax

In millions of euros	June 30, 2012	June 30, 2011
Net Income (a)	157.3	320.4
Total income tax expense recognized in the income statement (b)	(47.8)	(92.4)
Share in net income of associates (c)	11.9	14.0
Income before tax and share in net income of associates (a) - (b) - (c) = (d)	**193.2**	**398.8**
EFFECTIVE TAX RATE - (b) / (d)	**24.8%**	**23.2%**

At June 30, 2012, the Group’s effective tax rate was 24.8% compared to 23.2% at June 30, 2011.

At June 30, 2012, it was mainly due to the fact that many of the Group’s operating companies are located in countries with lower tax rates than France, to the partial recognition of the deferred tax assets generated by the losses carry-forward at the Australian tax consolidation group level, and to the reduced taxation rate of the capital gain generated by the sale of Eurawasser shares. Excluding this latter item from the calculation, the effective tax rate as of June 30, 2012 would have been 30%.

At June 30, 2011, it was explained, on one hand, by the fact that many of the Group's operating companies were located in countries with a lower tax rate than France and, on the other hand, by a provision reversal following the extinguishing of a €32 million tax risk. Excluding this latter item, the effective tax rate as at June 30, 2011 would have been 31%.

In addition, all deferred tax assets under French tax consolidation continue to be recognized consistently with previous years.

NOTE 5 Earnings per share

	June 30, 2012	June 30, 2011
Numerator (in millions of euros)		
Net Income, Group share	**40.2**	**221.0**
• coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010	(11.9)	(11.9)
ADJUSTED NET INCOME, GROUP SHARE	**28.3**	**209.1**
Denominator (in millions)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**509.2**	**488.3**
• payment of scrip dividend (June 27, 2011)	-	0.3
ADJUSTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING [(a)]	**509.2**	**488.6**
Earnings per share (in euros)		
NET INCOME GROUP SHARE PER SHARE	**0.06**	**0.43**
NET DILUTED INCOME GROUP SHARE PER SHARE	**0.06**	**0.43**

(a) The adjusted weighted average number of shares outstanding at June 30, 2011, takes into account, on a prorata basis, the impact of the scrip dividend payment on June 27, 2011.

The employee bonus share allocation plans, as well as the stock option plans reserved for employees, had no significant impact as of June 30, 2012, or June 30, 2011.

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

In millions of euros	Goodwill	Intangible assets	Property, plant and equipment
A. Gross amount at December 31, 2011	**3,347.5**	**6,211.4**	**15,148.3**
Acquisitions	-	140.9	309.4
Disposals	-	(0.2)	(104.1)
Scope effects	(24.2)	(11.3)	(71.2)
Translation adjustments	48.8	37.0	333.2
Other	0.3	1.4	(36.1)
At June 30, 2012	**3,372.4**	**6,379.2**	**15,579.5**
B. Accumulated depreciation and impairment at December 31, 2011	**(102.2)**	**(2,165.5)**	**(6,365.7)**
Depreciation and impairment losses	-	(165.6)	(367.3)
Disposals	-	-	98.7
Scope effects	-	2.5	31.4
Translation adjustments	(1.8)	(11.0)	(72.8)
Other	-	11.1	12.0
At June 30, 2012	**(104.0)**	**(2,328.5)**	**(6,663.7)**
C. Carrying amount = A + B			
At December 31, 2011	3,245.3	4,045.9	8,782.6
At June 30, 2012	**3,268.4**	**4,050.7**	**8,915.8**

The scope effects for goodwill and property, plant and equipment, correspond mainly to the sale of Eurawasser as described in Note 2 “Major Transactions”.

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2012, no depreciation was accounted for as at June 30, 2012.

The main translation adjustments recorded in relation to the gross value of property, plant and equipment concern the Chilean peso (+€190 million), the US dollar (+€60 million) and the pound sterling (+€40 million).

NOTE 7 Financial instruments

7.1 Financial assets

The following table shows the various financial asset categories and their breakdown between "non-current" and "current":

	June 30, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	388.8	-	388.8	410.9	-	410.9
Loans and receivables carried at amortized cost	681.1	4,369.0	5,050.1	662.3	4,314.8	4,977.1
Loans and receivables carried at amortized cost (excluding trade and other receivables)	681.1	237.5	918.6	662.3	196.8	859.1
Trade and other receivables	-	4,131.5	4,131.5	-	4,118.0	4,118.0
Financial assets measured at fair value through income	165.8	19.2	185.0	193.5	49.1	242.6
Derivative financial instruments (see Note 7.4)	165.8	2.7	168.5	193.5	34.4	227.9
Financial assets at fair value through income excluding derivatives	-	16.5	16.5	-	14.7	14.7
Cash and cash equivalents	-	2,148.7	2,148.7	-	2,493.5	2,493.5
TOTAL	**1,235.7**	**6,536.9**	**7,772.6**	**1,266.7**	**6,857.4**	**8,124.1**

Available-for-sale securities

Variations during the period are broken down as follows:

In millions of euros	
At December 31, 2011	**410.9**
Acquisitions	25.8
Net book value of disposals	(39.3)
Changes in fair value posted to equity as other comprehensive income	51.8 (a)
Changes in fair value posted to income statement	(59.3) (a)
Scope effects, exchange rates and other	(1.1)
At June 30, 2012	**388.8**

(a) Mainly due to the remeasurement at fair value of Acea shares.

