INTERIM FINANCIAL REPORT AT JUNE 30, 2013

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This document is a free translation of the French-language Interim Financial Report. This translation has been prepared solely for the information and convenience of shareholders of SUEZ ENVIRONNEMENT COMPANY. No assurances are given as to the accuracy or completeness of this translation, and SUEZ ENVIRONNEMENT COMPANY assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the Interim Financial Report, the French version shall prevail.

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The first half of 2013 was marked, on the one hand, by a still challenging macro-economic environment, coupled with unfavorable weather conditions in Europe and, on the other hand, by significant advances in the Group's four strategic areas for development. The Group staked out major positions in the dynamic markets of the "new businesses" and the industrial water contracts, the PFIs in the United Kingdom and development opportunities in the International segment. The consolidated revenues came to €7,177 million, slightly down compared to the first semester of 2012.

EBITDA amounted to €1,209 million, up 6.7% compared to the first half of 2012, mainly due to the delivery of the Melbourne plant in late 2012 and the absence of additional charges booked on that contract this year. EBITDA margin on revenues remained strong at 16.8%, a significant increase compared to the first half of 2012. Current operating income also rose sharply, by 13.3%, compared to June 30, 2012, and net income Group share at €132 million, benefited from the growth in operating activities. Net debt was €7,833 million, stable compared to June 2012 and up from end December 2012 (€7,436 million), due mainly to the seasonality of business activities and the timing of the dividend payment.

Water Europe activities are expanding, benefiting from price increases and sustained commercial dynamism in both Spain and France, as shown by contracts won with Rhône Ventoux in France and with Girona and Altea in Spain. Growth is also being fueled by the rise of the "new businesses." However, volumes are below historical trends, mainly because of record rainfall in France and Spain and unusually low temperatures in the first half of the year.

Activities are also growing in China, Australia, Morocco and the United States, excluding the impact of divestments of regulated water activities in Arkansas and Connecticut. Degrémont's revenues were down due to the delivery of the Melbourne plant in late 2012, since the contract no longer generates construction revenues. Since the beginning of the year, SUEZ ENVIRONNEMENT has won many international successes, such as the wastewater management contract for the Shuangliu District in China and the DBO contract for two wastewater treatment plants in New Delhi and Bangalore, India. In addition, the Group strengthened its presence in the industrial water market with the acquisition of Industrial Water Management France.

With a significant decline in industrial production, Waste Europe's activities were impacted by a drop of 3.8% in volumes treated at end June. Sita nevertheless won major municipal and industrial contracts in Europe, including from Tours Plus in France and PSA Peugeot-Citroën for its plant in Vigo, Spain. Furthermore, Sita significantly strengthened its positions in energy recovery and recycling, winning contracts in Poznań, Poland and PFIs with Durham, Merseyside and West London in the United Kingdom.

These commercial successes and a new stronger organization reflect the determination of SUEZ ENVIRONNEMENT to pursue its development strategy around its four priority areas, despite a macro-economic environment that remains difficult. A new Innovation and Industrial Performance Division has been created to better organize the professionalization, industrialization and transfer of our know-how.

In addition, the Group has once again shown its responsiveness by raising its cost-cutting target by €30 million for the year, to a total of €180 million.

SUEZ ENVIRONNEMENT is maintaining its objectives and is fully committed to achieving its 2013 guidance.

With solid positions in activities driven by strong growth drivers, SUEZ ENVIRONNEMEMENT is taking the necessary measures to maintain its operating profitability and financial strength while accelerating its development to ensure future growth.

Jean-Louis Chaussade

KEY FIGURES FOR THE FIRST HALF OF 2013

The table below shows extracts of the income statements, statements of financial position and statements of cash flows from the condensed consolidated financial statements for the periods ending June 30, 2013 and June 30, 2012.

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

In millions of euros	June 30, 2013	June 30, 2012
Revenues	7,177	7,323
EBITDA	1,209	1,133
EBITDA margin	*16.8%*	*15.5%*
Net income Group share	132	40
Free cash flow [(a)]	229	498
Net debt	7,833	7,436
	at 06/30/2013	*at 12/31/2012*

(a) before disposals and development capital expenditures.

3 2013 HIGHLIGHTS – CONTRACTS

January 2013

France: SUEZ ENVIRONNEMENT selected as a "Major Supplier" to PSA Peugeot-Citroën.

Poland: Sita Polska won the contract to build and operate an energy recovery plant in Poznań. This 25-year contract represents cumulative revenues of €850 million.

February 2013

United Kingdom: Sita UK won a contract for the management of residual household waste in County Durham. This 8-year contract represents cumulative revenues of €130 million.

China: Sino French Water Development (a subsidiary of SUEZ ENVIRONNEMENT) entered into an agreement with a Chinese partner to manage wastewater in Shuangliu District (Sichuan Province). This 25-year partnership agreement represents cumulative revenues of €156 million.

March 2013

Africa: Degrémont won four contracts for the construction or rehabilitation of water treatment plants in Angola, Tanzania, Burkina Faso and Ethiopia. These contracts represent cumulative revenues of €40 million.

India: Degrémont won two contracts for the construction and operation of wastewater treatment plants. These 11-year contracts represent cumulative revenues of €41 million.

France: Sita won the contract for waste treatment in the urban area of Tours Plus. This 4-year contract represents cumulative revenues of €20 million.

France and International: Ondeo Systems and the SFR Business Team entered into a global partnership of prospective research to develop technological solutions for telecoms infrastructure, monitoring tools and new services for the smart city of the future.

April 2013

Morocco: Lydec inaugurated the wastewater treatment plant in Mediouna (Wilaya of the Great Casablanca).

France: Lyonnaise des Eaux renewed its water supply and wastewater contract with Syndicat Rhône Ventoux. With a 12-year term for drinking water supply and an 8-year term for wastewater, these contracts represent cumulative revenues of €152 million.

United Kingdom: Within the consortium of Sita Sembcorp UK, Sita UK was selected as a preferred bidder by the Merseyside Recycling and Waste Authority for a 30-year contract worth €1.4 billion.

China: SUEZ ENVIRONNEMENT and Beijing Enterprise Environmental group, a subsidiary of Beijing Enterprises Holdings, created a joint venture for the management and operation of waste treatment facilities.

Spain: Sita won the contract for metal recovery from the PSA Peugeot-Citroën plant in Vigo. This 3-year contract represents cumulative revenues of €45 million.

United Kingdom: Sita UK was selected as a preferred bidder for a resource recovery contract with the West London Waste Authority for a 25-year public-private partnership contract worth €1 billion.

May 2013

France: Degrémont acquired Industrial Water Management France, specializing in conditioning products and technical services for cooling circuits, boiler systems and industrial wastewater treatment.

France: Lyonnaise des Eaux won the contract for public wastewater services in the urban community of Douai. This 11-year contract represents cumulative revenues of €70 million.

Lebanon: SUEZ ENVIRONNEMENT joined forces with the company Al-Jihad for Commerce and Contracting (JCC) for the rehabilitation of the Saïda landfill.

June 2013

Czech Republic: SUEZ ENVIRONNEMENT won the water and wastewater services contract in Benesov (Czech Republic). This 10-year contract represents cumulative revenues of €28 million.

France: Sita renewed its contract for the collection of household and similar waste with the Dreux Regional Intermunicipal Household Collection Syndicate (SYROM DRD). This 6-year contract represents cumulative revenues of €12 million.

July 2013

China: SUEZ ENVIRONNEMENT won two new contracts in Hong Kong. With a 10-year duration each, these contracts represent cumulative revenues of €110 million.

China: SUEZ ENVIRONNEMENT renewed its contract for waste collection and cleaning services in Macau. This 10-year contract represents cumulative revenues of €200 million.

4 INTERIM MANAGEMENT REPORT

In the context of a difficult and uncertain economy in Europe since January 2013, coupled with unfavorable weather conditions, SUEZ ENVIRONNEMENT nevertheless improved its operating performance.

EBITDA and **current operating income** rose by 6.7% and 13.3%, respectively, driven by the upturn in activity in the International segment, which also benefited from the end of construction of the Melbourne desalination plant, which had generated additional costs in 2012.

Net income Group share was €132 million, up €92 million year-on-year, mainly due to the rise in current operating income and the effects of the COMPASS cost optimization program.

Free cash flow before disposals and development capex stood at €229 million, down from €498 million in the first half of 2012. This figure did, however, include a one-off effect related to the securitization program allowing derecognition of trade receivables to the value of €164 million.

Net financial debt amounted to €7,833 million at June 30, 2013, against €7,436 million at December 31, 2012. This apparent increase was mainly due to the timing of cash dividends paid in June 2013 (€467 million).

IMPORTANT EVENTS OF FIRST HALF 2013

Commercial paper issue

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. As of June 30, 2013, the outstanding notes totaled €608 million.

SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme

On January 17, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY decided to implement a new worldwide incentive scheme to benefit its employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each (see chapter 5, Note 10 of this interim financial report).

Sale of United Water Arkansas (United States)

On February 1, 2013, United Water Inc., a subsidiary of SUEZ ENVIRONNEMENT, finalized the sale of its regulated water activities in Arkansas for US$27.6 million.

Public tender offer for Aguas de Sabadell

On June 12, 2013, the Board of the Spanish Securities and Exchange Commission (CNMV) approved the public tender offer filed by Agbar to purchase shares of the company "Companyia d'Aigues de Sabadell, SA, (CASSA)".

