INTERIM FINANCIAL REPORT at June 30, 2011

SUMMARY

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

For the first half of 2011, SUEZ ENVIRONNEMENT posted strongly growing results in a context of gradual but erratic improving economic conditions.

The Group reported revenues of €7,376 million, up 11.8%, with all of its three operating segments contributing to this growth. EBITDA rose strongly to €1,233 million, up 18.3%. Our 16.7% EBITDA margin included the positive impact of the COMPASS costs reduction program. Free cash flow was €324 million and net income was €221 million. Net financial debt was €7,580 million at June 30, 2011, steady when compared with that at the end of December 2010.

After three years of strong growth, SUEZ ENVIRONNEMENT posted excellent interim results for 2011. In Europe, the Group continued its profitable growth in Water after the successful takeover of Agbar in 2010, and in Waste the improvement was driven by increasing volumes and rising prices of secondary raw materials. Internationally, growth is strong in every region.

Business activity during the first six months of the year was dynamic with many contracts won such as Agde, Orléans and Rouen in Water in France, and Leon and Santonia in Spain. In Waste, SITA signed a private finance initiative (or PFI) contract for the design, build, financing and operation of an energy-from-waste recovery plant in South Tyne and Wear (United Kingdom) and in France, it started to operate the Ivry (Paris area) energy-from-waste recovery plant. Internationally, the Group signed many contracts, including the Adelaide (Australia) contract for the operation and maintenance of the urban water and wastewater services and the contract with the city of Pontiac (Michigan) in the United States to manage its water and wastewater systems.

SUEZ ENVIRONNEMENT strengthened its financial profile by continuing its policy of diversifying its sources of financing and extending its debt maturity.

Moreover, the scrip dividend option, ratified by the Shareholders' Meeting of May 19, 2011, was a success, being adopted by 78.4% of SUEZ ENVIRONNEMENT shareholders.

Based on these strong 2011 interim results, we confirm our 2011 and medium-term guidance on growth of both profitability and dividends.

SUEZ ENVIRONNEMENT confirms its long-term strategy with a balanced assets portfolio and water and waste activities driven by strong growth factors. Our businesses are in the heart of the current environmental challenges and serve the new booming circular economy. The Group remains focused on its innovation policy by developing new offers on the sustainable management of resources.

Jean-Louis Chaussade

2 KEY FIGURES FOR THE FIRST HALF OF 2011

The table below shows extracts of the income statements, statements of financial positions and statements of cash flows from the condensed consolidated financial statements for the periods ending June 30, 2011 and June 30, 2010.

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, 2011	June 30, 2010
Revenues	7,376	6,597
EBITDA	1,233	1,042
EBITDA margin	*16.7%*	*15.8%*
Net income Group share	221	386
Free cash flow (*)	324	457
Net debt	7,580	7,526
	at June 30, 2011	*at December 31, 2010*

(*) before disposals and development capital expenditures.

3 2011 HIGHLIGHTS – CONTRACTS

January 2011

France: SITA France signed a waste treatment and recovery contract with the Nice Côte d'Azur local authority. This 4-year contract represents cumulative revenues of €21 million.

France: SITA France renewed a waste transport and treatment contract with VALODEA, a joint association for waste treatment in the Ardennes. This 8-year contract represents cumulative revenues of €14 million.

Morocco: SITA El Beida won the contracts for collecting waste for the municipalities of Safi and Harhoura. The terms of these contracts are 7 and 5 years respectively and represent cumulative revenues of €23 million.

February 2011

France: SITA France started to operate the household waste incineration plant at Ivry, which treats waste from 15 towns in the Paris area and from 12 districts of Paris itself. This 6-year contract represents cumulative revenues of €210 million.

Spain: Agbar signed a water and wastewater treatment contract with the municipality of Santonia (Cantabria). This 25-year contract represents cumulative revenues of €32 million.

Australia: SITA Australia completed the acquisition of WSN Environmental Solutions for €173 million. The treatment facilities will supplement the Group's activities with 3 landfills, 2 resource and energy recovery facilities, 8 transfer stations and 3 recycling units.

Australia: SUEZ ENVIRONNEMENT won the contract to operate and maintain water and wastewater treatment services for the city of Adelaide. This contract represents cumulative revenues of €420 million for SUEZ ENVIRONNEMENT. This 10-year contract includes an optional 6-year extension.

Haiti: The National Drinking Water and Sanitation Department of Haiti selected SUEZ ENVIRONNEMENT to support it for 3 years in drawing up and implementing an urgent plan to restore drinking water and wastewater services. SUEZ ENVIRONNEMENT will operate in accordance with an operational assistance contract and waives all profits from the contract.

March 2011

France: SITA France signed a contract to collect municipal waste from Plaine Centrale (Paris area). This 5-year contract represents cumulative revenues of €25 million.

Spain: Agbar renewed a water and wastewater treatment contract with Tarrega (Lleida). This 13-year contract represents cumulative revenues of €27 million.

Spain: Agbar signed a water and wastewater treatment contract with Canyelles (Barcelona). This 20-year contract represents cumulative revenues of €10 million.

April 2011

France: SUEZ ENVIRONNEMENT joined the FTSE4Good index for its transparency in terms of non financial communication and noticed improvements in respect of its commitments to sustainable development.

France: The Nice Côte d'Azur local authority awarded Degrémont the contract to operate and maintain one of the most efficient wastewater treatment plants in France – Haliotis – in Nice, for a 10-year period. The contract represents a total cumulative amount of €100 million.

United Kingdom: SITA UK signed a PFI contract[1] with the South Tyne and Wear Waste Partnership. This contract is for the management of 190,000 tons of residual household waste per year. It includes the design, build, financing and operation of an energy-from-waste plant with a capacity of up to 256,000 tons a year. This 25-year contract represents cumulative revenues of €1.2 billion.

United Arab Emirates: SUEZ ENVIRONNEMENT signed the contract to manage hazardous waste in the Emirate of Abu Dhabi. This 15-year contract, which also provides for the construction of a thermal treatment plant, represents cumulative revenues of €200 million.

May 2011

France: Moody's rating agency has upgraded its outlook on the SUEZ ENVIRONNEMENT rating. Moody's attributed SUEZ ENVIRONNEMENT an A3 rating and has upgraded its outlook from negative to stable.

France: SUEZ ENVIRONNEMENT successfully completed combined bond exchange and tender offers. This operation smoothes out redemption periods and extends the average maturity of its debt. SUEZ ENVIRONNEMENT redeemed €338 million out of €1.3 billion maturing in 2014 with a coupon of 4.875% and issued €500 million in new bonds maturing in 2021 with a coupon of 4.078%.

International: SUEZ ENVIRONNEMENT and GE signed an international cooperation agreement for the development of innovative solutions for water network and water treatment plant management to meet the growing needs of cities around the world. This 2-year agreement envisages cooperation between the two groups in R&D and innovation in order to develop new technological solutions for water flow management.

France: Lyonnaise des Eaux and Terrena joined forces to create a company dedicated to the environmental needs and water issues of farmers. A genuine breeding ground for technical solutions and services for the agricultural sector, the company aims to develop new solutions for water in agriculture.

[1] *Private Finance Initiative*

June 2011

France: SITA France has developed the first pilot recycling project for used nappies. SUEZ ENVIRONNEMENT has undertaken a research program to evaluate the potential for recycling nappies. This €340,000 program has been 40%-subsidized by ADEME as part of the call for eco-industrial projects bids organized in 2009.

Spain: Agbar signed a wastewater treatment contract with the municipality of Edar Saleal (Leon). This 25-year contract represents cumulative revenues of €109 million.

Qatar: Degrémont signed a contract to expand the Doha West wastewater treatment and recycling plant. The project will allow the capacity of the plant to be increased from 135,000 to 175,000 cubic meters a day, to serve an estimated population of 650,000. This 10-year contract represents cumulative revenues of €35 million.

Tanzania: Degrémont won the contract to expand the drinking water plant at Dar Es Salaam. This contract represents total revenues of €26 million, €14 million of which for Degrémont.

July 2011

France: Eaux de Normandie, a Lyonnaise des Eaux subsidiary, won the contract to provide drinking water to the northwest sector of the Rouen area. This 6-year contract represents cumulative revenues of €23 million.

France: Lyonnaise des Eaux renewed a contract with the city of Orléans. This 12-year water contract represents cumulative revenues of €110 million.

France: Lyonnaise des Eaux renewed a contract with the city of Agde. This 15-year water and wastewater contract represents cumulative revenues of €166 million.

United States: United Water, a SUEZ ENVIRONNEMENT subsidiary, signed a 5-year water and wastewater management service agreement with the city of Pontiac (Michigan) representing cumulative revenues of €28 million.

4 INTERIM MANAGEMENT REPORT

In the context of fragile economic recovery in Europe and the United States, SUEZ ENVIRONNEMENT achieved strong business growth, with revenues rising 11.8% in the first half of 2011. Aside from the positive impact of exchange rates and scope effects, this increase was mainly fuelled by strong organic growth (+8.7%) to which the three operating segments contributed.

This rise in revenues was accompanied by a +18.3% increase in **EBITDA** and a +28.6% rise in **current operating income (EBIT).**

Net income Group share came to €221 million. The rise in EBIT posted in the first half of 2011 only partially offset the absence in 2011 of the previous year's positive scope effects (mainly capital gains from remeasurements and disposals in accordance with IFRS 3 revised, realized on the takeover of Agbar and the unwinding of jointly-owned subsidiaries with Veolia-Eau in France).

Free cash flow before disposals and development capital expenditures was €324 million, down 29.0% from 2010. This decline was mainly due to the impact of working capital requirements, which was positive in 2010 (increase in monthly direct debits from customers set up France in 2010) and was negative in 2011 (late payments by public agencies and local authorities in Maghreb, in Spain and in the United States), although the impact was offset by cash flows from operations before financial income and income tax, up 17.4% versus the first half of 2010.

Net financial debt was €7,580 million as at June 30, 2011, versus €7,526 million as at December 31, 2010. This stability is mainly due to operating activities self-financing the net investments and to the reduction in dividends paid in cash.