The value of available-for-sale securities held by the Group amounts to €388.8 million at June 30, 2012, which is divided between €156.6 million for listed securities and €232.2 million for non-listed securities.

The acquisitions for the period includes the purchase of securities from the company Haubourdin by Sita France for a total of €12.4 million.

Disposals for the period mainly include the sale by SUEZ ENVIRONNEMENT of its share in Budapest Water Works (see Note2).

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.

With regard to Acea, by applying its criteria and taking into account the prolonged nature of the decline in share price below historical cost and the future uncertainty regarding its recovery, the Group has decided to record an impairment of €57.9 million through income at June 30, 2012.

This €57.9 million loss, shown in "Impairment of property, plant and equipment and intangible and financial assets" on the income statement (see Note 4), includes the decline in the listed price between December 31, 2011 and June 30, 2012, as well as the effect of reclassifying in the income statement the loss relating to these securities, i.e. €54.2 million previously recorded in equity as "Other comprehensive income" at December 31, 2011.

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

In millions of euros	Dividends	Post acquisition remeasurement: Change in fair value	Post acquisition remeasurement: Impact of exchange rates	Post acquisition remeasurement: Impairment	Income / (loss) on disposals
Shareholders' equity [(a)]		51.8	-		
Income statement	16.8	-		(59.3)	1.8
TOTAL AT JUNE 30, 2012	**16.8**	**51.8**	**-**	**(59.3)**	**1.8**
Shareholders' equity [(a)]		(57.1)	-		
Income statement	30.8	-		(36.6)	8.1
TOTAL AT DECEMBER 31, 2011	**30.8**	**(57.1)**	**-**	**(36.6)**	**8.1**

(a) Excluding tax impact.

7.2 Financial liabilities

Financial liabilities are posted either:

- 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, 2012, as well as their breakdown between "non-current" and "current":

	June 30, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,736.1	1,427.5	10,163.6	8,035.6	2,035.2	10,070.8
Derivative financial instruments (see Note 7.4)	135.6	18.0	153.6	156.4	32.8	189.2
Trade and other payables	-	2,661.3	2,661.3	-	2,752.5	2,752.5
Other financial liabilities	2.7	-	2.7	3.1	-	3.1
TOTAL	**8,874.4**	**4,106.8**	**12,981.2**	**8,195.1**	**4,820.5**	**13,015.6**

7.3 Net debt

The Group has reviewed its definition of net debt for the year in order to gain economic coherence between the different elements included within the aggregate. Therefore, the derivative financial instruments subscribed to in order to reduce Group exposure related to its investments in consolidated companies with a currency other than the euro, as well as the interest rate component for derivative instruments (not qualifying as hedges or qualifying as cash flow hedges) are henceforth excluded for the definition of net debt.

Indeed, the elements that cause Group exposure (for which derivative instruments are subscribed to in order to reduce the exposure) are not included in this figure.

In addition, the financial assets relating to the debt instruments, essentially deposits pledged as part of project financing arrangements, will from now on be recognized in the deduction of gross borrowings.

The data at December 31, 2011 has been restated to ensure comparability between the two periods, which translates into a reduction in net debt for 2011 of €109 million compared with the previous definition.

The definition of the cost of net financial debt in the income statement has also been adjusted (see Note 4.3 "Financial Income") in order to ensure consistency with net debt as described henceforth.

7.3.1 Analysis by type of debt

	June 30, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,621.6	1,396.0	10,017.6	7,954.4	1,942.6	9,897.0
Impact of measurement at amortized cost	(9.6)	31.5	21.9	(12.8)	92.6	79.8
Impact of fair value hedge (a)	124.1	-	124.1	94.0	-	94.0
BORROWINGS AND DEBT	**8,736.1**	**1,427.5**	**10,163.6**	**8,035.6**	**2,035.2**	**10,070.8**
Derivative hedging borrowings under liabilities (b) (see Note 7.4)	35.4	1.7	37.1	66.2	2.5	68.7
GROSS DEBT	**8,771.5**	**1,429.2**	**10,200.7**	**8,101.8**	**2,037.7**	**10,139.5**
Assets related to financing (c)	(4.1)	-	(4.1)	-	-	-
ASSETS RELATED TO FINANCING	**(4.1)**	**-**	**(4.1)**	**-**	**-**	**-**
Financial assets at fair value through income excluding financial derivative instruments (see Note 7.1)	-	(16.5)	(16.5)	-	(14.7)	(14.7)
Cash and cash equivalents	-	(2,148.7)	(2,148.7)	-	(2,493.5)	(2,493.5)
Derivative hedging borrowings under assets (b) (see Note 7.4)	(153.4)	-	(153.4)	(182.5)	(0.1)	(182.6)
NET CASH	**(153.4)**	**(2,165.2)**	**(2,318.6)**	**(182.5)**	**(2,508.3)**	**(2,690.8)**
NET DEBT	**8,614.0**	**(736.0)**	**7,878.0**	**7,919.2**	**(470.6)**	**7,448.6**
Outstanding borrowings	8,621.6	1,396.0	10,017.6	7,954.4	1,942.6	9,897.0
Assets related to financing (c)	(4.1)	-	(4.1)	-	-	-
Financial assets measured at fair value through income excluding financial derivative instruments (see Note 7.1)	-	(16.5)	(16.5)	-	(14.7)	(14.7)
Cash and cash equivalents	-	(2,148.7)	(2,148.7)	-	(2,493.5)	(2,493.5)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**8,617.5**	**(769.2)**	**7,848.3**	**7,954.4**	**(565.6)**	**7,388.8**

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

(b) This item represents the fair value of debt-related derivatives regardless of whether or not they are designated as hedges according to the new definition of net financial debt.