Following the offer period, whose results were officially published on July 16, 2013 by the CNMV, Agbar held 77.7% of CASSA.

CASSA provides water services to approximately 350,000 inhabitants in more than 40 municipalities (mainly in Catalonia), with concession contracts. The revenues as of December 31, 2012 were €33.6 million.

Settlement agreement with the urban community of Lille

On July 3, 2013, the dispute between the company "Société des Eaux du Nord" (SEN) and the urban community of Lille (LMCU) ended (see chapter 5, Note 11 of this financial report) by signing a settlement agreement providing mutual financial commitments, including:

- the payment of €60 million by SEN relating to renewal costs (this amount may be adjusted at the end of an independent expertise that will be initiated in the second half of 2013);
- the acquisition in 2013 by LMCU of the production, storage and transport assets belonging to the SEN for an amount of €55 million.

4.1 REVENUES AND OPERATIONAL RESULTS

Against the backdrop of a challenging economy in Europe since January 2013, SUEZ ENVIRONNEMENT recorded revenues of €7,177 million, down slightly by 2.0%, or -€146 million, which can be broken down as follows:

- an organic contraction of -€121 million: the Water Europe segment was up by €65 million (+3.1%), mainly due to price increases and the growth of the new business activities; Waste Europe posted a decline of -€150 million (-4.5%), largely due to the drop in volumes treated resulting from Europe's worsening economy; and, finally, the International segment posted a decline of -€28 million (-1.5%), although it was up by 2.2% excluding the impact of the construction of the Melbourne desalination plant;
- +€10 million in positive scope effects;
- unfavorable exchange rate adjustments of -€36 million, mainly relating to the pound sterling (-€17 million), the Australian dollar (-€16 million), the US dollar (-€5 million), partly balanced by the Chilean peso (+€7 million).

EBITDA rose by €76 million to €1,209 million, up 6.7%, due to the following:

- organic growth of +€81 million, or +7.2%, mainly stemming from the International segment;
- negative scope effects of -€7 million;
- favorable exchange rate adjustments of +€2 million.

Current operating income (EBIT) totaled €521 million, up €61 million (+13.3%) compared to the first half of 2012.

Income from operating activities came to €514 million, up €111 million year-on-year. There were no significant non-recurring items during the period, in contrast to June 30, 2012.

Net income Group share was €132 million. The increase of €92 million was mainly due to the above effects, as well as the €25 million drop in net financial income, which was partially offset by higher tax expenses of €38 million.

Earnings per share came to €0.22 in the first half of 2013, versus €0.06 per share in the first half of 2012.

4.2 OPERATING SEGMENTS

With industrial production down again on the first half and unfavorable weather conditions in Europe, **revenues** amounted to €7,177 million, down by -2.0%. The organic contraction of -1.7% (-€121 million) is broken down by operating segment as follows:

Water Europe posted organic growth in revenues of +3.1% (+€65 million) thanks to:

- organic growth of +2.2% at Lyonnaise des Eaux (+€24 million), driven by tariff indexation formulas and the growth of the new businesses (innovative technological solutions that combine environmental and economic performance);
- organic growth of +4.2% at Agbar (+€41 million) due to price increases and the development of new offerings.

Waste Europe posted an organic contraction of -4.5% (-€150 million) mainly impacted by lower volumes treated (-3.8%) and falling prices for secondary raw materials during the first six months. Excluding the impact of prices for secondary raw materials, tariffs were up, however. Revenues from materials recovery activities and services were down, partially offset by the rise in energy recovery activity. By region, organic growth was negative in France and Benelux/Germany (-6.5% and -6.3%, respectively) and positive in the United Kingdom and Scandinavia (+2.1%) and Central Europe (+4.4%).

The **International segment** posted an organic contraction of -1.5% (-€28 million), resulting from the following trends:

- a sharp decline for Degrémont (-11.9%, or -€76 million) due to delivery of the Melbourne desalination plant in late 2012 and the absence of construction revenue related to this contract in 2013;
- the dynamism of Asia-Pacific (+6.7%, or +€42 million) including Australia, Hong Kong and China;
- growth in Africa-Middle East (+1.6%, or +€5 million), mainly due to water and waste activities in Morocco;
- growth in North America (+0.5%, or +€1 million), resulting from price increases which offset a decline in volumes invoiced.

EBITDA amounted to €1,209 million, reflecting organic growth of +7.2% (+€81 million), which breaks down as follows:

- **Water Europe** posted an organic contraction of -1.9% (-€11 million), mainly explained by lower-than-usual volumes sold, a result of record rainfall and temperatures well below seasonal norms in France and Spain;
- **Waste Europe** fell by -4.6% (-€18 million) impacted by the drop in volumes treated as a consequence of continued falling industrial production in Europe over the period.

  The decline was limited, however, thanks to cost reduction efforts, and SUEZ ENVIRONNEMENT decided to increase the target for its COMPASS cost optimization program by €30 million, raising it to €180 million for fiscal 2013.
- in the **International segment**, EBITDA increased by +57.1% (+€104 million) mainly due to the completion of construction of the Melbourne desalination plant, which had engendered additional costs in the first half of 2012, and the strong contribution from activities in Asia-Pacific.

4.3 OTHER INCOME STATEMENT ITEMS

Income from operating activities stood at €514 million at June 30, 2013. This reflects current operating income of €521 million, plus €6 million in capital gains and -€13 million in expenses primarily related to restructuring costs. This figure was up €111 million year-on-year, mainly due to the decrease in risk with the absence of new provisions for the construction of the Melbourne desalination plant (-€83 million at June 30, 2012) and the absence of impairment losses (-€58 million from the mark-to-market value of ACEA shares in the first half of 2012).

Net financial income/(loss) at June 30, 2013 showed a loss of -€185 million, compared to -€210 million in the first half of 2012. This improvement is explained by the lower average interest rate related partly to lower rates and partly to cash optimization.

Income tax expense was up by €38 million compared to June 30, 2012. The effective tax rate was 26.1%, mainly reflecting the fact that many of the Group's operating subsidiaries are located in countries with lower tax rates than in France.

The share in net income of associates rose slightly by €3 million compared to June 30, 2012.

Net income attributable to non-controlling interests amounted to €126 million, an increase of €9 million year-on-year.

4.4 FINANCING

Cash flows from operating activities

Cash flows generated from operating activities before financial expense and income tax totaled €998 million at June 30, 2013, up €13 million compared to June 30, 2012, mainly due to the rise in EBITDA.

Working capital requirement (WCR) had a negative impact of -€228 million on the first half, against a positive impact of +€14 million in the first half of 2012. This sharp decline was mainly due to the absence in 2013 of a new securitization program with derecognition of trade receivables which generated a positive impact of €164 million in the first half of 2012.

In total, cash flows from operating activities produced a cash surplus of +€658 million in the first half of 2013, down by -€298 million compared to June 30, 2012, due to the negative change in working capital at June 30, 2013.

Cash flows from investing activities

Cash flows from investing activities included:

- maintenance capital expenditure in the amount of €276 million, or 3.8% of the Group's consolidated revenues;
- development capital expenditure in the amount of €251 million;
- financial investments totaling €15 million;
- disposals amounting to €46 million in the first half of 2013.

In total, cash flows from investing activities generated a cash shortfall of €497 million, against €630 million in 2012, of which €58 million was linked to the progressive paying up of capital of Aquasure, the project company for the construction of the Melbourne desalination plant.

Cash flows from financing activities

Cash dividends amounted to €467 million (against €441 million in 2012).

Debt rose by €440 million in the first half of 2013, versus a decrease of €60 million in 2012.

Overall, financing activities generated a cash shortfall of €256 million in the first half of 2013, against a shortfall of €694 million in 2012.

Net debt at June 30, 2013

Net debt at June 30, 2013 amounted to €7,833 million, against €7,436 million at December 31, 2012. This increase was primarily due to:

- the payment of dividends in the first half of 2013 for €467 million;
- favorable exchange rate effects for €96 million.

At June 30, 2013, the Group had confirmed undrawn credit facilities of €2,294 million, including €608 million in commercial paper backup lines.

4.5 OTHER STATEMENT OF FINANCIAL POSITION ITEMS

Net intangible assets and **goodwill** totaled €7,200 million, down compared to December 31, 2012 (-€118 million), mainly due to the negative impact of foreign exchange rates and depreciation for the period.

Net tangible assets were €8,505 million, against €8,882 million at December 31, 2012, a decline of -€377 million resulting primarily from the negative impact of foreign exchange rates, disposals during the first half of 2013 (including United Water Arkansas and the sale of assets owned by Société des Eaux du Nord under the settlement agreement described in Note 2 of chapter 5 of this present document), and depreciation for the period.

Investments in associates and **available-for-sale securities** were almost unchanged at €466 million and €418 million, respectively.

Total shareholders' equity amounted to €6,515 million, a decrease of €344 million compared to December 31, 2012, after taking into account SEC's payment of a €330 million cash dividend.

Provisions were down at June 30, 2013, at €1,860 million, compared to €1,995 million at December 31, 2012. This reduction mainly reflects reversals related to the conclusion of tax and trade disputes.

Deferred taxes represented a net asset of €163 million, against €181 million at December 31, 2012.