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2011

Acquisition of WSN Environmental Solutions (Australia)

On February 1, 2011 SUEZ ENVIRONNEMENT, through its 60%-owned subsidiary, SITA Environmental Solutions (SITA Australia), completed the acquisition of the waste management activities of the Government of New South Wales operating as WSN Environmental Solutions (WSN) in the amount of 234.4 million Australian dollars (AUD). This takeover supplements SITA Australia's recycling and treatment capacities. As at June 30, 2011, the accounting of this business combination is still in progress (measurement of the fair value of assets acquired and liabilities assumed). Provisional goodwill is AUD 23.5 million, that is €17 million as at June 30, 2011.

The additional impact on the Group's revenues as from the acquisition date was €89 million.

Reorganization of the Group's Activities in China

As part of the reorganization of the Group's activities in the water sector in China, Agbar sold its stake in Jiangsu Water to SFWD (Sino French Water Development), a subsidiary of SFH (Sino French Holdings), a company 50%-owned by the Group. From now on, Jiangsu Water is 50%-proportionally consolidated by SFWD.

Sale of Degrémont Head Office

On June 1, 2011, Degrémont sold its head office located in Rueil-Malmaison (Paris area), for a consideration of €40.5 million (excluding duties).

Combined Bond Exchange and Tender Offers

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched combined exchange and tender offers, relating to its bond maturing in 2014, issued in 2009 and carrying a fixed coupon of 4.875%. The purpose of this transaction was not only to refinance part of this issue maturing in 2014, but also to extend the average maturity of Group debt.

This operation was finalized as at May 17, 2011. At the end of the process, €338 million of 2014 bonds had been redeemed and exchanged as part of the issuance of a 10-year bond in the total amount of €500 million, carrying a fixed coupon of 4.078%.

Scrip Dividend

The scrip dividend option, which was approved by the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting of May 19, 2011, was chosen by 78.4% of shareholders. This resulted in the creation of 19,008,731 shares, increasing Company capital by 3.9%. The issue price of these shares under the scrip dividend option was set at €13.03 per share.

As a result of the operation, the share capital of SUEZ ENVIRONNEMENT COMPANY on June 27, 2011 rose to €2,034,831,164, divided into 508,707,791 shares each with a nominal value of €4.

4.1 REVENUES AND OPERATIONAL RESULTS

In the context of a gradual but erratic macroeconomic recovery in Europe and the United States, SUEZ ENVIRONNEMENT recorded revenues of €7,376 million, up 11.8%. This €779 million increase in revenues breaks down as follows:

- organic growth of €577 million, driven by each of the three operating segments: the Waste Europe segment contributed to more than half of it, with €296 million (+10.3%) thanks to rising volumes as well as the impact of the continuing rise in the price of secondary raw materials (mainly metals and paper); the International sector also posted sustained growth (€208 million, up 11.8%) thanks to Degrémont and rising volumes in Asia, Central Europe and Morocco; finally, Water Europe also improved (up 3.5%) as a result of rate increases and strong volumes;
- positive scope effects in the amount of €171 million due mainly to the increased stake in Agbar finalized on June 1, 2010, as well as the contribution of WSN Environmental Solutions acquired on February 1, 2011, by SITA Australia;
- positive impact of exchange rates in the amount of + €31 million, primarily involving the Australian dollar (+ €33 million), the Chilean peso (+ €10 million), the Swedish crown (+ €10 million) and the Czech crown (+ €3 million), offset by the negative impact of the US dollar (- €18 million), the Hong Kong dollar (- €3 million), the Macau pataca (- €3 million) and the Moroccan dirham (- €3 million).

EBITDA rose by €190 million to €1,233 million, an 18.3% increase, due to the following factors:

- organic growth of €71 million, or 6.8%, primarily related to the Waste Europe and Water Europe segments and including the effects of the COMPASS plan (SUEZ ENVIRONNEMENT's costs reduction program);
- positive impact of scope effects in the amount of + €113 million;
- positive exchange rates impact in the amount of + €7 million.

Current operating income (EBIT) was €562 million, a significant growth of €125 million (+28.6%) versus 2010. It reflects the positive impact of the monitoring of investments, amplifying virtuous growth.

Income from operating activities was €581 million, down €94 million from the first half of 2010, mainly due to the net positive impact in 2010 of scope effects, restructuring and impairments of assets (including gains on disposals and remeasurements in accordance with IFRS 3 revised in the amount of €358 million resulting from the unwinding of joint investments in the water sector in France and the takeover of Agbar). This 2010 impact was only partially compensated in the first half of 2011 by the gain on disposals (+ €34 million) realized on the sale of real estate in France.

Net income Group share came to €221 million. The €165 million decline was mainly explained by the impact of the scope effects mentioned above (the impact of IFRS 3 revised), while net financial expenses, down by €6 million from 2010, reflect the stable cost of net debt and the increase in dividends received. Earnings per share came to €0.43 in the first half of 2011, versus €0.79 per share in the first half of 2010.

4.2 OPERATING SEGMENTS

SUEZ ENVIRONNEMENT recorded organic growth of 8.7% in **revenues,** which breaks down by operating segment as follows.

Water Europe posted organic revenue growth of 3.5% (+ €69 million) mainly reflecting:

- an organic increase of 3.1% at Lyonnaise des Eaux in France (+ €30 million) driven by the growth of new offers (innovative technological solutions that combine environmental and economic performance), rate indexation formulae, and an increase in concession contracts;
- organic growth of 3.8% at Agbar (+ €34 million) driven by increasing volumes, as well as in Chile (+ 2.9%) and Spain (+ 0.4%) and by rate rises in the United Kingdom, Chile and Spain.

The 10.3% organic growth in **Waste Europe** revenues (+ €296 million), is mainly associated with the significant rise in volumes (+ 5.6% overall, compared to June 2010) as well as price increases in secondary raw materials (metals and paper), which favoured the sorting/recovery/recycling business. Growth was strong in all three regions: + 10.8% in France, + 7.3% in the United Kingdom and Scandinavia and + 11.7% in the Benelux/Germany area.

The **International** segment posted organic growth of 11.8% (+ €208 million), arising from the following trends:

- strong growth at Degrémont (+ 19.1%, + €139 million) driven mainly by the execution of the Melbourne contract and progress at the Mapocho and Panama sites;
- dynamic activity in Asia-Pacific (up 12.9%, or + €46 million) across all countries, mainly in Australia, Hong Kong and China;
- growth in North America (up 5.0%, or + €15 million), as a result of rate increases offsetting a slight decrease in invoiced volumes;
- 2.4% growth finally (i.e. + €9 million) in the Central Europe – Maghreb – Middle East region due mainly to water and waste activities in Morocco.

At **EBITDA** level, SUEZ ENVIRONNEMENT recorded organic growth of 6.8% (up €71 million), which breaks down as follows:

- **Water Europe** showed strong organic growth of +9.2%, (+ €41 million);
- **Waste Europe** grew 10.0% (+ €40 million) benefiting from increasing volumes primarily in sorting/recovery/recycling activities and from the rising prices of secondary raw materials;
- in the **International** segment, EBITDA declined by 5.6% mainly reflecting overruns at the Melbourne site due to adverse weather conditions and continuing tough labour relationship, leading to a €52 million expense as at June 30, 2011. These negative impacts were largely offset by strong performance in water and waste activities in Asia-Pacific and the Central Europe – Maghreb – Middle East region.

4.3 OTHER INCOME STATEMENT ITEMS

Income from operating activities was €581 million as at June 30, 2011, down €94 million from June 30, 2010; this change was due mainly to the decline in proceeds from disposals and to greater scope effects described here above in 2010. It consists of €562 million in current operating income, plus gains on disposals, scope effects, impact of restructuring and impairments of assets in the amount of €20 million, consisting mainly of gains realized on a real estate sale in France.

Financial result as at June 30, 2011, posted a loss of €183 million versus a loss of €188 million in the first half of 2010. The similarity of these figures reflects the steady cost of net debt around 5% and the increase in dividends received.

Income tax expense rose €34 million compared to the first half of 2010. The effective tax rate was 23.2%, mainly due to operating companies being located in countries with lower tax rates.

The share in net income of associates increased slightly by €1 million compared to June 30, 2010.

Net income attributable to non-controlling interests was €99 million, up €44 million on the first half of 2010, due mainly to the increased stake in Agbar (primarily linked to the impact of the change in the consolidation method, from proportional to full consolidation).

4.4 FINANCING

Cash flows from operating activities

Cash flows generated from operating activities before financial expense and income tax totalled €1,062 million as at June 30, 2011, up €157 million compared to June 30, 2010, mainly due to the increase in EBITDA.

Working capital requirements had a negative impact of - €145 million in the first half of 2011 mainly due to late payments by public agencies and local authorities in Maghreb, Spain and the United States as well as seasonal effects.

In total, cash flows from operating activities produced an €848 million cash surplus in the first half of 2011, down €74 million from June 30, 2010, due to the change in positive working capital requirements in the first half of 2010 (increase in monthly direct debits from customers set up in France in 2010).

Cash flows from investing activities

Cash flows from investing activities included:

- maintenance capital expenditure in the amount of €312 million;
- development capital expenditure in the amount of €335 million;
- financial investments in the amount of €204 million, including €173 million for the acquisition of WSN Environmental Solutions (or AUD 234 million);
- disposals in the amount of €82 million in the first half of 2011 mainly from real estate sales in France.

Interest and dividends from available-for-sale securities generated a €27 million cash inflow, an increase of €7 million compared to 2010 (mainly from Acea and Chongqing Water Group).

Overall, cash flows from investing activities generated a cash shortfall of €757 million (€173 million of which for the acquisition of WSN Environmental Solutions), versus a €547 million shortfall in the first half of 2010 which had been favourably impacted by the €110 million cash-in from the sale of LondonWaste.

Cash flows from financing activities

A total of €170 million in dividends was paid, compared to €421 million in 2010. The €251 million drop was mainly due to 78.4% of SUEZ ENVIRONNEMENT COMPANY shareholders opting for the scrip dividend. This choice generated a €248 million capital increase. Net financial interest expense was €263 million versus €208 million as at June 30, 2010, this change being due mainly to the increase in average net debt compared to the first half of 2010.

Overall, financing activities generated a cash surplus of €111 million in the first half of 2011, versus a shortfall of €353 million in 2010.