(c) The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries. The 2011 data has been restated to allow comparability.

7.3.2 Bond issues

On June 11, 2012, SUEZ ENVIRONNEMENT COMPANY launched an intermediated tender offer for the 2014 tranche issued in 2009 bearing a fixed coupon of 4.875%. At the end of the process, €191.3 million of the tranche maturing in 2014 had been redeemed. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

On the same day, SUEZ ENVIRONNEMENT COMPANY, further extended for €250 million the 10-year bond tranche, maturing June 24, 2022 bearing a fixed coupon of 4.125%.

The 2014 tranche was hedged by "fixed-to-floating" swaps, qualified as fair value hedges, that have been unwound or dequalified for a total of €191.3 million. Moreover, the new 2022 tranche has been fully hedged by "fixed-to-floating" swaps, qualified as fair value hedges.

7.3.3 Securitization of receivables

Context

Since 2002, SUEZ ENVIRONNEMENT has implemented a program for the sales of commercial receivables to a special purpose vehicle (SPV) called "*Fonds Commun de Créances*" in French. The receivables transferred related to invoices linked to the Waste Europe activity in France, Belgium and the Netherlands.

This program had a 5-year initial duration and was renewed in 2007 for 5 additional years that ended June 18, 2012.

The risks associated with securitized receivables, mainly credit risk and the risk of late payment were retained by the Group, the receivables sold could not be derecognized in the sense of IAS 39 (*Financial Instruments: Recognition and Measurement*) and were maintained on the consolidated statement of financial position. Sums received for the sales were therefore entered against a debt on the Group's consolidated statement of financial position.

Description of the program

The program ending June 18, 2012 was renewed and modified in order to set up conditions allowing for derecognition of the receivables under IAS 39.

The main characteristics of the program are as follows:

- a new SPV was created, called "Fonds Commun de Titrisation" (or FCT) to replace the previous one;
- the preexisting securitization program was subject to a "simple" renewal;
- a compartment dedicated to the Group receivables was created within the FCT;
- on the implementation date, part of the receivables from the former securitization program were transferred to the new compartment; the other part continued to fund the former SPV compartment and will switch progressively to the new compartment over the course of the next few months;
- the FCT used in the program is financing the new compartment by issuing 3 types of instruments:
  - shares known as "senior", issued on the markets through a dedicated channel;
  - a deposit known as "mezzanine", underwritten by the Group;
  - shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group.

  These shares are presented here in order of payment priority relative to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last.
- the Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

The sales of receivables by Group subsidiaries are made 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 to the FCT are the following:

- 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;
- 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 event 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, 2012, this security deposit had not yet been formed.
- 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 the Group subsidiaries for collecting receivables (see below);
- 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;
- issue of a guarantee for the risk of modification of tax provisions;
- preservation by each Group subsidiary of the management and collection of receivables that it has transferred to the compartment; to this effect, a management and collection agreement was signed by each of the subsidiaries acting as collector and the compartment, this provision being remunerated by the 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 favourable than those attributable to the Group and the granting of the liquidation profit.

Accounting treatment

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

According to IAS 39 and based on the terms of the new program and the quantitative analyses implemented, the Group transferred almost all the risks and advantages 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 for management and recovery of receivables transferred is shown in the income statement, under financial income (see Note 4).

Figures at June 30, 2012

The new securitization program has been the object of the first sale of receivables on June 26, 2012.

This sale included part of the outstanding receivables transferred under the former program, as well as receivables occurring since the last transfer of the former program.

The data relating to this first transfer are presented below:

In millions of euros

Total of receivables sold	176.9 (a)
Loss arising from sale	(5.3) (b)
Book value paid for CC1	7.5 (c)
NET CASH RECEIVED ON START DATE	**164.1 (a)+(b)-(c)**
Fair value of CC1	7.5
Book value of CC2	*
Residual maturity of CC1	5 years
Remuneration received for CC1	*not significant*
Remuneration of services for management and recovery of receivables transferred	*not significant*

* *No security deposit known as "CC2" had been formed as of June 30, 2012; payment of this deposit is subject to the conditions described above.*

As a reminder, Group subsidiaries not involved in the new program have sold their eligible receivables under the renewal of the former program.

These sales were given the same accounting treatment as before: the receivables are therefore not derecognized from the Group's consolidated statement of financial position and a liability was accounted for, against the cash proceeds from the sales.

7.3.4 Change in net debt

During the first half of 2012, net debt increased by €429.4 million, primarily for the following reasons:

- the cash dividend payment to SUEZ ENVIRONNEMENT COMPANY's shareholders generated a €330.8 million increase in net debt;
- the cash dividend payment to the non-controlling interests of the subsidiaries generated a €110.4 million increase in net debt;
- the sale of Eurawasser generated a decrease of €88.7 million in net debt, net of expenses and tax on the disposal;
- the impact of deconsolidation of a part of the securitization program resulted in a decrease of €164.1 million in net debt;
- the exchange rates variations contributed to an increase in net debt of €148.3 million.