4.6 RELATED PARTY TRANSACTIONS

Note 12 to the condensed consolidated financial statements hereafter provides details on the significant related party transactions. These transactions are essentially with GDF SUEZ (mainly as part of the synthetic Argentinean agreement).

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

The section on Risk factors (chapter 4) of SUEZ ENVIRONNEMENT COMPANY's 2012 Reference Document provides a detailed description of the Group's risk exposure. No risks or uncertainties are expected other than those presented in this document.

4.8 OUTLOOK FOR 2013

Against a challenging and uncertain macro-economic backdrop in Europe since the beginning of the year, SUEZ ENVIRONNEMENT is maintaining its targets [(1)] and remains fully mobilized to achieve its 2013 guidance.

Once again demonstrating its excellent responsiveness, SUEZ ENVIRONNEMENT has raised the target for its COMPASS cost reduction plan in 2013 from €150 million to €180 million, while at the same time remaining highly selective in its investments.

SUEZ ENVIRONNEMENT has strong market positions and a robust growth model. With a balanced portfolio of assets and activities in the water and waste segments buoyed by strong growth drivers, SUEZ ENVIRONNEMENT is taking the necessary steps to preserve its financial strength and future growth, thus demonstrating its ability to move its growth model forward.

These objectives and outlook were derived from the accounting policies established by the Group for the preparation of its interim condensed consolidated financial statements, presented in chapter 5 of this interim financial report.

(1) At constant FOREX, assuming 0% GDP growth in 2013 in Europe and an unchanged accounting and tax regulatory environment.

5

CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2013

5.1 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Note	June 30, 2013	December 31, 2012
NON-CURRENT ASSETS			
Intangible assets, net	6	3,980.3	4,060.8
Goodwill	6	3,219.4	3,256.9
Property, plant and equipment net	6	8,505.1	8,882.0
Available-for-sale securities	7	418.3	395.9
Loans and receivables carried at amortized cost	7	727.6	700.7
Derivative financial instruments	7	204.9	259.1
Investments in associates		465.8	490.9
Other assets		75.6	80.0
Deferred tax assets		746.4	755.1
TOTAL NON-CURRENT ASSETS		**18,343.4**	**18,881.4**
CURRENT ASSETS			
Loans and receivables carried at amortized cost	7	293.5	266.6
Derivative financial instruments	7	1.8	5.5
Trade and other receivables	7	3,900.3	3,805.3
Inventories		321.8	290.1
Other assets		1,178.6	1,116.8
Financial assets measured at fair value through income	7	52.7	23.5
Cash and cash equivalents	7	2,113.2	2,247.3
TOTAL CURRENT ASSETS		**7,861.9**	**7,755.1**
TOTAL ASSETS		**26,205.3**	**26,636.5**
Shareholders' equity, Group share		4,629.5	4,863.9
Non-controlling interests		1,886.0	1,995.3
TOTAL SHAREHOLDERS' EQUITY		**6,515.5**	**6,859.2**
NON-CURRENT LIABILITIES			
Provisions	9	1,410.1	1,431.5
Long-term borrowings [(a)]	7	7,289.7	8,554.8
Derivative financial instruments	7	63.6	90.7
Other financial liabilities	7	2.7	2.7
Other liabilities		631.5	645.3
Deferred tax liabilities		583.3	573.9
TOTAL NON-CURRENT LIABILITIES		**9,980.9**	**11,298.9**
CURRENT LIABILITIES			
Provisions	9	449.7	563.7
Short-term borrowings [(a)]	7	2,851.3	1,363.6
Derivative financial instruments	7	11.6	11.3
Trade and other payables	7	2,492.4	2,871.0
Other liabilities		3,903.9	3,668.8
TOTAL CURRENT LIABILITIES		**9,708.9**	**8,478.4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,205.3**	**26,636.5**

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

(a) See explanation of the variation in Note 7.3.1.

5.2 CONSOLIDATED INCOME STATEMENTS

In millions of euros	Note	June 30, 2013	June 30, 2012
Revenues	3.2	7,176.8	7,323.2
Purchases		(1,483.2)	(1,705.5)
Personnel costs		(1,894.2)	(1,893.1)
Depreciation, amortization and provisions		(485.7)	(524.1)
Other operating expenses		(2,953.0)	(2,875.1)
Other operating income		160.5	134.8
CURRENT OPERATING INCOME	**3.2**	**521.2**	**460.2**
Mark-to-market on operating financial instruments		(1.4)	(3.5)
Impairment on property, plant and equipment, intangible and financial assets		3.7	(58.6)
Restructuring costs		(15.7)	(34.5)
Scope effects		(2.7)	36.7
Other gains and losses on disposals and non-recurring items		9.0	2.9
Income from operating activities	**4.2**	**514.1**	**403.2**
Financial expenses [(a)]		(244.4)	(280.7)
Financial income [(a)]		59.0	70.7
Net financial income (loss)	**4.3**	**(185.4)**	**(210.0)**
Income tax expense	4.4	(85.7)	(47.8)
Share in net income of associates		14.7	11.9
NET INCOME		**257.7**	**157.3**
of which: Group share		131.7	40.2
Non-controlling interests		126.0	117.1
Net income (Group share) per share *(in euros)*	**5**	**0.22**	**0.06**

(a) Data presentation at June 30, 2012 has been changed, see the explanation in Notes 1.3.1 and 4.3.

5.3 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Note	June 30, 2013	June 30, 2013 of which Group share	June 30, 2013 of which non controlling interests	June 30, 2012	June 30, 2012 of which Group share	June 30, 2012 of which non controlling interests
Net income		**257.7**	**131.7**	**126.0**	**157.3**	**40.2**	**117.1**
Available-for-sale securities	7	32.4	32.4 [(a)]	-	51.8	51.8 [(b)]	-
Net investment hedges		40.8	38.0	2.8	(37.7)	(35.6)	(2.1)
Cash flow hedges (excluding commodities)		15.5	13.0	2.5	(3.9)	(1.0)	(2.9)
Commodity cash-flow hedges		(3.8)	(3.9)	0.1	(2.7)	(2.9)	0.2
Deferred taxes on items above		(8.4)	(7.8)	(0.6)	10.4	10.0	0.4
Share of associates in reclassifiable items, net of taxes		4.5	4.5	-	(12.8)	(12.8)	-
Translation adjustments		(167.9)	(82.6) [(c)]	(85.3)	189.0	90.0 [(d)]	99.0
Total reclassifiable items		**(86.9)**	**(6.4)**	**(80.5)**	**194.1**	**99.5**	**94.6**
Actuarial gains and losses		30.0	29.2	0.8	(32.1)	(32.1)	-
Deferred taxes on actuarial gains and losses		(10.4)	(10.2)	(0.2)	11.9	11.9	-
Total non-reclassifiable items		**19.6**	**19.0**	**0.6**	**(20.2)**	**(20.2)**	**-**
COMPREHENSIVE INCOME		**190.4**	**144.3**	**46.1**	**331.2**	**119.5**	**211.7**

(a) Change due primarily to the increase in stock prices of ACEA shares.

(b) Change linked mainly to the reversal of the negative change in fair value of Acea shares. This impairment was recorded in the income statement.

(c) The variation is mainly due to the depreciation of the British pound and the Australian dollar.

(d) This change mainly arised as a result of the appreciation of certain currencies: the U.S. dollar, British pound, Australian dollar and Hong Kong dollar.

5.4 STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In millions of euros	Number of shares	Share Capital	Premiums	Con-solidated 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, 2011	**510,233,829**	**2,040.9**	**4,147.2**	**(1,911.0)**	**(152.5)**	**136.8**	**(36.4)**	**721.1**	**4,946.1**	**1,871.1**	**6,817.2**
Net income				40.2					40.2	117.1	157.3
Other comprehensive income items				(20.2)	9.5	90.0			79.3	94.6	173.9
Comprehensive Income				**20.0**	**9.5**	**90.0**	**-**	**-**	**119.5**	**211.7**	**331.2**
Share-based payment				11.7					11.7	-	11.7
Dividends distributed in cash				(330.8) [(a)]					(330.8)	(155.5)	(486.3)
Interests on undated deeply subordinated notes issue								(23.7)	(23.7)	-	(23.7)
Purchase/sale of treasury shares				(4.0)			18.7		14.7	-	14.7
Transactions between shareholders				0.3					0.3	9.6 [(b)]	9.9
Other changes				0.1					0.1	0.1	0.2
Shareholders' equity at June 30, 2012	**510,233,829**	**2,040.9**	**4,147.2**	**(2,213.7)**	**(143.0)**	**226.8**	**(17.7)**	**697.4**	**4,737.9**	**1,937.0**	**6,674.9**
Shareholders' equity at December 31, 2012	**510,233,829**	**2,040.9**	**4,147.2**	**(2,044.5)**	**(117.1)**	**150.0**	**(10.0)**	**697.4**	**4,863.9**	**1,995.3**	**6,859.2**
Net income				131.7					131.7	126.0	257.7
Other comprehensive income items				19.0	76.2	(82.6)			12.6	(79.9)	(67.3)
Comprehensive Income				**150.7**	**76.2**	**(82.6)**	**-**	**-**	**144.3**	**46.1**	**190.4**
Share-based payment				12.7					12.7		12.7
Dividends distributed in cash			(8.9)	(331.3) [(c)]					(340.2)	(155.7)	(495.9)
Interests on undated deeply subordinated notes issue								(36.2) [(d)]	(36.2)		(36.2)
Purchase/sale of treasury shares				(7.5)			(4.4)		(11.9)		(11.9)
Capital increase/reduction									-	1.7	1.7
Transactions between shareholders				0.4					0.4	(0.3)	0.1
Business combinations				(0.6)					(0.6)	(0.9)	(1.5)
IAS 19 Revised impacts *(see Note 1.3.1)*				(1.7)					(1.7)		(1.7)
Other changes				(1.2)					(1.2)	(0.2)	(1.4)
Shareholders' equity at June 30, 2013	**510,233,829**	**2,040.9**	**4,138.3**	**(2,223.0)**	**(40.9)**	**67.4**	**(14.4)**	**661.2**	**4,629.5**	**1,886.0**	**6,515.5**

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

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

(c) The Shareholders' Meeting of May 23, 2013 decided to distribute a dividend of €0.65 per share for the financial year 2012, this means a total dividend distribution of €330.3 million.