Net debt at June 30, 2011

Net debt as at June 30, 2011 was €7,580 million compared to €7,526 million at the end of December 2010. This stability was mainly due to:

- strong cash flow generation from operating activities allowing them to self-finance net investments;
- continuing selectivity in investments;
- reduction in dividends paid due to the success of the scrip dividend option granted to shareholders;
- positive changes in exchange rates (+ €139 million) and in the marked-to-market of hedge instruments (+ €133 million).

As at June 30, 2011, the Group had a total of €2,214 million in undrawn authorized credit facilities.

4.5 OTHER STATEMENT OF FINANCIAL POSITION ITEMS

Net intangible assets and **goodwill** totalled €6,881 million, virtually unchanged from December 31, 2010 (- €26 million).

Net property, plant and equipment was €8,662 million versus €8,855 million as at December 31, 2010, a drop of €193 million, mainly due to negative exchange rate effects and depreciations, which were only partially offset by investments in the first half of 2011.

Investments in associates and **available-for-sale securities** were almost unchanged at €434 million and €478 million respectively.

Total shareholders' equity amounted to €6,533 million, virtually unchanged from December 31, 2010, after taking into account dividends in the amount of €212 million.

Provisions were relatively steady as at June 30, 2011 at €1,582 million versus €1,657 million as at December 31, 2010.

Deferred taxes represented net assets of €26 million versus €86 million as at December 31, 2010. This reduction was mainly due to actuarial gains and losses on provisions for post-employment benefits, negative exchange rate effects and a gain from the French tax group in the first half of 2011.

4.6 RELATED PARTY TRANSACTIONS

Note 12 to the 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 2010 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 2011

In a context of gradual but erratic economic recovery, SUEZ ENVIRONNEMENT posted substantial growth in the 2011 half-year results and confirms its 2011-2013 guidance.

SUEZ ENVIRONNEMENT will continue growing in 2011 through 2013, with the following targets:

- In 2011
  - growth in total revenues of at least 5% compared to 2010, at constant exchange rates
  - growth in EBITDA of at least 10% compared to 2010 at constant exchange rates, including scope effects from the takeover of Agbar

- net income (Group share) in excess of €425 million
- free cash flow in 2011 equal to or greater than the 2010 free cash flow level
- continuing selectivity in investments
- Net Debt/EBITDA ratio of around 3 times as at the end of 2011, which is one year sooner than previously announced targets

- For 2012-2013
  - Average growth in total revenues of at least 5%, at constant exchange rates
  - Average growth in EBITDA of at least 7%, at constant exchange rates
  - Net Debt/EBITDA ratio maintained at around 3 times

- Dividend policy
  - payment in 2011 of €0.65 per share in respect of the 2010 result
  - annual dividend growth around 5% over the next 3 years
  - long term pay-out target over 60%.

The Group confirms its long-term sustainable growth strategy, with strong growth factors (regulation, population growth, urbanization and increasing scarcity of resources requiring optimized water management and waste recovery). The Group is well positioned to profit from growth in its markets, particularly in high-potential areas such as Southern Europe in terms of water, waste recycling activities as well as through its ambitious and selective international development. SUEZ ENVIRONNEMENT relies on its competitive advantages to create value in the water and waste cycles.

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, 2011

5.1 STATEMENTS OF FINANCIAL POSITIONS

In millions of euros	Note	June 30, 2011	December 31, 2010
NON-CURRENT ASSETS			
Intangible assets, net	6	3,782.7	3,778.8
Goodwill	6	3,098.4	3,128.0
Property, plant and equipment, net	6	8,661.9	8,855.2
Available-for-sale securities	7	477.6	517.7
Loans and receivables carried at amortized cost	7	620.3	611.9
Derivative financial instruments	7	104.5	171.2
Investments in associates		433.5	443.3
Other assets		119.1	106.8
Deferred tax assets		696.0	782.1
TOTAL NON-CURRENT ASSETS		**17,994.0**	**18,395.0**
CURRENT ASSETS			
Loans and receivables carried at amortized cost	7	133.1	194.3
Derivative financial instruments	7	5.8	9.2
Trade and other receivables	7	4,225.4	3,871.8
Inventories		299.2	273.1
Other assets		1,076.8	1,095.8
Financial assets at fair value through income	7	11.9	264.7
Cash and cash equivalents	7	2,032.7	1,826.5
TOTAL CURRENT ASSETS		**7,784.9**	**7,535.4**
TOTAL ASSETS		**25,778.9**	**25,930.4**
Shareholders' equity, Group share		4,777.6	4,772.6
Non-controlling interests		1,755.3	1,854.2
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**6,532.9**	**6,626.8**
NON-CURRENT LIABILITIES			
Provisions	9	1,156.4	1,154.4
Borrowings	7	7,710.0	8,333.9
Derivative financial instruments	7	65.4	108.6
Other financial liabilities	7	119.9	122.1
Other liabilities		616.2	511.7
Deferred tax liabilities		670.1	696.2
TOTAL NON-CURRENT LIABILITIES		**10,338.0**	**10,926.9**
CURRENT LIABILITIES			
Provisions	9	425.4	502.1
Borrowings	7	1,924.2	1,306.2
Derivative financial instruments	7	30.6	40.6
Trade and other payables	7	2,583.3	2,878.7
Other liabilities		3,944.5	3,649.1
TOTAL CURRENT LIABILITIES		**8,908.0**	**8,376.7**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25,778.9**	**25,930.4**

NB: The values shown in the table are generally expressed in millions of euros. Rounding may in some cases produce insignificant discrepancies in changes or totals.

5.2 INCOME STATEMENTS

In millions of euros	Note	June 30, 2011	June 30, 2010
Revenues		7,375.7	6,596.5
Purchases		(1,758.7)	(1,717.9)
Personnel costs		(1,862.2)	(1,645.8)
Depreciation, amortization and provisions		(528.8)	(477.2)
Other operating income and expenses		(2,664.5)	(2,318.9)
CURRENT OPERATING INCOME	4	**561.5**	**436.7**
Marked-to-market on operating financial instruments		(3.5)	1.0
Impairment on property, plant and equipment, intangible and financial assets		(6.6)	(70.8)
Restructuring costs		(11.0)	(50.2)
Scope effects		2.4	364.7
Other non-recurring items		38.5	(5.7)
INCOME FROM OPERATING ACTIVITIES	4	**581.3**	**675.7**
Financial expenses[a]		(266.6)	(258.1)
Financial income[a]		84.1	70.0
NET FINANCIAL INCOME/(LOSS)	4	**(182.5)**	**(188.1)**
Income tax expense	4	(92.4)	(58.3)
Share in net income of associates		14.0	13.0
NET INCOME		**320.4**	**442.3**
of which, Group share		221.0	386.5
of which, non-controlling interests		99.4	55.8
NET INCOME (GROUP SHARE) PER SHARE (in euros)[b]	5	**0.43**	**0.79**

(a) The expected return on plan assets shown in "impact of unwinding discount adjustments" has been reposted to "other financial income". The data at June, 30 2010 has been restated to ensure comparability between the two periods.

(b) Net income (Group share) per share in the first half of 2011 has been adjusted to take into account the dilutive effect of the after-tax amount of the coupon attributable to holders of the undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010.

The figures for the average number of outstanding shares at June 30, 2011 and at June 30, 2010 have been updated on a prorata temporis basis to take into account the impact of the scrip dividend allocated in the first half of 2011.

5.3 STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Note	June 30, 2011 Total	June 30, 2011 Of which, Group share	June 30, 2011 Of which, non-controlling interests	June 30, 2010 Total	June 30, 2010 Of which, Group share	June 30, 2010 Of which, non-controlling interests
NET INCOME		**320.4**	**221.0**	**99.4**	**442.3**	**386.5**	**55.8**
Available-for-sale securities	7	(21.3)	(21.0)	(0.3)	(0.2)	(1.1)	0.9
Net investment hedges		71.1	66.0	5.1	(94.9)	(91.3)	(3.6)
Cash flow hedges (excluding commodities)		8.0	6.6	1.4	(20.3)	(18.3)	(2.0)
Commodity cash flow hedges		(0.8)	1.3	(2.1)	11.3	11.3	-
Actuarial gains and losses		39.6	35.5	4.1	6.3	4.7	1.6
Translation adjustments		(214.8)	(141.4)	(73.4)	250.3	276.5	(26.2)
Deferred taxes		(30.3)	(29.2)	(1.1)	25.6	25.2	0.4
Share in comprehensive income of associates		(10.0)	(10.0)		10.6	10.6	
OTHER COMPREHENSIVE INCOME ITEMS		**(158.5)**	**(92.2)**	**(66.3)**	**188.7**	**217.6**	**(28.9)**
COMPREHENSIVE INCOME		**161.9**	**128.8**	**33.1**	**631.0**	**604.1**	**26.9**

5.4 STATEMENTS OF CHANGES IN 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 subor-dinated notes	Share-holders' equity, Group share	Non-controlling interests	Total
Shareholders' equity at December 31, 2009	**489,699,060**	**1,958.8**	**4,002.9**	**(2,135.0)**	**(1.7)**	**(144.4)**	**(4.7)**		**3,675.9**	**742.2**	**4,418.1**
Net income				386.5					386.5	55.8	442.3
Other comprehensive income items				6.7	(81.6)	292.5			217.6	(28.9)	188.7
Comprehensive income				**393.2**	**(81.6)**	**292.5**			**604.1**	**26.9**	**631.0**
Employee share issues and share-based payment				9.2					9.2		9.2
Capital increase/reduction									-	(0.8)	(0.8)
Dividends paid				(318.1)					(318.1)	(102.7)	(420.8)
Purchase/sale of treasury shares				(0.5)			(29.1)		(29.6)		(29.6)
Transactions between shareholders				(55.5)					(55.5)	(63.4)	(118.9)[a]
Business combinations				(11.4)					(11.4)	758.2	746.8[b]
Other changes				(1.7)					(1.7)	(3.3)	(5.0)
Shareholders' equity at June 30, 2010	**489,699,060**	**1,958.8**	**4,002.9**	**(2,119.8)**	**(83.3)**	**148.1**	**(33.8)**		**3,872.9**	**1,357.1**	**5,230.0**
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**
Employee share issues and share-based payment				13.3					13.3		13.3
Capital increase/reduction									-	34.8	34.8
Dividends paid[c]				(68.8)					(68.8)	(143.2)	(212.0)
Scrip dividend[c]	19,008,731	76.0	171.7	(247.7)					-		-
Coupon of undated deeply subordinated notes								(23.7)	(23.7)		(23.7)
Purchase/sale of treasury shares				(9.0)			(35.1)		(44.1)		(44.1)
Transactions between shareholders				(0.6)					(0.6)	(1.4)	(2.0)
Business combinations										(23.9)[d]	(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**

(a) Change mainly related to Agbar's delisting tender offer.