7.3.5 Debt/equity ratio

In millions of euros	June 30, 2012	December 31, 2011
Net debt	7,878.0	7,448.6
Total equity	6,674.9	6,817.2
Debt/equity ratio	**118.0%**	**109.3%**

7.4 Derivative financial instruments

Derivative financial assets

	June 30, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings [(a)]	153.4	-	153.4	182.5	0.1	182.6
Derivatives hedging commodities (see Note 8.1)	-	2.3	2.3	-	4.0	4.0
Derivatives hedging other items [(b)]	12.4	0.4	12.8	11.0	30.3	41.3
TOTAL	**165.8**	**2.7**	**168.5**	**193.5**	**34.4**	**227.9**

(a) Following the Group's review of its definition of the aggregate "net debt", the derivatives hedging borrowings include qualifying or not qualifying instruments hedging for which the underlying items are also recorded within borrowings and debt (see Note 7.3 "Net debt").

(b) The interest rate component of derivatives (not qualifying or qualifying as cash flow hedges) as well as the derivatives subscribed to in order to reduce the Group's exposure linked to its investments in companies in which the currency used is not the euro, are henceforth classified as instruments relating to other elements.

The data for 2011 has been restated to ensure comparability.

Derivative financial liabilities

	June 30, 2012			December 31, 2011		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings [a]	35.4	1.7	37.1	66.2	2.5	68.7
Derivatives hedging commodities (see Note 8.1)	-	1.1	1.1	-	-	-
Derivatives hedging other items [b]	100.2	15.2	115.4	90.2	30.3	120.5
TOTAL	**135.6**	**18.0**	**153.6**	**156.4**	**32.8**	**189.2**

(a) Following the Group's review of its definition of the aggregate "net debt", the derivatives hedging borrowings include qualifying or not qualifying instruments hedging for which the underlying items are also recorded within borrowings and debt (see Note 7.3 "Net debt").

(b) The interest rate component of derivatives (not qualifying or qualifying as cash flow hedges) as well as the derivatives subscribed to in order to reduce the Group's exposure linked to its investments in companies in which the currency used is not the euro, are henceforth classified as instruments relating to other elements.

The data for 2011 has been restated to ensure comparability.

These instruments are set up according to the Group's risk management policy and are analyzed in Note 8.

Classification of financial instruments and fair value by level

During the first half of 2012, the Group made no significant change in the classification of financial instruments and reported no significant transfer between different fair value levels.

NOTE 8 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 13 to the consolidated financial statements as at December 31, 2011.

8.1 Market risks

8.1.1 Commodity market risks

8.1.1.1 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 paid in cash. The Group's aim is to protect itself against adverse changes in market prices that may specifically affect its supply costs.

8.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities as at June 30, 2012 and December 31, 2011 are presented in the table below:

	June 30, 2012				December 31, 2011			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	2.3	-	1.1	-	4.0	-	-	-
TOTAL	**2.3**	**-**	**1.1**	**-**	**4.0**	**-**	**-**	**-**

8.1.2 Foreign exchange risk

Due to the geographical spread of its activities, the Group is exposed to the financial statements translation risk, i.e. to the risk that its statement of financial position and income statement are impacted by changes in exchange rates when consolidating the financial statements of its foreign subsidiaries that are outside the eurozone (also known as translation risk). Translation risk is mainly concentrated on holdings in the United States, the 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 it expects 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 exchange derivatives (swaps), which enable the creation of synthetic currency debts.

The sensitivity analysis was based on the net debt position as at the reporting date (including interest rate and foreign exchange derivatives).

With respect to foreign exchange risk, the sensitivity calculation consists in assessing the impact in the consolidated financial statements of a +/- 10% change in foreign exchange rates compared to closing rates.

Impact on income

Changes in exchange rates against the euro only affect income through gains and losses on assets and liabilities denominated in a currency other than the reporting currency of the companies carrying them on their statements of financial position, and to the extent that these assets and liabilities are not qualified as net investment hedges. A uniform +/- 10% change in foreign exchange rates against the euro would generate a gain or loss of €4.4 million.

Impact on equity

For financial liabilities (debt and derivatives) qualified as net investment hedges, a uniform +/-10% change in foreign exchange rates against the euro would have an impact of +/- €130.1 million on equity. This impact would be offset by any counter effect on the net investment in the hedged currency.

8.1.3 Interest rate risk

The Group aims to reduce 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) using a mixture of fixed and floating rates. The interest rate mix may change depending on market trends.

The Group also has access to hedging instruments (specifically swaps) to protect itself from increases in interest rates in the currencies in which it has assumed debt.

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

For interest rate risk, the sensitivity calculation consists in evaluating the impact of a +/-1% change in interest rates compared with closing interest rates.

Impact on income

A +/-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 €16.6 million on net interest expense.

A +/-1% change in interest rates (uniform for all currencies) would generate a gain or loss of €2.7 million in the income statement due to the change in the fair value of non-qualified derivatives or derivatives qualified as net investment hedges.

Impact on equity

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €17.6 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 €18.4 million.

The asymetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

8.2 Counterparty risk

Through its operating and financial activities, the Group is exposed to the risk of default of its counterparties (customers, suppliers, intermediaries, banks), in the event that they are unable to meet their contractual commitments.

8.2.1 Operating activities

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

In millions of euros	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
Trade and other receivables	**0-6 months**	**6-12 months**	**Over one year**	**Total**	**Total**	**Total**	**Total**
At June 30, 2012	268.0	17.9	30.8	316.7	326.0	3,729.9	4,372.6
At December 31, 2011	338.6	19.5	37.7	395.8	404.3	3,551.1	4,351.2

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

The Group does not consider itself to be exposed to any material credit concentration risk due to the diversity of its customer portfolio.

8.2.2 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 broken down below:

In millions of euros	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**0-6 months**	**6-12 months**	**Over one year**	**Total**	**Total**	**Total**	**Total**
At June 30, 2012	8.5	-	-	8.5	128.1	904.8	1,041.4
At December 31, 2011	0.1	-	0.1	0.2	120.3	861.2	981.7

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

Outstanding 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 €120.8 million and €2.0 million respectively as at June 30, 2012. The change in loans and receivables at amortized cost is shown in Note 7.1.

Counterparty risk arising from investing activities

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

The Group invests the majority of its cash surpluses and negotiates its financial hedging instruments with leading counterparties. As part of its counterparty risk management policy, the Group has put in place procedures for the management and control of counterparty risk based on the accreditation of counterparties according to their credit ratings, financial exposure and objective market factors (credit default swaps, stock market capitalization), on the one hand, and the definition of risk limits on the other.

At June 30, 2012, the Group's total available cash (consisting of cash and cash equivalents and financial assets at fair value through income) is €2,165.2 million.

Only the item "Cash and cash equivalents" is subject to counterparty risk. For this item, the breakdown of counterparties by credit rating is as follows:

Counterparty risk arising from investing activities	June 30, 2012				December 31, 2011			
	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]
% of exposure to counterparties	2,148.7	92%	6%	2%	2,493.5	91%	2%	7%

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

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

In addition, as of June 30, 2012, no counterparty outside the GDF SUEZ Group represented more than 18% of cash and cash equivalents (weighted by the estimated risk of each investment depending on type, currency and maturity), compared with 15% on December 31, 2011.

8.3 Liquidity risk

In its operating and financial activities, the Group may be exposed to liquidity risk that may prevent it from meeting its contractual obligations.

Liquidity depends on the continued availability of cash and cash equivalents and confirmed credit facilities. The Group has confirmed credit facilities that match the scale of its operations and the timing of its contractual debt repayments. At June 30, 2012, these confirmed credit facilities amounted to €3,426.1 million, including €2,260.0 million in available and undrawn credit lines.

A new drawdown of €250 million on the "Club Deal" explains the decrease in this available financing since December 31, 2011.

68% of total credit lines and 74% of undrawn facilities were centralized. None of the centralized credit lines contain a default clause linked to financial ratios or credit rating.

At June 30, 2012, bank funding represented 24.2% of the Group's gross debt (excluding bank overdrafts, amortized costs and derivatives effect). Capital market financing (0.9% under the non-deconsolidated securitization program (see note 7.3.3) and 64.0% for bonds) represents 64.9% of gross debt.

At June 30, 2012, cash and cash equivalents and qualifying financial assets designated at fair value through income, net of bank overdrafts, amounted to €1,533.8 million.

Undiscounted contractual payments on outstanding borrowings by maturity and type of lender are as follows:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Debt with GDF SUEZ	146.1	3.0	6.0	6.0	106.0	4.5	20.6
Bond or bank borrowings	9,871.5	1,091.6	435.3	1,246.5	376.2	950.6	5,771.3
TOTAL	**10,017.6**	**1,094.6**	**441.3**	**1,252.5**	**482.2**	**955.1**	**5,791.9**

In addition, as at June 30, 2012 undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Bond issues	6,010.6	31.1	38.8	899.0	53.1	79.4	4,909.2
Drawdowns on credit facilities	1,166.1	107.8	173.8	54.7	89.6	669.6	70.6
Borrowings under finance leases	468.0	28.0	51.1	48.2	47.7	47.1	245.9
Other bank borrowings	1,108.8	87.4	153.9	196.3	143.5	118.8	408.9
Other borrowings	457.7	33.9	23.7	54.3	148.3	40.2	157.3
Overdrafts and current accounts	806.4	806.4					
Outstanding borrowings	**10,017.6**	**1,094.6**	**441.3**	**1,252.5**	**482.2**	**955.1**	**5,791.9**
Assets related to financing	(4.1)	-	-	-	-	-	(4.1)
Financial assets measured at fair value through income	(16.5)	(16.5)	-	-	-	-	-
Cash and cash equivalents	(2,148.7)	(2,148.7)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,848.3**	**(1,070.6)**	**441.3**	**1,252.5**	**482.2**	**955.1**	**5,787.8**

As at June 30, 2012, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,670.3	171.7	411.2	389.3	350.3	330.5	2,017.3

As at June 30, 2012, undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Derivatives (excluding commodities)	154.6	78.4	33.7	9.2	10.0	4.7	18.6

In order to best reflect the current economic circumstances of its operations, cash flows related to derivatives recorded as liabilities or assets, as shown above, correspond to net positions. Moreover, the amounts presented above have a positive sign in the case of an asset and a negative sign in the case of a liability.