(d) Interests on undated deeply subordinated notes at June 30, 2013 are shown without tax effect given the net deferred tax assets position within the French tax consolidation group (see Note 4.4).

5.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	Note	June 30, 2013	June 30, 2012
Net income		**257.7**	**157.3**
- Share in net income of associates		(14.7)	(11.9)
+ Dividends received from associates		19.5	26.2
- Net depreciation, amortization and provisions		457.6	582.2
- Scope effects, other gains and losses on disposal and non-recurring items		(6.3)	(39.0)
- Other items with no cash impact		12.7	12.0
- Income tax expense	4.4	85.7	47.8
- Financial income	4.3	185.4	210.0
Cash flows from operations before financial income/(expense) and income tax		**997.6**	**984.6**
+ Tax paid [(a)]		(111.2)	(42.3)
Change in working capital requirements		**(228.2)**	**13.9**
Cash flows from operating activities		**658.2**	**956.2**
Investments in property, plant and equipment and intangible assets	3.4.3	(526.8)	(598.3)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(6.0)	(0.9)
Acquisitions of interests in associates and joint ventures	3.4.3	(2.6)	(60.6)
Acquisitions of available-for-sale securities	3.4.3	(6.4)	(25.8)
Disposals of property, plant and equipment and intangible assets		21.1	11.0
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		16.7	79.1
Disposals of interests in associates and joint ventures		8.2	1.2
Disposals of available-for-sale securities		-	26.4
Interests received on non-current financial assets		4.4	7.7
Dividends received on non-current financial assets		33.6	18.7
Change in loans and receivables issued by the Company and others		(39.3)	(88.3)
Cash flows from investing activities		**(497.1)**	**(629.8)**
Dividends paid [(b)]		(466.6)	(441.2)
Repayment of borrowings		(663.1)	(976.9)
Change in financial assets at fair value through income		(28.2)	(1.7)
Financial interests paid		(211.2)	(235.7)
Financial interests received on cash and cash equivalents		20.2	30.7
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		1.5	(43.0)
Increase in financial debt		1,101.1	959.9
Increase in share capital		1.7	-
Purchase/sale of treasury shares		(11.7)	13.2
Change in share of interests in controlled entities	3.4.3	0.6	0.8
Cash flows from financing activities		**(255.7)**	**(693.9)**
Impact of changes in exchange rates and other		(39.5)	22.7
TOTAL CASH FLOWS FOR THE PERIOD		**(134.1)**	**(344.8)**
OPENING CASH AND CASH EQUIVALENTS		**2,247.3**	**2,493.5**
CLOSING CASH AND CASH EQUIVALENTS	**7**	**2,113.2**	**2,148.7**

(a) The variation is partly due to the payment of €20 million by Agbar to the tax authorities (see Note 11).

(b) Including withholding tax.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

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

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

On July 30, 2013, the interim condensed consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2013 were presented to the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, which authorized their publication.

1.2 Accounting standards

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

The Group's interim condensed consolidated financial statements for the six months ended June 30, 2013 were prepared in compliance with the provisions of IAS 34 – *Interim Financial Reporting*, which allows entities to present selected explanatory notes. The interim condensed consolidated financial statements for the six months ended June 30, 2013 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, 2012, subject to specific provisions relating to the preparation of interim financial information as described hereafter.

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

1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed consolidated financial statements for the six months ended June 30, 2013 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2012 in accordance with IFRS as published by the IASB and endorsed by the European Union, with the exception of the following items in Notes 1.3.1 and 1.3.2.

1.3.1 IAS 19 Revised – Employee benefits applicable on January 1, 2013

Changes in accounting principles pursuant to the application of IAS 19 Revised are as follows for the Group:

- under IAS 19 Revised, the net interest expense (income) on the net defined benefit liability is determined by applying the discount rate, used to measure the defined benefit obligation, to the net defined benefit liability (asset). This net interest expense (income) is presented as "financial expense" ("financial income") in the income statement. Until December 31, 2012, two separate financial components regarding defined benefit plans were recognized in the Group's income statement, which are now compensated:
  - an interest expense ("financial expense"), being the discount unwinding of the defined benefit obligation;
  - an interest income ("financial income"), being the expected return on plan assets.
- under the amended standard, plan administration costs, other than those relating to asset management, are recognized in the income statement when the administration services are rendered. Before the revision of IAS 19, administration costs were provisioned and included in the actuarial assumptions used to measure the defined benefit obligation.
- as from application of IAS 19 Revised, unvested past service cost shall be recognized immediately whereas previously it was recognized over the vesting period.

These changes in accounting principles are retrospectively applied starting from January 1, 2012. However, given the low incidence, the 2012 comparative financial statements have not been restated. For information, the impacts resulting from the application of the revised standard on the 2012 financial statements would result in:

- a €2.3 million increase in provision of post-employment benefits, a €0.6 million increase in deferred tax assets and a €1.7 million decrease of equity in the statement of financial position as at December 31, 2012. These adjustments are mainly due to the recognition of unamortized past service cost;
- a €4.6 million decrease in net financial income with a tax effect of €1.9 million, that is a net decrease of €2.7 million in the June 30, 2012 income statement offset by an actuarial gain for the same amount in the statement of comprehensive income.

1.3.2 Other standards, amendments and interpretations applicable in 2013

- IFRS 13 – *Fair value measurement*: This new standard should be applied prospectively from January 1, 2013 and has no significant impact either on the Group's income statement or on the statement of financial position. Additional disclosures as required by IFRS 13 regarding financial assets and liabilities fair value measurement are presented in Note 7 "Financial instruments".
- Amendments to IFRS 7 – *Financial instruments*: Disclosures – Offsetting Financial Assets and Financial Liabilities: Information, about rights to offset and about related arrangements associated with financial assets and liabilities, will be disclosed in the consolidated financial statements for the year ended December 2013.
- Annual improvements – *2009-2011 Cycle*: These amendments have no significant impact for the Group.
- IFRIC 20 – *Stripping costs in the production phase of a surface mine*: this interpretation has no impact on the Group.

1.3.3 IFRS standards and amendments applicable after 2013 that the Group has elected not to early adopt

Standards and amendments applicable in 2014

- IFRS 10 – *Consolidated Financial Statements*;
- IFRS 11 – *Joint Arrangements*;
- IFRS 12 – *Disclosure of Interests in Other Entities*;
- Amendment to IAS 28 – *Investments in Associates and Joint Ventures*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* [(1)];
- Amendments to IAS 39 – *Novation of derivatives and continuation of hedge accounting* [(1)];
- IFRIC 21 – *Legal Rights or Tax Bases* (Levies [(1)]).

The potential impact on the Group resulting from the application of these standards, amendments and interpretation is currently being assessed.

Standard applicable in 2015

- IFRS 9 – *Financial Instruments: Classification and Measurement* [(1)].

The impact resulting from the application of this standard is currently being assessed.

1.4 Use of judgment and estimates

The economic and financial crisis prompted the Group to step up its risk oversight procedures and include an assessment of these risks in measuring financial instruments and performing impairment tests. The Group's estimates used in business plans and in the determination of discount rates used in impairment tests and in provision computations take into account the crisis situation and the implied significant market-based volatility.

1.4.1 Estimates

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

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

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

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

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2012.

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

1.4.2 Judgment

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

In particular, the Group exercised its judgment in determining the accounting treatment applicable to concession contracts, the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

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

1.5 Interim financial reporting

Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2013 are not necessarily indicative of those that may be expected for full-year 2013.

Income tax expense

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

Pension benefit obligations

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

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 15.4 to the consolidated financial statements at December 31, 2012).

NOTE 2 Major transactions

2.1 Commercial paper issue

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. As of June 30, 2013, the outstanding notes totaled €608 million.

2.2 SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme

On January 17, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY decided to implement a new worldwide incentive scheme to benefit its employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each (see Note 10 of this financial report).

2.3 Sale of United Water Arkansas (United States)

On February 1, 2013, United Water Inc., a subsidiary of SUEZ ENVIRONNEMENT, finalized the sale of its regulated water activities in Arkansas for US$ 27.6 million.

2.4 Public tender offer for Aguas de Sabadell

On June 12, 2013, the Board of the Spanish Securities and Exchange Commission (CNMV) approved the public tender offer filed by Agbar to purchase shares of the company "Companyia d'Aigues de Sabadell, SA, (CASSA)".