(b) This change relates mainly to the effects of the takeover of Agbar.

(c) 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.

(d) Change due mainly to Jiangsu Water moving from the fully consolidated to the proportionally consolidated method following the loss of control of this entity in 2011 (see Note 2).

5.5 STATEMENTS OF CASH FLOWS

In millions of euros	June 30, 2011	June 30, 2010
NET INCOME	**320.4**	**442.3**
- Share in net income of associates	(14.0)	(13.0)
+ Dividends received from associates	22.9	26.1
- Net depreciation, amortization and provisions	484.8	552.4
- Scope effects, other non-recurring items	(40.8)	(358.9)
- Other items with no cash impact	14.0	9.7
- Income tax expense	92.4	58.3
- Financial income	182.5	188.1
Cash flows from operations before financial income/(expense) and income tax	**1,062.2**	**905.0**
+ Tax paid	(68.9)	(50.3)
Change in working capital requirements	**(145.2)**	**67.2**
CASH FLOWS FROM OPERATING ACTIVITIES	**848.1**	**921.9**
Investments in property, plant and equipment and intangible assets	(647.1)	(624.6)
Takeovers of subsidiaries net of cash and cash equivalents acquired	(174.6)	(470.2)
Acquisitions of interests in associates and joint ventures	(17.4)	(19.8)
Acquisitions of available-for-sale securities	(12.0)	(30.7)
Disposals of property, plant and equipment and intangible assets	50.6	16.9
Losses of control in subsidiaries net of cash and cash equivalents sold	24.9	451.4
Disposals of interests in associates and joint ventures	1.0	111.5
Disposals of available-for-sale securities	4.9	1.2
Interest received on non-current financial assets	3.6	5.4
Dividends received on non-current financial assets	23.4	15.0
Change in loans and receivables issued by the Company and others	(13.9)	(3.1)
CASH FLOWS FROM INVESTING ACTIVITIES	**(756.6)**	**(547.0)**
Dividends paid [(a)]	(417.7)	(420.8)
Repayment of borrowings	(882.8)	(1,215.8)
Reduction in capital paid to non-controlling interests [(b)]	(2.8)	(140.6)
Change in financial assets at fair value through income	254.1	687.9
Financial interests paid	(262.9)	(207.6)
Financial interests received on cash and cash equivalents	23.4	6.0
Increase in financial debt	1,160.7	972.3
Increase in share capital [(c)]	283.9	1.9
Purchase/sale of treasury shares	(44.5)	(35.3)
Change in share of interests in controlled entities	(0.6)	(1.1)
CASH FLOWS FROM FINANCING ACTIVITIES	**110.8**	**(353.1)**
Impact of changes in exchange rates and other	3.9	43.1
TOTAL CASH FLOW FOR THE PERIOD	**206.2**	**64.9**
OPENING CASH AND CASH EQUIVALENTS	**1,826.5**	**2,711.7**
CLOSING CASH AND CASH EQUIVALENTS	**2,032.7**	**2,776.6**

(a) Including withholding tax.

(b) In June 2010, this item mainly reflects Agbar's purchase of its own shares as part of the delisting tender offer.

(c) In June 2011, this item reflects the increase in the capital of SUEZ ENVIRONNEMENT COMPANY corresponding to the €247.7 million scrip dividend, as well as the portion subscribed by non-controlling interests in the capital increase of Sembsita Pacific in Australia.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENT

NOTE 1 Basis of presentation and significant accounting principles and 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 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.

The creation of the Group results from reclassifications carried out between different holding company subsidiaries of SUEZ SA. These reclassifications have not made any changes to SUEZ SA's control over the entities that are included in the Group. These transactions between entities under common control did not fall within the scope of IFRS 3 – *Business combinations,* and were recognized in the consolidated financial statements at their book value. IFRS 3 revised, which came into effect on January 1, 2010, does not cover business combinations involving entities under common control, and otherwise has no retroactive impact.

As IFRS does not provide any specific guidance for business combinations involving entities under common control, the accounting treatment adopted was reviewed by Group management in light of IAS 8 – *Accounting policies, changes in accounting estimates and errors* – and in particular paragraph 10 of the standard ("selection and application of accounting policies").

On August 2, 2011, the condensed interim consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2011 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 with IFRS as endorsed by the European Union[1].

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2011 were prepared in accordance 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, 2011 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, 2010, subject to specific provisions relating to the preparation of interim financial information as described hereafter.

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, 2011 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2010 in accordance with IFRS as published by the IASB and with IFRS as endorsed by the European Union, with the exception of the following items in Note 1.3.1.1.

1.3.1 IFRS standards, amendments and IFRIC interpretations whose application is mandatory in 2011

1.3.1.1 Items applied by the Group at June 30, 2011

- Amendment to IAS 32 – *Classification of Rights Issues*: this amendment has no impact on the condensed interim consolidated financial statements ended June 30, 2011;
- Improvements to IFRS 2010: among amendments, those related to IAS 34 and IFRS 7 impact financial instruments disclosures as of June 30, 2011. Refer to notes 7 and 8;
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*: this interpretation has no impact on the condensed interim consolidated financial statements ended June 30, 2011;
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*: this amendment has no significant impact on the condensed interim consolidated financial statements ended June 30, 2011.

1.3.1.2 Item that will be applied by the Group at December 31, 2011

- Revised IAS 24 – *Related Party Disclosures*

1.3.2 IFRS standards effective after 2011 that the Group has elected not to early adopt in 2011

- Standards and amendments applicable in 2012
  - Amendments to IAS 12 – *Deferred Tax: Recovery of Underlying Assets*[2]
  - Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*[2]
  - Amendment to IFRS 7 – *Disclosures – Transfers of Financial Assets*[2]
- Standards and amendments applicable in 2013
  - IFRS 9 – *Financial Instruments: Classification and Measurement*[2]
  - IFRS 10 – *Consolidated Financial Statements*[2]
  - IFRS 11 – *Joint Arrangements*[2]
  - IFRS 12 – *Disclosure of Interests in Other Entities*[2]
  - Amendment to IAS 27 – *Separate Financial Statements*[2]
  - Amendment to IAS 28 – *Investments in Associates and Joint Ventures*[2]
  - IFRS 13 – *Fair Value Measurement*[2]
  - Amendments to IAS 19 – *Employee Benefits*[2]

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

(1) Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/index_en.htm
(2) Not yet endorsed by European Union

1.4 Use of judgement and estimates

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;
- measurement of the recoverable amount of 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;
- 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, 2010.

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 accordance 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 June 30, 2011 are not necessarily indicative of those that may be expected for the full-year 2011.

Income tax expense

Current and deferred income tax expense for interim periods is calculated at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to income for the period.

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 16.4 to the consolidated financial statements at December 31, 2010).

NOTE 2 Significant events

2.1 Acquisition of WSN Environmental Solutions (Australia)

On February 1, 2011 SUEZ ENVIRONNEMENT, through its 60%-owned subsidiary, SITA Environmental Solutions (SITA Australia), completed the acquisition of the waste management activities of the Government of New South Wales operating as WSN Environmental Solutions (WSN) in the amount of AUD 234.4 million. This takeover supplements SITA Australia's recycling and treatment capacities. As at June 30, 2011, the accounting of this business combination is still in progress (measurement of the fair value of assets acquired and liabilities assumed). Provisional goodwill is AUD 23.5 million, that is €17 million as at June 30, 2011.

The additional impact on the Group's revenues as from the acquisition date was €89 million.

2.2 Reorganization of the Group's activities in China

As part of the reorganization of the Group's activities in the water sector in China, Agbar sold its stake in Jiangsu Water to SFWD (Sino French Water Development), a subsidiary of SFH (Sino French Holdings), a company 50%-owned by the Group. From now on, Jiangsu Water is 50%-proportionally consolidated by SFWD.

2.3 Sale of Degrémont head office

On June 1, 2011, Degrémont sold its head office located in Rueil-Malmaison (Paris area), for a consideration of € 40.5 million (excluding duties).

2.4 Combined bond exchange and tender offers

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched combined exchange and tender offers, relating to its bond maturing in 2014, issued in 2009 and carrying a fixed coupon of 4.875%. The purpose of this transaction was not only to refinance part of this issue maturing in 2014, but also to extend the average maturity of Group debt.

This operation was finalized as at May 17, 2011. At the end of the process, €338 million of 2014 bonds had been redeemed and exchanged as part of the issuance of a 10-year bond in the total amount of €500 million, carrying a fixed coupon of 4.078%.

2.5 Scrip dividend

The scrip dividend option, which was approved by the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting of May 19, 2011, was chosen by 78.4% of shareholders. This resulted in the creation of 19,008,731 shares, increasing Company capital by 3.9%. The issue price of these shares under the scrip dividend option was set at €13.03 per share.

As a result of the operation, the share capital of SUEZ ENVIRONNEMENT COMPANY on June 27, 2011 rose to €2,034,831,164, divided into 508,707,791 shares each with a nominal value of €4.

NOTE 3 Operating segments information

In accordance with the provisions of IFRS 8 – *Operating segments*, the segments defined below to present operating segments information have been identified based on internal reporting, in particular those segments monitored by the Management Committee, which is made up of the Group's key operational decision-makers.

The Group is divided into 4 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 organized into the following operating segments:

- Water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services are provided to private customers, 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 priority on risk-management resulting from specific local environments (setting up partnerships, hedging policy, limiting invested capital or other investments in highly regulated environments).