The maturity of confirmed undrawn credit facilities is as follows:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Confirmed undrawn credit facilities	2,260.0	273.1	615.8	206.5	94.6	1,030.8	39.2

As at June 30, 2012, excluding the €350 million credit facility between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, no single counterparty represented more than 12% of total confirmed undrawn credit lines.

NOTE 9 Provisions

In millions of euros	December 31, 2011	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	June 30, 2012
Post-employment benefit obligations and other long-term benefits	570.7	22.4	(35.8)	-	-	8.1	5.6	39.3	610.3
Sector-related risks	101.8	2.6	(16.6)	-	-	-	0.2	28.4	116.4
Warranties	28.8	1.5	(2.5)	-	-	-	0.2	0.2	28.2
Tax risks, other disputes and claims	211.3	3.1	(5.2)	-	(0.1)	-	0.2	(10.1)	199.2
Site restoration	567.0	16.1	(14.6)	-	-	9.6	6.4	0.1	584.6
Restucturing costs	21.5	25.7	(5.3)	-	(4.7)	-	-	0.2	37.4
Other contingencies	333.5	49.0	(61.6)	(1.4)	(3.9)	4.2	3.2	(12.3)	310.7
TOTAL PROVISIONS	**1,834.6**	**120.4**	**(141.6)**	**(1.4)**	**(8.7)**	**21.9**	**15.8**	**45.8**	**1,886.8**

(a) The discounting impact on post-employment and other long-term benefits relates to the interest costs on pension obligations, net of the expected return on plan assets.

For the first half of 2012, the variation of total provisions mainly derived from:

- the increase in provisions for post-employment and other long-term benefits of +€25.9 million. This variation takes into account €32.1 million of actuarial losses, accounted for in equity (in the column "Other" of the above table) but does not take into account exchange rate effects and impacts of unwinding discount adjustments for the period, mentioned below;
- the €21.9 million impact of unwinding discount adjustments of which around 80% stems from provisions for site restoration and for post-employment benefits;
- the translation adjustments of €15.8 million, which are primarily generated by the Australian, North American and British subsidiaries.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the consolidated income statement as at June, 30 2012:

In millions of euros	Net allowances / (reversals)
Income from operating activities	(22.5)
Other financial income and expenses	21.9
Income Tax Expense	(0.1)
TOTAL	**(0.7)**

NOTE 10 Share-based payments

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

In millions of euros	(Expense) for the period June 30, 2012	June 30, 2011
Stock options and performance share plans	(6.0)	(4.7)
Worldwide financial incentive scheme (bonus share allocation plan)	(5.3)	(8.4)
Employee share issues	(0.5)	(0.9)
TOTAL	**(11.8)**	**(14.0)**

These expenses are recognized in accordance with IFRS 2. All transactions and allocations prior to 2012 are disclosed in Note 21 to the consolidated financial statements as at December 31, 2011 in the 2011 SUEZ ENVIRONNEMENT COMPANY Reference Document.

SUEZ ENVIRONNEMENT COMPANY plan of March 15, 2012

The Board of Directors, in its meeting of March 15, 2012 and in accordance with the authorization of the General Shareholder's Meeting of May 20, 2010, granted 828,710 performance shares to 1,995 beneficiaries. The vesting period for these shares is from 2 to 4 years depending upon country and beneficiaries. The shares are also subject to a 2-year lock-in period in France and Belgium and to a 3-year lock-in period in Spain and Italy. Upon Management's proposal no shares were granted to the Executive Committee.

These shares are conditional upon the following performance conditions:

For 889 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, contingent upon SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average performance of the CAC 40 and Eurostoxx Utilities indices over the period ranging from March 14, 2012 to March 13, 2015;
- a non-market condition based on the Group's cumulative recurring net income from January 1, 2012 to December 31, 2014;
- a non-market condition based on Group's EBITDA from January 1, 2012 to December 31, 2013.

For the other beneficiaries, all allocated shares are subject to a non-market performance condition, specifically the Group's EBITDA between January 1, 2012 and December 31, 2013.

The fair value of bonus share plans is estimated based on the share price on the grant date (i.e. €11.97), taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group achieving its internal performance conditions. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For shares subject to market performance conditions, market performance is measured using Monte Carlo simulations.

The following assumptions were used:

- volatility of 24.5%
- a 2-year risk-free rate of 0.74%, a 3-year risk-free rate of 1.14% and a 4-year risk-free rate of 1.56%
- a statutory annual dividend of €0.65 per share.

A Monte Carlo model was used to assess the market conditions applied to some of the allocated shares. The following assumptions were applied in addition to those cited above:

- Correlation between SUEZ ENVIRONNEMENT COMPANY share price and the CAC 40 index: 62%
- Correlation between SUEZ ENVIRONNEMENT COMPANY share price and the Eurostoxx Utilities index: 54%
- Correlation between the CAC 40 and Eurostoxx Utilities indices: 69%
- Volatility of the Eurostoxx Utilities index: 21%
- Volatility of the CAC 40: 23%
- Index dividend rate: 3.5%

The resulting fair value of the shares granted leads to a total expense of €6.9 million, amortized over the plan's duration.