Following the offer period, whose results were officially published on July 16, 2013 by the CNMV, Agbar held 77.7% of CASSA.

CASSA provides water services to approximately 350,000 inhabitants in more than 40 municipalities (mainly in Catalonia), with concession contracts. The revenues as of December 31, 2012 were €33.6 million.

2.5 Settlement agreement with the urban community of Lille

On July 3, 2013, the dispute between the company "Société des Eaux du Nord" (SEN) and the urban community of Lille (LMCU) ended (see Note 11 of this financial report) by signing a settlement agreement providing mutual financial commitments, including:

- the payment of €60 million by SEN relating to renewal costs (this amount may be adjusted at the end of an independent expertise that will be initiated in the second half of 2013);
- the acquisition in 2013 by LMCU of the production, storage and transport assets belonging to the SEN for an amount of €55 million.

NOTE 3 Operating segments information

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

The Group uses four operating segments:

- Water Europe;
- Waste Europe;
- International;
- Other.

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

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

3.1 Operating segments

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

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

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

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

3.2 Key indicators by operating segment

In 2013, the operating segments Water Europe, Waste Europe and International have been modified to reflect the internal reporting monitored by the Management Committee consistent with the new organization of this Committee: Water and Waste activities located in Central Europe previously included in the International segment, are now reclassified in Water Europe and Waste Europe Segments. USG, previously included in the International segment is reclassified since December 31, 2012 in the Water Europe segment. The 2012 data have been restated for comparison purposes.

Revenues

	June 30, 2013			June 30, 2012		
In millions of euros	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	2,139.2	10.0	2,149.2	2,094.6	8.8	2,103.4
Waste Europe	3,254.8	19.1	3,273.9	3,376.7	18.6	3,395.3
International	1,779.7	15.0	1,794.7	1,842.0	16.3	1,858.3
Other	3.1	46.1	49.2	9.9	35.0	44.9
Intercompany eliminations		(90.2)	(90.2)		(78.7)	(78.7)
TOTAL REVENUES	**7,176.8**	**-**	**7,176.8**	**7,323.2**	**-**	**7,323.2**

EBITDA

In millions of euros	June 30, 2013	June 30, 2012
Water Europe	561.7	578.8
Waste Europe	382.2	396.6
International	283.2	182.1
Other	(17.9)	(24.4)
TOTAL EBITDA	**1,209.2**	**1,133.1**

Current operating income

In millions of euros	June 30, 2013	June 30, 2012
Water Europe	235.7	270.8
Waste Europe	130.8	146.7
International	174.8	73.7
Other	(20.1)	(31.0)
TOTAL CURRENT OPERATING INCOME	**521.2**	**460.2**

Depreciation and amortization

In millions of euros	June 30, 2013	June 30, 2012
Water Europe	(215.2)	(192.7)
Waste Europe	(235.8)	(239.7)
International	(97.9)	(94.8)
Other	(2.3)	(2.2)
TOTAL DEPRECIATION AND AMORTIZATION	**(551.2)**	**(529.4)**

Capital Employed

In millions of euros	June 30, 2013	December 31, 2012
Water Europe	6,766.8	6,946.8
Waste Europe	4,383.5	4,417.1
International	3,224.5	3,144.0
Other	32.7	(71.7)
TOTAL CAPITAL EMPLOYED	**14,407.5**	**14,436.2**

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

In millions of euros	June 30, 2013	June 30, 2012
Water Europe	(203.6)	(238.1)
Waste Europe	(207.3)	(252.7)
International	(120.3)	(180.2)
Other	(10.0)	(13.8)
TOTAL INVESTMENTS	**(541.2)**	**(684.8)**

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

3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

	Revenues		Capital Employed	
In millions of euros	June 30, 2013	June 30, 2012	June 30, 2013	Dec. 31, 2012
France	2,599.9	2,676.2	2,876.9	2,589.3
Europe	2,433.6	2,463.4	8,127.9	8,461.2
International	2,143.3	2,183.6	3,402.7	3,385.7
TOTAL	**7,176.8**	**7,323.2**	**14,407.5**	**14,436.2**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBITDA with Current Operating Income

In millions of euros	June 30, 2013	June 30, 2012
Current Operating Income	**521.2**	**460.2**
(-) Net depreciation, amortization and provisions	485.7	524.1
(-) Share-based payments (IFRS 2)	12.7	12.0
(-) Disbursements under concession contracts	189.6	136.8
EBITDA	**1,209.2**	**1,133.1**

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

In millions of euros	June 30, 2013	Dec. 31, 2012
(+) Tangible and intangible assets, net	12,485.4	12,942.8
(+) Goodwill, net	3,219.4	3,256.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	378.1	388.2
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	1,017.4	962.7
(+) Investments in associates	465.8	490.9
(+) Trade and other receivables	3,900.3	3,805.3
(+) Inventories	321.8	290.1
(+) Other current and non-current assets	1,254.2	1,196.8
(-) Provisions and actuarial losses/gains on pensions plans	(1,604.3)	(1,709.6)
(-) Trade and other payables	(2,492.4)	(2,871.0)
(-) Other current and non-current liabilities	(4,535.5)	(4,314.2)
(-) Other financial liabilities	(2.7)	(2.7)
CAPITAL EMPLOYED	**14,407.5**	**14,436.2**

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

In millions of euros	June 30, 2013	June 30, 2012
Investments in property, plant and equipment and intangible assets	(526.8)	(598.3)
Takeover of subsidiaries net of cash and cash equivalents acquired	(6.0)	(0.9)
Acquisitions of interests in associates and joint ventures	(2.6)	(60.6)
Acquisitions of available-for-sale securities	(6.4)	(25.8)
Change in share of interests in controlled entities	0.6	0.8
TOTAL INVESTMENTS	**(541.2)**	**(684.8)**

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, 2013	June 30, 2012
CURRENT OPERATING INCOME	**521.2**	**460.2**
MtM on operating financial instruments	(1.4)	(3.5)
Impairment on property, plant and equipment, intangible and financial assets	3.7	(58.6)
Restructuring costs	(15.7)	(34.5)
Scope effects	(2.7)	36.7
Other gains and losses on disposals and non-recurring items	9.0	2.9
INCOME FROM OPERATING ACTIVITIES	**514.1**	**403.2**

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

In millions of euros	June 30, 2013	June 30, 2012
Impairments		
Goodwill	(0.2)	-
Property, plant and equipment and other intangible assets	(6.1)	(0.2)
Financial assets	(0.7)	(61.7)
Total	**(7.0)**	**(61.9)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	1.7	2.5
Financial assets	9.0	0.8
Total	**10.7**	**3.3**
TOTAL	**3.7**	**(58.6)**

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

4.2.1.1 Impairment on goodwill

At June 30, 2013, as at June 30, 2012, 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

As at June 30, 2012, there were no significant impairments as at June 30, 2013.

4.2.1.3 Impairments on financial assets

There were no significant impairments as at June 30, 2013.

Impairments recorded at June 30, 2012 included an impairment of €57.9 million recorded by the Group on Acea shares, a company listed on the Milan Stock Exchange, based on the June 30, 2012 stock exchange price.

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

4.2.2 Restructuring costs

At June 30, 2013, this item includes the final impacts related to the Group’s exit from Hungary.

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

4.2.3 Scope effects

At June 30, 2013, there were no significant scope effects.

At June 30, 2012, this item included the profit on the sale of Eurawasser for €34 million.

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

As at June 30, 2012, there were no significant non-recurring items as at June 30, 2013.

4.3 Financial result

	June 30, 2013			June 30, 2012		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(206.9)**	**23.5**	**(183.4)**	**(241.4)**	**29.8**	**(211.6)**
Interest expense on gross borrowings	(196.6)	-	(196.6)	(219.7)	-	(219.7)
Exchange gain / (loss) on borrowings and hedges	(2.8)	-	(2.8)	(16.4)	-	(16.4)
Unrealized income / (expense) from economic hedges on borrowings	(0.7)	-	(0.7)	-	-	-
Income / (expense) on cash and cash equivalents, and financial assests at fair value through income	-	19.1	19.1	-	28.3	28.3
Capitalized borrowing costs	-	4.4	4.4	-	1.5	1.5
Financial income (expense) relating to a financial debt or receivable restructuring	(6.8)	-	(6.8)	(5.3)	-	(5.3)
Other financial expenses and income	**(37.5)**	**35.5**	**(2.0)**	**(39.3)**	**40.9**	**1.6**
Net interest cost related to post employment and other long term benefits [(a)]	(11.4)	-	(11.4)	(8.1)	-	(8.1)
Unwinding of discounting adjustment to long term provisions (except post employment)	(19.8)	-	(19.8)	(19.0)	-	(19.0)
Change in fair value of derivatives not included in net debt	-	1.2	1.2	-	2.8	2.8
Income from available-for-sale securities	-	25.1	25.1	-	16.8	16.8
Other	(6.3)	9.2	2.9	(12.2)	21.3	9.1
FINANCIAL INCOME / (LOSS)	**(244.4)**	**59.0**	**(185.4)**	**(280.7)**	**70.7**	**(210.0)**

(a) As a result of the application of IAS 19 Revised (see Note 1.3.1 "Revised IAS 19 – Employee Benefits"), the net interest cost related to the application of the discount rate on net defined benefit plans obligations is presented on a separate line. Data presentation at June 30, 2012 has been changed for comparative purposes.