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

3.2 Key indicators by operating segment

Revenues

	June 30, 2011			June 30, 2010		
In millions of euros	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	2,062.7	10.1	2,072.8	1,957.2	4.7	1,961.9
Waste Europe	3,208.4	21.3	3,229.7	2,864.9	12.6	2,877.5
International	2,092.7	18.7	2,111.4	1,765.3	18.9	1,784.2
Other	11.9	32.8	44.7	9.1	25.2	34.3
Intercompany eliminations		(82.9)	(82.9)		(61.4)	(61.4)
TOTAL REVENUES	**7,375.7**	**–**	**7,375.7**	**6,596.5**	**–**	**6,596.5**

EBITDA

In millions of euros	June 30, 2011	June 30, 2010
Water Europe	584.4	441.7
Waste Europe	439.6	403.1
International	237.3	247.0
Other	(28.8)	(49.5)
TOTAL EBITDA	**1,232.5**	**1,042.3**

Current operating income (EBIT)

In millions of euros	June 30, 2011	June 30, 2010
Water Europe	285.1	197.7
Waste Europe	188.8	155.8
International	126.3	139.9
Other	(38.7)	(56.7)
TOTAL CURRENT OPERATING INCOME	**561.5**	**436.7**

Depreciation and amortization

In millions of euros	June 30, 2011	June 30, 2010
Water Europe	(191.4)	(143.1)
Waste Europe	(231.7)	(222.9)
International	(85.9)	(76.0)
Other	(1.9)	(1.2)
TOTAL DEPRECIATION AND AMORTIZATION	**(510.9)**	**(443.2)**

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

In millions of euros	June 30, 2011	June 30, 2010
Water Europe	(1.3)	(27.3)
Waste Europe	(1.9)	(33.6)
International	(3.7)	(7.2)
Other	0.3	(2.7)
TOTAL IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND FINANCIAL ASSETS	**(6.6)**	**(70.8)**

Capital employed

In millions of euros	June 30, 2011	December 31, 2010
Water Europe	6,579.3	6,696.5
Waste Europe	4,251.7	4,267.6
International	3,274.7	3,206.5
Other	44.9	(26.8)
TOTAL CAPITAL EMPLOYED	**14,150.6**	**14,143.8**

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

In millions of euros	June 30, 2011	June 30, 2010
Water Europe	(301.3)	(825.7)
Waste Europe	(273.8)	(212.5)
International	(270.9)	(103.1)
Other	(5.1)	(4.0)
TOTAL INVESTMENTS	**(851.1)**	**(1,145.3)**

3.3 Key indicators by geographical area

The indicators below are broken down:

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

	Revenues		Capital employed	
In millions of euros	June 30, 2011	June 30, 2010	June 30, 2011	December 31, 2010
France	2,636.2	2,484.8	2,789.4	2,735.2
Europe	2,594.6	2,459.2	8,331.1	8,411.7
International	2,144.9	1,652.5	3,030.1	2,996.9
TOTAL	**7,375.7**	**6,596.5**	**14,150.6**	**14,143.8**

3.4 Reconciliation of EBITDA with Current Operating Income

In millions of euros	June 30, 2011	June 30, 2010
CURRENT OPERATING INCOME	**561.5**	**436.7**
(-) Depreciation, amortization and provisions, net	528.8	477.2
(-) Share-based payments (IFRS 2)	14.0	9.9
(-) Disbursements under concession contracts	128.2	118.5
EBITDA	**1,232.5**	**1,042.3**

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

In millions of euros	June 30, 2011	December 31, 2010
(+) Tangible and intangible assets, net	12,444.5	12,634.0
(+) Goodwill net	3,098.4	3,128.0
(+) Available-for-sale securities (excluding marketable securities)	492.6	509.8
(+) Loans and receivables carried at amortized cost	753.4	806.2
(+) Investments in associates	433.5	443.3
(+) Trade and other receivables	4,225.4	3,871.8
(+) Inventories	299.2	273.1
(+) Other current and non-current assets	1,196.0	1,202.6
(-) Provisions and actuarial gains / losses on pension plans	(1,528.4)	(1,563.5)
(-) Trade and other payables	(2,583.3)	(2,878.6)
(-) Other current and non-current liabilities	(4,560.7)	(4,160.8)
(-) Other financial liabilities	(120.0)	(122.1)
CAPITAL EMPLOYED	**14,150.6**	**14,143.8**

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, 2011	June 30, 2010
CURRENT OPERATING INCOME	**561.5**	**436.7**
Marked-to-market on operating financial instruments	(3.5)	1.0
Impairment on property, plant and equipment, intangible assets and financial assets	(6.6)	(70.8)
Restructuring costs	(11.0)	(50.2)
Scope effects	2.4	364.7
Other non-recurring items	38.5	(5.7)
INCOME FROM OPERATING ACTIVITIES	**581.3**	**675.7**

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

In millions of euros	June 30, 2011	June 30, 2010
IMPAIRMENTS:		
Goodwill	-	(4.8)
Property, plant and equipment and other intangible assets	(2.4)	(55.7)
Financial assets	(6.2)	(21.4)
Total	**(8.6)**	**(81.9)**
WRITE-BACK OF IMPAIRMENTS:		
Property, plant and equipment and other intangible assets	1.1	0.2
Financial assets	0.9	10.9
Total	**2.0**	**11.1**
TOTAL	**(6.6)**	**(70.8)**

In addition to the systematic annual impairment tests on goodwill and non-amortizable intangible assets performed in the second half of the fiscal 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, 2011, as at June 30, 2010, no significant loss of value was detected during occasional impairment tests on goodwill.

4.2.1.2 Impairment on property, plant and equipment and intangible assets

There was no significant impairment as at June 30, 2011.

As at June 30, 2010, this amount mainly recognized the accounting consequences on the value of the assets of (i) the difficulties encountered in the recycling of plastics and tires business (Waste Europe) and (ii) the problems linked to the persistent underperformance of non-core activities in the Water Europe segment. This amount also included the impact of a fire in a sorting center in Germany.

4.2.2 Restructuring costs

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

As at June 30, 2010, this amount mainly included the costs associated with the restructuring plan implemented by Agbar and its subsidiaries. The impact in contribution of this plan on income from operating activities was €34.2 million.

4.2.3 Scope effects

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

As at June 30, 2010, on application of IFRS 3 revised, this item included:

- a gain of €120 million on the remeasurement at fair value of €149 million of interests previously owned by Lyonnaise des Eaux in the eight jointly-held companies it now controls as a result of unwinding investments in subsidiaries held jointly with Veolia-Eau;
- a gain of €167 million on the remeasurement at fair value of €1,374 million of interests previously owned in Agbar as a result of its takeover by SUEZ ENVIRONNEMENT.

In both cases, the direct acquisition costs relating to these transactions were included in this item.

As at June 30, 2010, this item also included an amount of €81 million corresponding to the capital gain from the sale by Lyonnaise des Eaux of Société des Eaux de Marseille and Société des Eaux d'Arles shares to Veolia-Eau as part of the unwinding transaction.

4.2.4 Other non-recurring items

As at June 30, 2011, this item mainly included the capital gain realized by Degrémont on the sale of its headquarters in Rueil-Malmaison (Paris area), as described in Note 2 "Significant Events", for an amount of €34 million.

There were no significant non-recurring items as at June 30, 2011.

4.3 Financial income/(loss)

In millions of euros	June 30, 2011 Expenses	June 30, 2011 Income	June 30, 2011 Total	June 30, 2010 Expenses	June 30, 2010 Income	June 30, 2010 Total
COST OF NET DEBT	**(222.8)**	**30.3**	**(192.5)**	**(218.8)**	**31.0**	**(187.8)**
Interest expense on gross borrowings	(210.4)	-	(210.4)	(184.7)	-	(184.7)
Foreign exchange gain/(loss) on borrowings and hedges	(12.4)	-	(12.4)	-	22.0	22.0
Unrealized income/(expense) from economic hedges on borrowings	-	4.1	4.1	(34.1)	-	(34.1)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	24.9	24.9	-	8.0	8.0
Capitalized borrowing costs	-	1.3	1.3	-	1.0	1.0
OTHER FINANCIAL INCOME AND EXPENSES[(a)]	**(43.8)**	**53.8**	**10.0**	**(39.3)**	**39.0**	**(0.3)**
FINANCIAL INCOME/(LOSS)	**(266.6)**	**84.1**	**(182.5)**	**(258.1)**	**70.0**	**(188.1)**

(a) The expected return on plan assets shown in "impact of unwinding discount adjustments" has been reposted to "other financial income". The data at June 30, 2010 has been restated to ensure compatibility between the two periods.

The cost of net debt was nearly €5 million higher than in June 2010, mainly due to:

- The impact of the takeover of Agbar on June 1, 2010. The company is fully consolidated since then;
- The changes in gains and losses on borrowings and gains and losses from hedges on borrowings are directly related to changes in exchange rates in the first half of 2011 as compared to the first half of 2010.

Other financial income and expenses varied by nearly €10 million mainly due to the increased dividends received by the Group's various holdings from non-consolidated subsidiaries.

4.4 Income tax

In millions of euros	June 30, 2011	June 30, 2010
Net income (a)	320.4	442.3
Total income tax expense recognized in the income statement (b)	(92.4)	(58.3)
Share in net income of associates (c)	14.0	13.0
INCOME BEFORE TAX AND SHARE IN NET INCOME OF ASSOCIATES (a) - (b) - (c) = (d)	**398.8**	**487.6**
EFFECTIVE TAX RATE -(b)/(d)	**23.2%**	**12.0%**

At June 30, 2011, the Group's effective tax rate was 23.2% compared to 12.0 % at June 30, 2010.

This was partly due to the fact that many of the Group's operating companies are based in countries with lower tax rates than France. Compared to last year, this impact was boosted by the full consolidation of Agbar's activities in Chile since June 1, 2010. It was also partly due to a provision reversal following the extinguishing of a €32 million tax risk; restated for this item, the effective tax rate at June 30, 2011, would be 31%.

The low effective tax rate at June 30, 2010 resulted mainly from the impact of taxation at a reduced rate or non-taxation of the capital gains generated from the takeover of Agbar in Spain and the unwinding of joint investments with Veolia-Eau in France. Restated for these impacts, the effective tax rate as at June 30, 2010 would have been 36%.

Moreover, all deferred tax assets on tax losses carried forward of companies included in the French tax group continue to be recognized consistently with previous years.

NOTE 5 Earnings per share

	June 30, 2011	June 30, 2010
Numerator (in millions of euros)		
Net income, Group share	**221.0**	**386.5**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY	(11.9)	-
Adjusted Net Income, Group Share	**209.1**	**386.5**
Denominator (in millions)		
Adjusted weighted average number of shares outstanding[a]	**488.6**	**489.4**
Earnings per share (in euros)		
Net income Group share per share	**0.43**	**0.79**
Net diluted income Group share per share	**0.43**	**0.79**

(a) The average number of shares outstanding as at June 30, 2011 and as at June 30, 2010 take into account on a prorata temporis basis the impact of the scrip dividend allocated on June 27, 2011.