At June 30, 2012, the impact of this plan on the net income Group share stood at €0.7 million.

NOTE 11 Legal and arbitration proceedings

The litigation and arbitration proceedings presented below are recognized under liabilities or presented for information purposes. Beyond the litigations presented below for information purposes, the Group has not identified any other material liabilities, and the likelihood of expenditure within the context of its commitments is considered low.

11.1 Competition and industry concentration

Inspections conducted by the European Commission

In April 2010, the European Commission conducted inspections at the premises of various French companies operating in the water and wastewater industry relating to their possible participation in practices contravening Articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were thus conducted at SUEZ ENVIRONNEMENT and Lyonnaise des Eaux.

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the Fédération Professionnelle des Entreprises de l'Eau (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

The launch of this inquiry in no way prejudges the outcome of the investigation.

In March 2012, the European Commission conducted a new inspection at Lyonnaise des Eaux.

11.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €199.2 million as of June 30, 2012 (excluding litigations in Argentina).

Société des Eaux du Nord

Negotiations have been underway since 2008 between the Urban Community of Lille Metropole (LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux, as part of the five-year review of the drinking-water distribution management contract. These negotiations relate mainly to amendments signed in 1996 and 1998 that are now being challenged by the local authority.

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as provided in the contract. This commission was chaired by Mr Michel Camdessus, former Managing Director of the International Monetary Fund, who rendered his conclusions on March 30, 2010.

Despite the conclusions of the Commission report, at the Community Council meetings of June 25, 2010 LMCU voted in favor of proposed unilateral amendments to the contract, specifically to include a €115 million payment command against SEN that was issued on July 29, 2010.

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

At the time of this interim financial report, no date has been set for the hearing.

Litigations in Argentina

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

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

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and hearings for both disputes were held in 2007. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

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

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

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

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

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

The expert is expected to render his conclusions in the second half of 2012.

United Water (New York State)

In March 2008, certain residents on the banks of the Hackensack River in Rockland County (State of New York) filed a claim for a total amount of USD 66 million (subsequently raised to USD 130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

These residents are claiming faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rainwater drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, are claiming compensatory damages and interest from United Water in the amount of USD 65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water maintains that it is not responsible for the floods or the maintenance of the dam and reservoir and that the claims are unlikely to succeed and filed a motion to dismiss in July 2009 on the basis that it had no obligation to operate the dam for flood prevention purposes. Its motion was dismissed on August 27, 2009 and the dismissal confirmed on June 1, 2010. United Water has appealed this latest ruling.

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents.

The claim for punitive damages was definitively dismissed on May 31, 2011, and a ruling on the merits of the case is not expected before the second half of 2012.

This claim has been reported to the insurance companies.

United Water (Indiana)

On April 10, 1998, United Water Services Inc. and the Gary Sanitary District entered into a 10-year contract for the operation and maintenance of a wastewater treatment plant. This contract was renewed for a further five years in May 2008.

On October 20, 2008, at the request of the Department of Justice (DOJ) of the State of Indiana, the facilities managed by United Water underwent an inspection with a view to seeking evidence of possible environmental damage.

Following these investigations, the DOJ challenged the procedures used to take samples of effluents prior to discharge. The DOJ's claim was completely rejected by United Water.

Moreover, the DOJ found no environmental damage and no intention on the part of United Water to circumvent the applicable regulations.

United Water and the DOJ held a number of meetings with a view to finding a solution acceptable to both parties and concluding the proceedings. In the fall of 2010, the DOJ informed United Water that it was not prepared to reach an agreement.

On December 8, 2010, United Water Services Inc. and two of its employees were charged by a federal grand jury with failure to comply with the Clean Water Act.

A decision on the merits is expected in the second half of 2012.

On June 9, 2011, the Utility Workers Union of America and Food & Water Watch filed a claim against United Water citing the Guidelines for Multinational Enterprises adopted by the Organization for Economic Co-operation and Development (OECD). The claim was submitted as part of a renegotiation of the pension scheme operated by United Water. Considering this claim to be unfounded, United Water rejected it on October 27, 2011.

Utility Workers Union of America withdrew its claim in March 2012.

Sita Australia

In November 2008, residents of Brookland Greens Estate, located in the suburbs of the City of Casey, State of Victoria, Australia, filed a class action before the State Supreme Court of Victoria against the City of Casey.

Biogas (a mixture of methane and carbon dioxide) produced by the Stevensons Road landfill – which belongs to the City – had allegedly migrated through the soil and was threatening residences built in the vicinity. The plaintiffs claimed a loss of value in their homes, and requested that the competent jurisdiction determine the amount of damages.

In April 2009, the City of Casey called on Sita Australia to guarantee the services it provided between 2003 and 2007 in relation to the closure and capping of the landfill.

SITA Australia was also sued directly by the plaintiffs on November 15, 2009 along with other parties.

After various mediation attemps between 2009 and 2011, a settlement agreement dated May 23, 2011 between the residents and the City of Casey ended the class action and the City was subrogated to the rights of the residents.

The dispute was supposed to have been heard by the State Supreme Court of Victoria during the first half of 2012. A new mediation organized in February 2012 resulted in a settlement agreement among all parties that ended the dispute; this was confirmed on March 30, 2012.

These claims have been reported to the insurance companies.

Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The plant consists of three production lines with a total capacity of 450,000 m^3 of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provides for the progressive commissioning of desalination as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

The impact of the above events on the contractual timeline has pushed back the projected dates for commissioning and final delivery by several months.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them. In this context, claims for an amount greater than AUD 1 billion were presented by the construction joint venture.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 between Aquasure and the Thiess-Degrémont construction joint venture. On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the final commissioning of the plant, and to allow the submission and pursuit of claims against the State of Victoria. This agreement was approved by the investment banks, that financed the project, and the State of Victoria.

The deadline for this moratorium is February 28, 2013. SUEZ ENVIRONNEMENT believes that it is possible to complete construction of the plant by the end of December 2012 and estimates that the current risk presented by the project is correctly provisioned in its financial statements.

All the teams are mobilized to complete the site work as quickly as possible.

11.3 Tax litigations

Sociedad General de Aguas de Barcelona

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

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

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

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar has already requested the repayment of approximately €4 million in taxes incorrectly levied (as well as the corresponding penalties). The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, the Court of Appeals held in favor of Agbar in the amount of €20 million, thereby reducing the initial claim from €41 million to €21 million. Agbar subsequently filed an appeal with the Supreme Court to recover the remaining €21 million. The Spanish government also appealed the part of the ruling in favor of Agbar.

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.

NOTE 12 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.

12.1 Transactions with GDF SUEZ and related entities

In millions of euros	June 30, 2012	Dec. 31, 2011	June 30, 2011
Transactions with GDF SUEZ:			
Purchases / sales of goods and services	(5.6)	(10.6)	(3.0)
Non financial payables	15.9	13.9	8.1
Non financial receivables	2.6	2.2	0.6
Receivables carried at amortized cost [(a)]	26.2	27.1	27.7
Guarantees and commitments given	-	10.2	-
Transactions with companies linked to GDF SUEZ:			
Purchases / sales of goods and services	(7.9)	(7.3)	(3.3)
Financial income	3.6	13.8	8.1
Financial expenses	(7.1)	(15.3)	(6.9)
Non financial receivables	31.0	31.1	31.6
Non financial payables	3.5	2.3	1.3
Financial receivables	-	-	1.0
Borrowings excluding financial instruments	146.1	148.2	178.9
Commodity derivatives (Liabilities)	1.1	-	-
Outstanding accrued interest	-	-	-
Net cash	4.5	8.8	2.7
Guarantees and commitments given	20.0	19.5	22.0
Guarantees and commitments received	-	0.1	0.1

(a) Refer to note 2.2.1 of the section 20 of the 2009 SUEZ ENVIRONNEMENT Reference Document – Synthetic Argentinean contract.

The guarantees given in 2011 by the Group correspond to counter-guarantees granted to GDF SUEZ as part of guarantees given by the latter to banks lending to Hungariavitz. These guarantees were released in June 2012 following the repayment of the loans concerned and prior to the sale by SUEZ ENVIRONNEMENT of its share in Budapest Water Works, the Budapest water company, held via Hungariavitz (see Note 2, Major Transactions).

The financial income booked by the Group with companies linked to GDF SUEZ included in June 2011, a dividend of €4.3 million paid by an entity of GDF SUEZ to SUEZ ENVIRONNEMENT North America, with no equivalent in 2012.

12.2 Transactions with joint ventures and associates

12.2.1 Joint ventures

At the end of June 2012, the Group held a €260 million loan granted to SFWD, a 50%-proportionately consolidated company. The non-Group share of €130 million was recognized under assets in the Group's consolidated statement of financial position.

The Group also has a €232 million current account in the joint venture responsible for the construction of the seawater desalination plant near Melbourne. This joint venture is proportionately consolidated at 35%. The non-Group share of €151 million was recognized under assets in the Group's consolidated statement of financial position.

12.2.2 Associates

As at December 31, 2011, there are no significant transactions or commitments involving associates in the first-half of 2012.

NOTE 13 Subsequent events

There is no significant subsequent event.

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris, August 1, 2012

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2012 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 2012.

Jean-Louis Chaussade

Chief Executive Officer

SUEZ ENVIRONNEMENT COMPANY

7 STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

Period from January 1 to June 30, 2012

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 limited review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1 to June 30, 2012, and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the board of directors in a context, which already existed at the December 31, 2011 closing, of high volatility of the markets and of financial crisis in the Euro zone whose consequences make difficult to forecast economical mid-term perspectives. This context is described in note 1.4 "Use of judgement and estimates" to the condensed half-yearly consolidated financial statements." Our role is to express a conclusion on these financial statements based on our limited review.

1. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited 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 limited 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 the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs 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 "Accounting policies – amendments applicable in 2012 " to the condensed half-yearly consolidated financial statements, which outlines the impact of amendments whose application is mandatory.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our limited review.

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

Courbevoie and Paris-La-Défense, August 1, 2012

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

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

SUEZ ENVIRONNEMENT COMPANY
LIMITED COMPANY WITH CAPITAL OF €2,040,935,316
TOUR CB21 - 16, PLACE DE L'IRIS
92040 PARIS LA DÉFENSE CEDEX - FRANCE
433.466.570 R.C.S. NANTERRE

WWW.SUEZ-ENVIRONNEMENT.COM

RR DONNELLEY + 33 (0)1 53 45 19 00