The decrease in cost of net debt between June 30, 2012 and June 30, 2013 is mainly due to the impact of lower interest rates and the issuance of commercial paper instead of long-term syndicated credit lines.

4.4 Income tax

In millions of euros	June 30, 2013	June 30, 2012
Net Income (a)	257.7	157.3
Total income tax expense recognized in the income statement (b)	(85.7)	(47.8)
Share in net income of associates (c)	14.7	11.9
Income before tax and share in net income of associates (a) - (b) - (c) = (d)	**328.7**	**193.2**
Effective tax rate - (b) / (d)	**26.1%**	**24.8%**

At June 30, 2013, the Group's effective tax rate was 26.1% compared to 24.8% at June 30, 2012.

At June 30, 2013, it was mainly due to the fact that many of the Group's operating companies are located in countries with lower tax rate than France. It could also be explained by non-taxable dividends received from non-consolidated companies located in the United States and in China, and also by an impact in France related to the tax credit for competitiveness and employment. Excluding these last items from the calculation, the effective rate as of June 30, 2013 would have been 29.0%.

At June 30, 2012, the effective rate was already explained by the fact that many of the Group's operating companies are located in countries with lower tax rates than France, but also by the reduced taxation rate of the capital gain generated by the sale of Eurawasser shares. Excluding this latter item from the calculation, the effective tax rate as of June 30, 2012 would have been 30.0%.

In addition, net deferred tax assets within the French tax consolidation Group, including all temporary differences, remain stable compared to January 1, 2012 and amounted to €334 million at June 30, 2013.

NOTE 5 Earnings per share

In millions of euros	June 30, 2013	June 30, 2012
Numerator *(in millions of euros)*		
Net Income, Group share	**131.7**	**40.2**
coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010	(18.1)	(11.9)
ADJUSTED NET INCOME, GROUP SHARE	**113.6**	**28.3**
Denominator *(in millions)*		
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	**509.4**	**509.2**
Earnings per share *(in euros)*		
NET INCOME GROUP SHARE PER SHARE	**0.22**	**0.06**
NET DILUTED INCOME GROUP SHARE PER SHARE	**0.22**	**0.06**

The employee bonus share allocation plans, as well as the stock option plans reserved for employees, had no significant impact as of June 30, 2013, or June 30, 2012.

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, 2012	**3,361.5**	**6,336.3**	**15,759.0**
Acquisitions	-	108.2	286.7
Disposals	-	(4.0)	(189.8)
Scope effects	1.0	1.0	(20.1)
Translation adjustments	(42.8)	(14.5)	(328.2)
Other	(0.4)	3.4	52.5
AT JUNE 30, 2013	**3,319.3**	**6,430.4**	**15,560.1**
B. Accumulated depreciation and impairment at December 31, 2012	**(104.6)**	**(2,275.6)**	**(6,877.0)**
Depreciation and impairment losses	(0.2)	(169.9)	(387.5)
Disposals	-	1.8	135.7
Scope effects	-	(0.8)	0.8
Translation adjustments	4.5	1.8	115.7
Other	0.4	(7.4)	(42.6)
AT JUNE 30, 2013	**(99.9)**	**(2,450.1)**	**(7,054.9)**
C. Carrying amount = A + B			
At December 31, 2012	**3,256.9**	**4,060.8**	**8,882.0**
AT JUNE 30, 2013	**3,219.4**	**3,980.3**	**8,505.1**

The scope effects for property, plant and equipment, correspond mainly to the sale of United Water Arkansas as described in Note 2 “Major transactions”.

The property, plant and equipment disposals include the sale by Société des Eaux du Nord of assets to the urban community of Lille which have a net book value amounting to €46 million (see Note 2 “Major transactions”).

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2013, no significant depreciation was accounted for as at June 30, 2013.

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the Chilean peso (-€161 million), the Australian dollar (-€37 million) and the pound sterling (-€21 million).

NOTE 7 Financial instruments

7.1 Financial assets

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

	June 30, 2013			December 31, 2012		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	418.3	-	418.3	395.9	-	395.9
Loans and receivables carried at amortized cost	727.6	4,193.8	4,921.4	700.7	4,071.9	4,772.6
Loans and receivables carried at amortized cost (excluding trade and other receivables)	727.6	293.5	1,021.1	700.7	266.6	967.3
Trade and other receivables	-	3,900.3	3,900.3	-	3,805.3	3,805.3
Financial assets measured at fair value through income	204.9	54.5	259.4	259.1	29.0	288.1
Derivative financial instruments *(see Note 7.4)*	204.9	1.8	206.7	259.1	5.5	264.6
Financial assets at fair value through income excluding derivatives	-	52.7	52.7	-	23.5	23.5
Cash and cash equivalents	-	2,113.2	2,113.2	-	2,247.3	2,247.3
TOTAL	**1,350.8**	**6,361.5**	**7,712.3**	**1,355.7**	**6,348.2**	**7,703.9**

Available-for-sale securities

Movements during the period are broken down as follows:

In millions of euros	
AT DECEMBER 31, 2012	**395.9**
Acquisitions	6.4
Net book value of disposals	(1.2)
Changes in fair value posted to equity as other comprehensive income	32.4 [(a)]
Changes in fair value posted to income statement	-
Changes in scope, exchange rates and other	(15.2)
AT JUNE 30, 2013	**418.3**

(a) *Mainly due to the re-measurement at fair value of Acea shares.*

The value of available-for-sale securities held by the Group amounts to €418.3 million as of June 30, 2013, which is divided between €214.3 million for listed securities and €204.0 million for unlisted securities.

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

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

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

In millions of euros	Dividends	Post acquisition remeasurement			Income / (loss) on disposals
		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity [(a)]		32.4	-		
Income statement	14.1	-		-	(1.2)
TOTAL AT JUNE 30, 2013	**14.1**	**32.4**	**-**	**-**	**(1.2)**
Shareholders' equity [(a)]		57.0	-		
Income statement	25.1	-		(65.1)	4.9
TOTAL AT DECEMBER 31, 2012	**25.1**	**57.0**	**-**	**(65.1)**	**4.9**

(a) Excluding tax impact.

7.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as of June 30, 2013, as well as their breakdown as "non-current" and "current":

In millions of euros	June 30, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,289.7	2,851.3	10,141.0	8,554.8	1,363.6	9,918.4
Derivative financial instruments *(see Note 7.4)*	63.6	11.6	75.2	90.7	11.3	102.0
Trade and other payables	-	2,492.4	2,492.4	-	2,871.0	2,871.0
Other financial liabilities	2.7	-	2.7	2.7	-	2.7
TOTAL	**7,356.0**	**5,355.3**	**12,711.3**	**8,648.2**	**4,245.9**	**12,894.1**

7.3 Net debt

7.3.1 Analysis by type of debt net

	June 30, 2013			December 31, 2012		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings [(a)]	7,187.6	2,813.6	10,001.2	8,406.2	1,277.5	9,683.7
Impact of measurement at amortized cost	(12.9)	37.7	24.8	(11.5)	86.1	74.6
Impact of fair value hedge [(b)]	115.0	-	115.0	160.1	-	160.1
Borrowings and debts	**7,289.7**	**2,851.3**	**10,141.0**	**8,554.8**	**1,363.6**	**9,918.4**
Debt-related derivatives under liabilities [(c)] *(see Note 7.4)*	16.8	1.6	18.4	28.1	1.8	29.9
Gross debt	**7,306.5**	**2,852.9**	**10,159.4**	**8,582.9**	**1,365.4**	**9,948.3**
Assets related to financing [(d)]	(3.7)	-	(3.7)	(4.6)	-	(4.6)
Assets related to financing	**(3.7)**	**-**	**(3.7)**	**(4.6)**	**-**	**(4.6)**
Financial assets at fair value through income excluding financial derivative instruments *(see Note 7.1)*	-	(52.7)	(52.7)	-	(23.5)	(23.5)
Cash and cash equivalents	-	(2,113.2)	(2,113.2)	-	(2,247.3)	(2,247.3)
Debt-related derivatives under assets [(c)] *(see Note 7.4)*	(156.9)	-	(156.9)	(237.1)	-	(237.1)
Net cash	**(156.9)**	**(2,165.9)**	**(2,322.8)**	**(237.1)**	**(2,270.8)**	**(2,507.9)**
Net debt	**7,145.9**	**687.0**	**7,832.9**	**8,341.2**	**(905.4)**	**7,435.8**
Outstanding borrowings	7,187.6	2,813.6	10,001.2	8,406.2	1,277.5	9,683.7
Assets related to financing [(d)]	(3.7)	-	(3.7)	(4.6)	-	(4.6)
Financial assets measured at fair value through income excluding financial derivative instruments *(see Note 7.1)*	-	(52.7)	(52.7)	-	(23.5)	(23.5)
Cash and cash equivalents	-	(2,113.2)	(2,113.2)	-	(2,247.3)	(2,247.3)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**7,183.9**	**647.7**	**7,831.6**	**8,401.6**	**(993.3)**	**7,408.3**

(a) The increase in the current portion of outstanding borrowings in the first half of 2013 was mainly due to the recognition in current debt of the following:

- *bonds issued by SUEZ ENVIRONNEMENT COMPANY, with a fixed coupon of 4.875%, maturing in April 2014, of which €770 million was outstanding at June 30, 2013;*
- *commercial paper issues of which €608 million was outstanding at June 30, 2013.*

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

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

(d) The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.