The bonus share award plans for employees and stock option plans reserved for employees had no impact so far.

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, 2010	**3,228.8**	**5,662.6**	**14,816.1**
Acquisitions	-	161.3	322.6
Disposals	-	(17.5)	(142.9)
Scope effects	51.5	(15.6)	181.4
Translation adjustments	(82.2)	(17.8)	(502.0)
Other	(0.5)	21.3	72.3
At June 30, 2011	**3,197.6**	**5,794.3**	**14,747.5**
B. Depreciation and impairment at December 31, 2010	**(100.8)**	**(1,883.8)**	**(5,960.9)**
Depreciation and impairment losses	-	(144.2)	(369.2)
Disposals	-	15.9	131.4
Scope effects	-	1.5	(6.0)
Translation adjustments	1.6	25.0	181.8
Other	-	(26.0)	(62.7)
At June 30, 2011	**(99.2)**	**(2,011.6)**	**(6,085.6)**
C. Carrying amount = A + B			
at December 31, 2010	3,128.0	3,778.8	8,855.2
At June 30, 2011	**3,098.4**	**3,782.7**	**8,661.9**

The scope effects mainly related to:

- For goodwill, the takeover of WSN Environmental Solutions in Australia as described in Note 2 "Significant events", and the full consolidation of several previously non consolidated entities in the Water Europe segment;
- For intangible assets, the loss of control of Jiangsu Water as described in Note 2 "Significant events" leading to its proportional consolidation at June 30, 2011;
- For property, plant and equipment, the takeover of WSN Environmental Solutions in Australia.

The amounts relating to WSN Environmental Solutions are provisional given that the accounting of this business combination will be finalized in the second half of 2011.

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2011, no significant depreciation was accounted for as at June 30, 2011.

The main translation adjustments recorded in relation to the gross value of property, plant and equipment concern the Chilean peso (- €263 million) and the US dollar (- €153 million).

NOTE 7 Financial instruments

7.1 Financial assets

The Group's financial assets are broken down into the following categories:

	June 30, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	**477.6**	**-**	**477.6**	**517.7**	**-**	**517.7**
Loans and receivables carried at amortized cost	**620.3**	**4,358.5**	**4,978.8**	**611.9**	**4,066.1**	**4,678.0**
Loans and receivables carried at amortized cost (excluding trade and other receivables)	620.3	133.1	753.4	611.9	194.3	806.2
Trade and other receivables	-	4,225.4	4,225.4	-	3,871.8	3,871.8
Financial assets measured at fair value through income	**104.5**	**17.7**	**122.2**	**171.2**	**273.9**	**445.1**
Derivative financial instruments (see Note 7.4)	104.5	5.8	110.3	171.2	9.2	180.4
Financial assets at fair value through income (excluding derivatives)	-	11.9	11.9	-	264.7	264.7
Cash and cash equivalents	**-**	**2,032.7**	**2,032.7**	**-**	**1,826.5**	**1,826.5**
TOTAL	**1,202.4**	**6,408.9**	**7,611.3**	**1,300.8**	**6,166.5**	**7,467.3**

The change in cash and cash equivalents and financial assets at fair value through income excluding derivatives since December 31, 2010, is due partly to the choice of investment policy which, in 2011, favoured deposits in interest-bearing accounts over investments in UCITS, and partly to the financing of various operations (debt service, dividends, etc.).

Available-for-sale securities

Movements during the period are broken down as follows:

In millions of euros	
At December 31, 2010	**517.7**
Acquisitions	12.0
Net book value of disposals	(3.0)
Changes in fair value recognized in shareholders' capital	(21.3)[a]
Changes in fair value recognized in income	(5.8)
Scope effects, translation adjustments and other	(22.0)[b]
At June 30, 2011	**477.6**

(a) Mainly due to the change in the fair value of Acea shares.
(b) Mainly due to consolidation entries at Lyonnaise des Eaux France for subsidiaries acquired in 2010.

The value of available-for-sale securities held by the Group in the consolidated statement of financial position was €477.6 million as at June 30, 2011. The book value of listed securities was €167.2 million and of unlisted was €310.4 million.

Acquisitions during the period mainly relate to the purchase of FM Real shares by SITA CZ for a total of €3.3 million and the purchase of the shares of the two companies Bayle and Haustete by SITA France for a total €4.5 million.

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.

For listed securities, among the factors taken into consideration, the Group considers that a drop in the share price of more than 50% below the historical cost or a drop in the share price below the historical cost persisting beyond 12 consecutive months are indicators of impairment.

Upon review, the Group considers that there is no significant impairment to be recognized on the available-for-sale securities in the income statement.

A 10% decline in market prices for the listed securities would have an impact of approximately - €16.7 million on Group equity.

The main line of unlisted securities is Aguas de Valencia, which was valued based on a multi-criteria analysis (DCF, multiples).

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

	Dividends	Remeasurement			Income/(loss) on disposals
In millions of euros		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity*	-	(21.3)	-	-	-
Income	27.5	-	-	(5.8)	2.1
Total at June 30, 2011	**27.5**	**(21.3)**	**-**	**(5.8)**	**2.1**
Shareholders' equity*	-	6.6	-	-	-
Income	16.1	-	-	(4.3)	(2.0)
Total at December 31, 2010	**16.1**	**6.6**	**-**	**(4.3)**	**(2.0)**

* *excluding tax effect*

7.2 Financial liabilities

Financial liabilities are accounted for:

- at amortized cost in case of borrowings, trade and other payables and other financial liabilities;
- at fair value through income in case of derivative financial instruments.

The Group's financial liabilities are as follows:

	June 30, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,710.0	1,924.2	**9,634.2**	8,333.9	1,306.2	9,640.1
Derivative financial instruments (see Note 7.4)	65.4	30.6	**96.0**	108.6	40.6	149.2
Trade and other payables	-	2,583.3	**2,583.3**	-	2,878.7	2,878.7
Other financial liabilities	119.9	-	**119.9**	122.1	-	122.1
TOTAL	**7,895.3**	**4,538.1**	**12,433.4**	**8,564.6**	**4,225.5**	**12,790.1**

7.3 Net debt

7.3.1 Analysis by type of debt

	June 30, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,701.8	1,897.7	9,599.5	8,313.7	1,202.1	9,515.8
Impact of measurement at amortized cost	(15.1)	26.5	11.4	(26.3)	104.1	77.8
Impact of fair-value hedge [(a)]	23.3	-	23.3	46.5	-	46.5
BORROWINGS AND DEBT	**7,710.0**	**1,924.2**	**9,634.2**	**8,333.9**	**1,306.2**	**9,640.1**
Derivative hedging borrowings under liabilities[(b)] (see Note 7.4)	31.9	28.4	60.3	73.1	38.6	111.7
GROSS DEBT	**7,741.9**	**1,952.6**	**9,694.5**	**8,407.0**	**1,344.8**	**9,751.8**
Financial assets at fair value through income excluding derivatives (see Note 7.1)	-	(11.9)	**(11.9)**	-	(264.7)	(264.7)
Cash and cash equivalents	-	(2,032.7)	**(2,032.7)**	-	(1,826.5)	(1,826.5)
Derivative hedging borrowings under assets[(b)] (see Note 7.4)	(70.2)	-	**(70.2)**	(135.0)	-	(135.0)
NET CASH	**(70.2)**	**(2,044.6)**	**(2,114.8)**	**(135.0)**	**(2,091.2)**	**(2,226.2)**
NET DEBT	**7,671.7**	**(92.0)**	**7,579.7**	**8,272.0**	**(746.4)**	**7,525.6**
Outstanding borrowings	7,701.8	1,897.7	9,599.5	8,313.7	1,202.1	9,515.8
Financial assets at fair value through income excluding derivatives (see Note 7.1)	-	(11.9)	(11.9)	-	(264.7)	(264.7)
Cash and cash equivalents	-	(2,032.7)	(2,032.7)	-	(1,826.5)	(1,826.5)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**7,701.8**	**(146.9)**	**7,554.9**	**8,313.7**	**(889.1)**	**7,424.6**

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

(b) This item represents the fair value of debt-related derivatives, irrespective of whether or not they are designated as hedges.

7.3.2 Bond issues

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched combined exchange and tender offers on the tranche issued in 2009 and maturing in 2014 with a fixed coupon of 4.875%. At the end of the process, €338 million of the tranche maturing in 2014 had been redeemed and exchanged as part of the issuance of a 10-year bond maturing in May 2021 with a total amount of €500 million, carrying a fixed coupon of 4.078%.

The 2014 bonds were hedged by fixed-to-floating rate swaps, qualified as fair value hedges, that have been unwound for the corresponding exchanged amount. Moreover, the new 2021 bonds have been partially hedged by fixed-to-floating rate swaps, qualified as fair value hedges, for an amount of €350 million.

Under the Group's risk management policy, bonds issued in 2009, 2010 and 2011 are hedged to limit the Group's exposure to fluctuations in interest rates and exchange rates. The sensitivity of the debt (including interest rate and foreign exchange derivatives) to interest rate risk and foreign exchange risk is presented in Note 8 "Management of risks arising from financial instruments".

7.3.3 Change in net debt

During the first half of 2011, net debt increased by €54.1 million, primarily for the following reasons:

- the dividend payment to SUEZ ENVIRONNEMENT COMPANY's shareholders generated a €68.8 million increase in net debt;
- the acquisition of WSN Environmental Solutions by SITA Australia generated a €137.8 million increase in net debt;
- the exchange rates impact contributed to a decrease in net debt of €139.0 million.