At June 30, 2013, the fair value of borrowings and debt was €11,746.0 million for a book value of €10,141.0 million.

7.3.2 Commercial paper issue

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up €1,500.0 million. At June 30, 2013, the outstanding notes totaled €608.0 million.

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

At June 30, 2013, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

7.3.3 Securitization of receivables

Context

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

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

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

Description of the program

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

The main characteristics of the program are as follows:

(a) a new SPV was created, called Fonds Commun de Titrisation (or FCT) to replace the previous one;

(b) the preexisting securitization program was subject to a "simple" renewal;

(c) a compartment dedicated to the Group's receivables was created within the FCT;

(d) on the implementation date, part of receivables from the former securitization program were transferred to the new compartment; the other part continued to fund the former SPV compartment and switched in November 2012 (with the exception of Belgium, which continues to fund the former program);

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

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

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

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

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

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

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

(b) set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At June 30, 2013, this security deposit had not yet been formed.

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

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

(e) issue of a guarantee for the risk of modification of tax rules;

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

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

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

Accounting treatment

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

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

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

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

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

Figures at June 30, 2013

The new securitization program has been the object of the first monthly sale of receivables on June 26, 2012 for assignors within Sita France. On November 23, 2012, assignors within Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland also sold receivables to the new compartment for the first time.

The figures as of June 30, 2013 are presented below:

In millions of euros

Total of receivables sold over the period	1,113.9	
Gain / (Loss) arising from sale over the period	(11.2)	(b)
Remuneration for CC1	0.3	(c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	5.0	(d)
Outstanding receivables transferred as of June 30, 2013	362.3	(a)
Book value of CC1 as of June 30, 2013	23.0	(e)
Fair value of CC1	23.0	
Book value of CC2	*	
Residual maturity of CC1	47 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**333.4**	**(a) + (b) + (c) + (d) - (e)**

* *No security deposit known as "CC2" had been formed as of June 30, 2013; payment of this deposit is subject to the conditions described above.*

As a reminder, the subsidiaries Sita Wallonie and Sita Flanders, not involved in the new program, have sold their eligible receivables on a monthly basis under the renewal of the former program.

These sales were given the same accounting treatment as before: the receivables were therefore not derecognized from the Group's consolidated statement of financial position and a liability was recorded to offset the cash proceeds from the sales.

The outstanding receivables as of June 30, 2013 amounted to €27.3 million.

Total receivables sold during the period under the "old" program by Sita Wallonie and Sita Flandres, amounted to €96.4 million.

7.3.4 Change in net debt

During the first half of 2013, net debt increased by €397.1 million, primarily for the following reasons:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €340.2 million (tax of €9.9 million included);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to €126.4 million;
- the sale of United Water Arkansas generated a €17.5 million reduction in net debt (including the fees and taxes on the sale);
- the exchange rate variations resulted in a decrease of €95.8 million euros in net debt.

7.3.5 Debt / equity ratio

In millions of euros	June 30, 2013	December 31, 2012
Net debt	7,832.9	7,435.8
Total equity	6,515.5	6,859.2
Debt / equity ratio	**120.2%**	**108.4%**

7.4 Derivative financial instruments

Derivative financial assets

	June 30, 2013			December 31, 2012		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	156.9	-	156.9	237.1	-	237.1
Derivatives hedging commodities *(see Note 8.1)*	-	1.3	1.3	-	3.3	3.3
Derivatives hedging other items	48.0	0.5	48.5	22.0	2.2	24.2
TOTAL	**204.9**	**1.8**	**206.7**	**259.1**	**5.5**	**264.6**

Derivative financial liabilities

	June 30, 2013			December 31, 2012		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	16.8	1.6	18.4	28.1	1.8	29.9
Derivatives hedging commodities *(see Note 8.1)*	-	2.3	2.3	-	0.5	0.5
Derivatives hedging other items	46.8	7.7	54.5	62.6	9.0	71.6
TOTAL	**63.6**	**11.6**	**75.2**	**90.7**	**11.3**	**102.0**

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

7.5 Fair value of financial instruments by level

7.5.1 Financial assets

Financial assets excluding commodities recognized at fair value are distributed as follows among the various levels of fair value:

	June 30, 2013				December 31, 2012			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	418.3	214.3		204.0	395.9	193.5		202.4
Loans and receivables carried at amortized cost (excluding trade and other receivables)	1,021.1		1,021.1		967.3		967.3	
Derivative financial instruments	206.7		206.7		264.6		264.6	
Debt-related derivatives	156.9		156.9		237.1		237.1	
Derivatives hedging commodities	1.3		1.3		3.3		3.3	
Derivatives hedging other items	48.5		48.5		24.2		24.2	
Financial assets measured at fair value through income excluding derivatives	52.7		52.7		23.5		23.5	
TOTAL	**1,698.8**	**214.3**	**1,280.5**	**204.0**	**1 651.3**	**193.5**	**1,255.4**	**202.4**

The definition of these three levels of fair value is presented in Note 1.6.10.3 "Derivatives and hedge accounting" of the consolidated financial statements at December 31, 2012.

Available-for-sale securities:

Listed securities – valued at the stock market price on the closing date – are considered Level 1.

Unlisted securities – measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flow and net asset value, are considered Level 3.

As of June 30, 2013, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros	
AT DECEMBER 31, 2012	**202.4**
Acquisitions	3.2
Net book value of disposals	(1.2)
Changes in fair value posted to equity as other comprehensive income	-
Changes in fair value posted to income statement	-
Changes in scope, exchange rates and other	(0.4)
AT JUNE 30, 2013	**204.0**

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a €10.8 million decline in equity.

Loans and receivables carried at amortized cost (excluding trade and other receivables):

Loans and receivables carried at amortized cost (excluding trade and other receivables) used in fair value hedging are shown in the table at Level 2. These loans are only revalued for their interest rate component, whose fair value is determined based on observable data.

Derivative financial instruments:

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

The measurement at fair value of Level 2 derivative financial instruments is done by means of models frequently used in market activities and is based on directly or indirectly observable data.

Financial assets measured at fair value through income:

Financial assets measured at fair value, determined based on observable data, are considered Level 2.

7.5.2 Financial liabilities

Financial instruments excluding commodities posted to liabilities are distributed as follows among the various levels of fair value:

	June 30, 2013				December 31, 2012			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings *(see Note 7.3.1)*	**10,141.0**		**10,141.0**		**9,918.4**		**9,918.4**	
Derivative financial instruments	**75.2**		**75.2**		**102.0**		**102.0**	
Debt-related derivatives	18.4		18.4		29.9		29.9	
Derivatives hedging commodities	2.3		2.3		0.5		0.5	
Derivatives hedging other items	54.5		54.5		71.6		71.6	
TOTAL	**10,216.2**	**-**	**10,216.2**	**-**	**10,020.4**	**-**	**10,020.4**	**-**

Bonds and borrowings:

Bonds involved in fair value hedging is shown in this table as Level 2. These borrowings are revalued only in terms of the interest rate components, the fair value of which is based on observable data.

Derivative financial instruments:

See details on the distribution of derivative financial instruments, among the various levels of fair value, presented in Note 7.5.1

NOTE 8 Management of risks arising from financial instruments

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

The risk management policy is described in Note 13 to the consolidated financial statements as at December 31, 2012.

8.1 Market risks

8.1.1 Commodity market risks

8.1.1.1 Hedging operations

The Group sets up cash flow hedges on fuel and electricity as defined by IAS 39 by using the derivative instruments available on over-the-counter markets, whether they are firm commitments or options, but always settled 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 at June 30, 2013 and at December 31, 2012 are presented in the table below:

	June 30, 2013				December 31, 2012			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Cash flow hedges	1.3	-	2.3	-	3.3	-	0.5	-
TOTAL	**1.3**	**-**	**2.3**	**-**	**3.3**	**-**	**0.5**	**-**

8.1.2 Currency risk

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

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

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

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

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

Income sensitivity to currency risk after the impact of foreign exchange derivatives

Changes in exchange rates against the euro only affect income through gains and losses on assets and liabilities denominated in a currency other than the reporting currency of the companies carrying them on their statement of financial position, and to the extent that these assets and liabilities do not qualify as net investment hedges. A uniform more or less 10% change in exchange rates would generate a loss or a gain of €2.4 million.

Impact on equity after taking into account foreign exchange derivatives

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform more or less 10% change in foreign exchange rates against the euro would have a positive or negative impact on equity of €128.6 million. This impact is offset by a counter-effect on the net investment in the hedged currency.

8.1.3 Interest rate risk

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

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

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

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of more or less 1% compared with interest rates at June 30, 2013.

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

A more or less 1% change in short-term interest rates (uniform for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives would have a negative or positive impact of €18.0 million on net interest expense.

A uniform more or less 1% change in interest rates (for all currencies) would generate a gain or a loss of €1.0 million in the income statement due to the change in fair value of non-qualified derivatives or derivatives designed as net investment hedges.