7.3.4 Debt/Equity Ratio

In millions of euros	June 30, 2011	December 31, 2010
Net debt	7,579.7	7,525.6
Total equity	6,532.9	6,626.8
Net debt/equity ratio	116.0%	113.6%

7.4 Derivative financial instruments

DERIVATIVE FINANCIAL ASSETS

	June 30, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	70.2	-	70.2	135.0	-	135.0
Derivatives hedging commodities (see Note 8.1)	-	2.8	2.8	-	3.4	3.4
Derivatives hedging other items	34.3	3.0	37.3	36.2	5.8	42.0
TOTAL	**104.5**	**5.8**	**110.3**	**171.2**	**9.2**	**180.4**

DERIVATIVE FINANCIAL LIABILITIES

	June 30, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	31.9	28.4	60.3	73.1	38.6	111.7
Derivatives hedging commodities (see Note 8.1)	-	0.7	0.7	-	0.5	0.5
Derivatives hedging other items	33.5	1.5	35.0	35.5	1.5	37.0
TOTAL	**65.4**	**30.6**	**96.0**	**108.6**	**40.6**	**149.2**

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 2011, 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, counterparty, and liquidity risks. The risk management policy is described in Note 14 to the consolidated financial statements as at December 31, 2010.

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 derivatives 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, which 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, 2011 and December 31, 2010 are presented in the table below:

	June 30, 2011				December 31, 2010			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	2.8	-	0.7	-	3.4	-	0.5	-
TOTAL	**2.8**	**-**	**0.7**	**-**	**3.4**	**-**	**0.5**	**-**

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 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 (including interest rate and foreign exchange derivatives) at the closing date.

With respect to foreign exchange risk, the sensitivity calculation consists in evaluating 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 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 €3.6 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 +/- €123.7 million on equity. This impact is offset by any counter effect on the net investment in the hedged currency.

8.1.3 Interest rate risk

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

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

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 €24.7 million on the net interest charge.

A 1% increase in interest rates (uniform for all currencies) would generate a €3.1 million gain in income linked to the change in the fair value of unqualified derivatives. Conversely, a 1% decrease in interest rates would generate a loss of €3.1 million.

Impact on equity:
A +/- 1% change in all interest rates (uniform for all currencies) would have an impact of +/- €24.0 million on equity linked to the change in the fair value of derivatives documented as cash flow hedges.

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 below:

	Past-due non impaired assets at the closing date				Impaired assets[(a)]	Non-impaired and not past-due assets	Total
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	
Trade and other receivables							
at June 30, 2011	229.1	52.7	35.0	316.8	340.2	3,779.3	**4,436.3**
at December 31, 2010	335.7	26.7	48.0	410.4	204.1	3,461.4	**4,075.9**

(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 past-due 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 the closing date 0-6 months	6-12 months	Over one year	Total	Impaired assets[a] Total	Non-impaired and not past-due assets Total	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)							
at June 30, 2011	-	-	0.1	0.1	115.3	758.0	**873.4**
at December 31, 2010	-	-	0.1	0.1	118.4	808.0	**926.6**

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

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, respectively, €117.2 million and €2.8 million as at June 30, 2011. 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 cash surpluses (cash and cash equivalents) and through its use of derivative financial instruments. For financial instruments, this risk corresponds to the positive fair value.

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

At June 30, 2011, the Group's total available cash (consisting of cash and cash equivalents and financial assets at fair value through income) represents €2,114.8 million.

Only cash and cash equivalents, amounting to €2,032.7 million, are subject to counterparty risk. For this item, the breakdown of counterparties by credit rating is as follows:

	June 30, 2011			December 31, 2010		
Counterparty risk arising from investing activities	Investment Grade[a]	Unrated[b]	Non Investment Grade[b]	Investment Grade[a]	Unrated[b]	Non Investment Grade[b]
% of exposure to counterparties	92%	2%	6%	93%	2%	5%

(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.

Furthermore, as at June 30, 2011, no single counterparty outside the GDF SUEZ Group represented more than 22% of investments of cash surplus (weighted by the estimated risk of each investment depending on type, currency and maturity), compared to 20% as at December 31, 2010.

Counterparty risk linked to other assets

With regard to other assets, the portion of depreciated assets in relation to the total posted was not material. Moreover, the Group does not consider itself to be exposed to a counterparty risk on these assets.

8.3 Liquidity risk

As part of its operating and financial activities, the Group could be exposed to a risk of insufficient liquidity to meet its contractual commitments.

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, 2011, these confirmed credit facilities amounted to €3,213.2 million, including €2,213.8 million in available and undrawn credit lines.

Although the amount of available credit lines is similar to December 31, 2010, it is important to note that the club deal of €1.5 billion signed in February 2010 was renegotiated in March 2011 allowing a very substantial improvement in financial terms and an extension of the initial term, as it will now mature in February 2016. Moreover, a financing agreement of €350 million, maturing on July 2013, was concluded between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY. This agreement replaces the Master agreement signed in 2008, which expired on December 31, 2010.

66 % of total credit lines and 76 % of undrawn facilities are centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

At June 30, 2011, bank funding represented 29.6 % of the Group's gross debt (excluding bank overdrafts, amortized costs and derivatives effect). Financing through the capital markets (use of securitization for 2.7 % and of bonds for 56.8 %) represented 59.5 % of gross debt.

At June 30, 2011, cash, composed of cash and cash equivalents and qualifying financial assets designated at fair value through income, net of bank overdrafts, amounted to €1,476.5 million.

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

In millions of euros	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
Debt with GDF SUEZ	178.9	28.4	6.0	6.0	6.0	106.0	26.5
Bond or bank borrowings	9,420.6	871.3	1,127.5	340.0	1,327.6	280.0	5,474.2
Total	**9,599.5**	**899.7**	**1,133.5**	**346.0**	**1,333.6**	**386.0**	**5,500.7**

Moreover, at June 30, 2011, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

In millions of euros	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
Bond issues	5,129.9	15.3	81.9	19.7	1,062.0	79.0	3,872.0
Draw-downs on credit facilities	999.4	103.1	327.9	1.1	83.4	-	483.9
Borrowings under finance leases	543.2	37.4	56.3	56.0	49.2	48.3	296.0
Other bank borrowings	1,675.8	68.7	398.4	251.4	116.8	127.7	712.8
Other borrowings	603.3	27.3	269.0	17.8	22.2	131.0	136.0
Overdrafts and current accounts	647.9	647.9					
Outstanding borrowings	**9,599.5**	**899.7**	**1,133.5**	**346.0**	**1,333.6**	**386.0**	**5,500.7**
Financial assets measured at fair value through income	(11.9)	(11.9)	-	-	-	-	-
Cash and cash equivalents	(2,032.7)	(2,032.7)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,554.9**	**(1,144.9)**	**1,133.5**	**346.0**	**1,333.6**	**386.0**	**5,500.7**

As at June 2011, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	Total	2011	2012	2013	2014	2015	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**3,851.9**	223.1	385.9	369.8	327.4	302.3	2,243.5

As at June 2011, undiscounted contractual payments on outstanding derivatives (excluding commodities instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

In millions of euros	Total	2011	2012	2013	2014	2015	Beyond 5 years
Derivatives (excluding commodities)	**44.3**	11.6	15.5	10.9	3.9	2.1	0.3

In order to best reflect the current economic circumstances of its operations, cash flows linked to derivatives recognized as liabilities or assets shown below correspond to net positions. Also, values shown below are indicated with a positive sign in the case of an asset, and with a negative sign, in the case of a liability.

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

In millions of euros	Total	2011	2012	2013	2014	2015	Beyond 5 years
Confirmed undrawn credit facilities	**2,213.8**	208.0	208.5	406.0	112.2	100.0	1,179.1

As at June 30, 2011, excluding the €350 million credit facility between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, no single counterparty represented more than 8% of total confirmed undrawn credit lines.

NOTE 9 Provisions

In millions of euros	December 31, 2010	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments[a]	Translation adjustments	Other[b]	June 30, 2011
Post-employment benefit obligations and other long-term benefits	490.7	18.5	(28.7)	-	(0.2)	6.9	(12.7)	(13.9)	460.6
Sector-related risks	103.7	0.6	(1.4)	-	0.5	–	(0.1)	6.5	109.8
Warranties	29.3	0.9	(1.2)	-	0.1	–	(0.3)	(0.2)	28.6
Tax risks, other disputes and claims	266.0	3.7	(10.0)	(32.1)	(3.8)	–	(0.3)	1.2	224.7
Site restoration	540.4	11.1	(17.3)	-	11.7	9.3	(7.5)	13.3	561.0
Restructuring costs	54.7	2.4	(28.3)	-	0.6	–	0.4	(1.0)	28.8
Other contingencies	171.7	30.0	(25.3)	-	9.2	0.3	(2.4)	(15.2)	168.3
TOTAL PROVISIONS	**1,656.5**	**67.2**	**(112.2)**	**(32.1)**	**18.1**	**16.5**	**(22.9)**	**(9.3)**	**1,581.8**

(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.

(b) The "Other" column includes mainly actuarial gains and losses for post-employment and other long-term benefits generated in 2011 and recognized in reserves.

The increase in total provisions for risks and contingencies as at June 30, 2011 compared to December 31, 2010 stems mainly from:

- a provision reversal following the extinguishing of a tax risk in the amount of €32 million;
- a change in provisions for site restoration, excluding the impact of exchange rates, in the amount of €28.1 million;
- a reduction in provisions for post-employment and other long-term benefits in the amount of €17.4 million, excluding the impact of exchange rates mainly due to changes on pension schemes in the United Kingdom (lower inflation rate and capping of wage increase assumptions);
- a payment in the first half of 2011 by Agbar of the restructuring costs provisioned in 2010, in the amount of €15.2 million;
- a translation adjustments in the amount of -€22.9 million, which are primarily generated by the North America and United Kingdom 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, 2011:

In millions of euros	Net Allowances/ (Reversals)
Income from operating activities	(41.1)
Other financial income and expenses	16.5
Income tax expense	(36.0)
TOTAL	**(60.6)**

NOTE 10 Share-based payments

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

	Expense of the period	
In millions of euros	June 30, 2011	June 30, 2010
Stock option and Performance share plans	(4.7)	(5.0)
Worldwide financial incentive scheme (bonus share allocation plan)	(8.4)	(4.1)
Employees share issues	(0.9)	(0.4)
TOTAL	**(14.0)**	**(9.5)**

These expenses are recognized in accordance with IFRS 2. All transactions and allocations prior to 2011 are disclosed in Note 23 to the consolidated financial statements as at December 31, 2010 in the SUEZ ENVIRONNEMENT COMPANY 2010 Reference Document.

GDF SUEZ launched a new bonus share plan for its employees in 2011. Taking into account the shareholder relationships with SUEZ ENVIRONNEMENT COMPANY, on June 22, 2011 the Board of Directors of GDF SUEZ decided to allocate 10 GDF SUEZ shares free of charge to every employee of the SUEZ ENVIRONNEMENT Group. This plan had no significant impact on the financial statements as at June 30, 2011.

NOTE 11 Legal and arbitration proceedings

The litigations and arbitrations 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 concerning their potential 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.

An official seal on a door at Lyonnaise des Eaux was accidentally moved during the inspection.

On May 21, pursuant to chapter VI of Regulation (EC) 1/2003, the Commission decided to initiate proceedings against SUEZ ENVIRONNEMENT in relation to this accident.

Within the framework of these proceedings, SUEZ ENVIRONNEMENT actively cooperated and, with full transparency, communicated information relating to this unfortunate incident.

Pursuant to the aforementioned Regulation, on October 20, 2010 the Commission filed a claim against SUEZ ENVIRONNEMENT and Lyonnaise des Eaux. SUEZ ENVIRONNEMENT and Lyonnaise des Eaux responded to the claim on December 8, 2010 without contesting that the seal had been moved accidentally.

In view of the immediate, constructive cooperation of SUEZ ENVIRONNEMENT and its subsidiary, the Commission has decided to set the amount of the fine for breaking the seal at €8 million and notified the companies of this on May 24, 2011. This decision will not be appealed.

11.2 Litigations and arbitrations

In the normal course of its business, the Group is involved in a certain number of litigations and arbitrations with third parties or with the tax administrations of certain countries. Provisions are recorded for these litigations and arbitrations 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 that outflow of resources can be estimated in a sufficiently reliable manner. As at June 30, 2011, provisions for the above amounted to €224.7 million (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, which are now being challenged by the local authority.

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this old and technical issue, LMCU and SEN together decided at the end of 2009, as provided in the contract, to submit the dispute to an independent arbitration commission. This commission chaired by Mr. Michel Camdessus, former Managing Director of the International Monetary Fund, submitted 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 command of payment against SEN, which was issued on July 29, 2010.

Two appeals, calling for the annulment of the deliberations of June 25, 2010 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 its capacity as SEN shareholder.

Litigations in Argentina

In Argentina, tariffs under delegation of public services 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 holding the water concessions for Buenos Aires and Santa Fe, filed arbitration proceedings against the Argentinean government in its capacity as grantor, to enforce the contractual clauses of the concession agreements before the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings, which are currently underway, aim to obtain 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 recognized its competence to rule on the two cases in 2006. The 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, with the financial situation of the concession-holding companies having deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced it was filing for judicial liquidation at its shareholders' meeting of 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 liabilities of Aguas Argentinas was approved by creditors and ratified by the bankruptcy Court on April 11, 2008. The liabilities are currently 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 have decided to support Aguas Argentinas financially in making this first payment and, upon ratification, paid USD 6.1 million and 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 – 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 liability of the Argentinean government in cancelling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts.

Both decisions will in principle be followed by a final determination of the amount of compensation.

Novergie

Novergie Centre Est, a 100%-owned subsidiary of SUEZ ENVIRONNEMENT, used to operate an incineration plant in Gilly-sur-Isère near Albertville (in the Savoie region), which was built in 1984 and owned by SIMIGEDA (a public-private waste management company in the Albertville district). In 2001, high levels of dioxin were found near the incineration plant and the Préfet of the Savoie region ordered the closure of the plant in October 2001.

Criminal complaints and action for damages parallel to prosecution were filed in March 2002 against, among others, the president of SIMIGEDA, the Préfet of the Savoie region and Novergie Centre Est for poisoning, endangering the life of others and non-intentional assault and battery, with respect to dioxin pollution allegedly caused by the incineration plant. In the first half of 2009, the French Cour de Cassation confirmed the decision of the investigation chamber of the Lyon Court of Appeal rejecting the action.

Novergie Centre Est had been indicted on December 22, 2005 on counts of endangering the lives of others and violating administrative regulations.

In the context of this procedure, investigations ordered by the Court showed that there had been no increase of the number of cases of cancer in neighboring populations.

On October 26, 2007, the judge in charge of investigating the case dismissed the charges against physical persons indicted for endangering the life of others. However, the judge ordered that SIMIGEDA and Novergie Centre Est be sent for trial before the Albertville criminal court for having operated the incinerator "without prior authorization, due to the expiry of the initial authorization as a result of significant changes in operating conditions at the plant." On September 9, 2009, the investigation chamber of the Chambéry Court of Appeal upheld the dismissal of charges of endangering the lives of others for the Novergie employees.

Novergie Centre Est, realizing that the main perpetrators of the alleged violations would not be present at the criminal court hearing, filed a complaint against persons unknown for contempt of Court and fraudulent arrangement of insolvency on September 28, 2010.

The case came before the criminal court on November 29, 2010.

On May 23, 2011, the criminal court issued a judgment imposing a fine amounting to €250,000 on Novergie Centre Est; Novergie Centre Est has filed an appeal against this judgment.

United Water (New York)

In March 2008, certain residents of the riverbank 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 after 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 after these heavy rains 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 these residents. As the rain water 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 interests from United Water for an amount of USD 65 million, as well as punitive damages and interests for the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water does not consider itself to be responsible for the flooding nor for the maintenance of the dam and the reservoir and does not believe that the claims are likely to succeed. United Water filed a motion to dismiss in July 2009 in which it sought to have the court find that it had no obligation to operate the dam as a flood control works. This motion was denied on August 27, 2009, and on June 1, 2010. United Water is going to appeal again against this decision.

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

The claim for punitive damages and interests was finally rejected on May 31, 2011. A decision on the substance of the case is not expected before the first half of 2012.

The claim has been declared 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 5 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 to conclude the proceedings. In the autumn 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 is not expected for another 9 to 12 months.

Utility Workers Union of America and Food & Water Watch lodged a complaint against United Water on June 9, 2011 under the Guidelines for Multinational Enterprises adopted by the Organization for Economic Cooperation and Development (OECD).

The complaint was lodged in the context of United Water renegotiating the retirement scheme.

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 Supreme Court of the State 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 homes 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.

In August 2009, the city of Casey built a biogas-proof protection wall around the landfill to contain migration.

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

Mediation proceedings organized by the parties in May 2010 found that the wall was not fully preventing biogas migration.

A second mediation hearing held in September 2010 was not able to decide on a technical solution or reach an agreement among the various parties.

A transactional agreement dated May 23, 2011 between the residents and the City of Casey ended the class action and subrogated the City in the residents' rights.

The dispute should be heard by the Supreme Court of the State of Victoria during the first half of 2012.

This claim has been reported to the insurance companies.

11.3 Tax litigation

Sociedad General de Aguas de Barcelona

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

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

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

In May 2007, the Administrative Court gave its ruling on the fiscal years 1995 to 1998, reducing the amount of the claim to €21 million and cancelling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. The Appeal Court had already issued its judgment for 1998 and subsequently for 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar for 1998 and by the Spanish government for 1995, 1996 and 1997.

Moreover, in May 2008, the Administrative Court cancelled the penalties relating to the 1999 to 2001 fiscal years, but upheld almost all of the reassessments. As a result, Agbar appealed that judgment in July 2008: the part of the reassessments that were upheld is currently being examined.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002 to 2004.

Lyonnaise des Eaux and its subsidiaries

With respect to the calculation of business tax ("taxe professionnelle"), Lyonnaise des Eaux France and its subsidiaries are in discussions with the French tax authorities. These discussions relate to the valuation method used for equipment and other assets relating to the delegations of public services financed by the relevant delegated entity.

In this context, notices of claims for reassessment of the 2007 business tax have already been received by Lyonnaise des Eaux, Société des Eaux de l'Essonne, Eau du Sud Parisien, Eau & Force, Société des Eaux du Nord, SERAM, Stéphanoise des Eaux, SDEI, SEVESC, Société Provençale des Eaux, Gaz et Eaux, Sogest and Société des Eaux de l'Est.

Similar notices are expected for the 2008 and 2009 business tax. They also affect Martiniquaise des Eaux. The dispute ceases to be relevant as from 2010 because of the repeal of business tax.

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. For an interim report, transactions with key executives and commitments with related parties 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, 2011	December 31, 2010	June 30, 2010
Transactions with GDF SUEZ:			
Purchases/sales of goods and services	(3.0)	(19.2)	(7.9)
Non financial payables	8.1	13.9	6.0
Non financial receivables	0.6	1.0	1.1
Receivables carried at amortized cost	27.7	28.7	29.5
Transactions with companies related to GDF SUEZ:			
Purchases/sales of goods and services	(3.3)	(18.2)	(9.5)
Financial income	8.1	30.4	16.1
Financial expenses	(6.9)	(70.2)	(33.4)
Non financial receivables	31.6	28.2	28.4
Financial receivables	1.0	–	12.8
Non financial payables	1.3	1.9	2.8
Outstanding borrowings excluding financial instruments	178.9	210.0	1,977.3
Commodity derivatives (liabilities)	–	0.5	6.0
Outstanding accrued interests	–	0.3	19.8
Net cash	2.7	4.1	446.3

The significant reduction in financial debt, between June 2010 and June 2011, to companies related to GDF SUEZ was due to the SUEZ ENVIRONNEMENT Group's commitment in 2009 to repay its short-term borrowings from GDF SUEZ Finance, a subsidiary of GDF SUEZ, within two years.

12.2 Transactions with joint ventures and associates

Transactions with joint ventures and associates mainly consist of exchanges of technical services within the Degrémont group, primarily relating to Melbourne (Australia) and Mapocho (Chile) projects.

NOTE 13 Subsequent events

There is no significant subsequent event.

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris, August 3, 2011

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2011 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 2011.

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, 2011

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1 to June 30, 2011, and
- the verification of the information contained in the interim management report.

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

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that 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 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 "IFRS standards, amendments and IFRIC interpretations whose application is mandatory in 2011" to the condensed half-yearly consolidated financial statements, which outlines the impact of new standards and interpretations 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 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 Neuilly-sur-Seine, August 3, 2011

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
SOCIÉTÉ ANONYME AU CAPITAL DE 2 034 831 164 EUROS
433 466 570 R.C.S. NANTERRE
SIÈGE SOCIAL : TOUR CB21, 16 PLACE DE L'IRIS
92040 PARIS LA DÉFENSE - FRANCE

WWW.SUEZ-ENVIRONNEMENT.COM

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