Impact on equity after taking into account interest rate derivatives

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €9.0 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of €10.6 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

8.2 Counterparty risk

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

8.2.1 Operating activities

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

In millions of euros	Past-due non impaired assets at closing date				Impaired assets [a]	Non-impaired and not past-due assets	
Trade and other receivables	**0-6 months**	**6-12 months**	**Over one year**	**Total**	**Total**	**Total**	**Total**
At June 30, 2013	152.5	13.0	72.0	237.5	346.7	3,551.8	4,136.0
At December 31, 2012	220.2	29.0	47.2	296.4	363.7	3,379.1	4,039.2

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

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

8.2.2 Financial activities

Counterparty risk arising from loans and receivables carried at amortized cost (excluding trade and other receivables)

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

In millions of euros **Loans and receivables carried at amortized cost (excluding trade and other receivables)**	Past-due non impaired assets at closing date				Impaired assets [a]	Non-impaired and not past-due assets	
	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2013	-	1.4	6.3	7.7	99.2	1,027.9	1,134.8
At December 31, 2012	-	1.3	4.2	5.5	137.0	943.3	1,085.8

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment or amortized cost in the amount of, respectively, €110.7 million and €3.0 million as at June 30, 2013. The change in these items is presented in Note 7.1.

Counterparty risk arising from investing activities and the use of derivative financial instruments

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

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

At June 30, 2013, the Group's total available cash (consisting of cash and cash equivalents and financial assets at fair value through income) represents €2,165.9 million.

At June 30, 2013, "cash and cash equivalents" is the most significant item subject to counterparty risk. For this item, the breakdown of counterparties by credit rating is as follows:

	June 30, 2013				December 31, 2012			
Counterparty risk arising from investing activities	Total	Investment Grade [a]	Unrated [b]	Non Investment Grade [b]	Total	Investment Grade [a]	Unrated [b]	Non Investment Grade [b]
% of exposure to counterparties [c]	2,113.2	92%	3%	5%	2,247.3	94%	2%	4%

(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.

(c) After taking into account derivative instruments.

Moreover, at June 30, 2013, no counterparty outside the GDF SUEZ Group represented more than 20% of cash and cash equivalents (weighted by the estimated risk of each investment depending on type, currency and maturity), compared with 15% on December 31, 2012.

8.3 Liquidity risk

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

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, 2013, these confirmed credit facilities amounted to €2,935.6 million, including €2,294.0 million in available and undrawn credit lines.

The GDF SUEZ credit facility of €350.0 million was canceled on March 31, 2013.

66% of total credit lines and 67% of undrawn facilities are centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

In addition, on January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for €1,500.0 million. At June 30, 2013, the outstanding notes totaled €608.0 million.

As of June 30, 2013, bank funding accounted for 18.3% of gross financial debt (excluding bank overdrafts and current accounts). Funding from capital markets (securitization without derecognition, see Note 7.3.3, accounting for 0.2%, bond issues for 67.8% and commercial papers for 6.7%) represented 74.7% of outstanding borrowings (excluding bank overdrafts and current accounts).

At June 30, 2013, cash and cash equivalents and qualifying financial assets recognized at fair value through income, net of bank overdrafts and current accounts, amounted to €1,275.9 million.

At June 30, 2013, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
Debt with GDF SUEZ	1.1	1.1	-	-	-	-	-
Bond or bank borrowings	10,000.1	1,734.6	1,233.4	341.3	742.9	723.7	5,224.2
TOTAL	**10,001.2**	**1,735.7**	**1,233.4**	**341.3**	**742.9**	**723.7**	**5,224.2**

Moreover, at June 30, 2013, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
Bonds issues	6,177.1	19.3	907.9	48.8	101.5	469.2	4,630.4
Commercial paper	608.0	608.0	-	-	-	-	-
Draw downs on credit facilities	641.6	22.7	64.7	70.0	459.0	-	25.2
Borrowings under finance leases	420.2	25.2	50.5	48.2	46.4	46.6	203.3
Other bank borrowings	1,022.3	93.8	196.5	138.2	127.4	191.2	275.2
Other borrowings	242.0	76.7	13.8	36.1	8.6	16.7	90.1
Overdrafts and current accounts	890.0	890.0	-	-	-	-	-
Outstanding borrowings	**10,001.2**	**1,735.7**	**1,233.4**	**341.3**	**742.9**	**723.7**	**5,224.2**
Financial assets relating to financing	(3.7)	-	-	-	-	-	(3.7)
Financial assets measured at fair value through income	(52.7)	(52.7)	-	-	-	-	-
Cash and cash equivalents	(2,113.2)	(2,113.2)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,831.6**	**(430.2)**	**1,233.4**	**341.3**	**742.9**	**723.7**	**5,220.5**

As of June 30, 2013, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,232.7	130.5	366.6	323.5	309.4	301.7	1,801.0

At June 30, 2013 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
Derivatives (excluding commodities)	(125.1)	(8.5)	(44.3)	(17.7)	(12.3)	(10.1)	(32.2)

In order to best reflect the economic circumstances of operations, the cash flows related to derivatives recognized as liabilities and assets presented above are net positions. Moreover, the values presented above are positive for a liability, and negative for an asset.

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

In millions of euros	Total	2013	2014	2015	2016	2017	Beyond 5 years
Confirmed undrawn credit facilities	2,294.0	232.7	349.5	164.0	1,506.2	-	41.6

As of June 30, 2013, no counterparty represented more than 13% of confirmed unused credit facilities.

NOTE 9 Provisions

In millions of euros	December 31, 2012	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	June 30, 2013
Post-employment benefit obligations and other long-term benefits	672.9	15.0	(26.0)	-	-	11.4	0.6	(23.7)	650.2
Sector-related risks	117.7	0.2	(0.4)	(0.4)	1.2	-	(0.6)	0.8	118.5
Warranties	27.5	1.0	(4.1)	-	0.2	-	-	0.1	24.7
Tax risks, other disputes and claims	208.8	9.3	(84.2)	-	(0.1)	-	(0.4)	(1.9)	131.5
Site restoration	561.8	13.8	(11.4)	-	-	9.1	(10.6)	0.1	562.8
Restucturing costs	51.5	7.5	(18.2)	-	-	-	(0.1)	2.0	42.7
Other contingencies	355.0	39.0	(55.5)	(0.5)	-	4.8	(18.3)	4.9	329.4
TOTAL PROVISIONS	**1,995.2**	**85.8**	**(199.8)**	**(0.9)**	**1.3**	**25.3**	**(29.4)**	**(17.7)**	**1,859.8**

(a) The discounting impact on post-employment and other long-term benefits relates to the interest expense calculated on the net amount of pension obligations and the fair value of plan assets, in accordance with IAS 19 Revised (see Note 1.3.1).

For the first half of 2013, the variation of total provisions mainly derived from:

- the end of the dispute between Société des Eaux du Nord and the urban community of Lille (see Note 2.5);
- the payment of tax adjustments, particularly in Spain;
- the decrease in provisions for post-employment and other long-term benefits of -€34.7 million. This variation takes into account -€27.5 million of actuarial gains, and +€2.3 million related to the application of IAS 19 revised, which are accounted against equity, and posted in the column "Other" of the above table. This variation does not take into account translation adjustments and impacts of unwinding discount adjustments for the period, mentioned below;
- the translation adjustments of -€29.4 million, which are primarily generated by the Australian, and British subsidiaries;
- the +€25.3 million impact of unwinding discount adjustments mainly related to provisions for site restoration and for post-employment benefits.

The allowances, reversals and the impact of unwinding discount adjustments presented above are broken down as follows in the consolidated income statement as at June, 30 2013:

In millions of euros	Net allowances/ (Reversals)
Income from operating activities	(92.1)
Other financial income and expenses	25.3
Income Tax Expense	(22.8)
TOTAL	**(89.6)**

NOTE 10 Share-based payments

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

	(Expense) for the period	
In millions of euros	June 30, 2013	June 30, 2012
Stock-option plans	(2.6)	(3.8)
Performance share plans	(1.5)	(2.2)
Worldwide incentive scheme	(8.4)	(5.3)
Employees share issues [(a)]	(0.3)	(0.5)
TOTAL	**(12.8)**	**(11.8)**

(a) The impact of Share Appreciation Rights is shown excluding hedging by warrants.

These expenses are recognized in accordance with IFRS 2.

All transactions and allocations prior to 2013 are disclosed in Note 21 to the consolidated financial statements at December 31, 2012 in the SUEZ ENVIRONNEMENT COMPANY Reference Document.

10.1 Worldwide incentive scheme

SUEZ ENVIRONNEMENT COMPANY plan of January 17, 2013

On January 17, 2013, the Board of Directors approved a new worldwide incentive scheme for employees of the Group. This plan provides in particular for the bonus allocation of 38 SUEZ ENVIRONNEMENT COMPANY shares to each employee, subject to the following conditions:

- a vesting period of three years (France, Italy, Spain) or four years (all other countries);
- a continuous service condition (except in cases of retirement, death or disability) within the Group at November 1, 2015 (France, Italy, Spain) or January 18, 2017 (all other countries);
- a mandatory holding period of two years from the vesting date (November 1, 2015) for employees in France, Italy and Spain.

The resulting fair value of the shares granted leads to a total expense of €17.4 million, recorded over the plan's duration. At June 30, 2013, the impact of this plan on the net income Group share stands at -€2.4 million.

10.2 Performance share plan

SUEZ ENVIRONNEMENT COMPANY plan of March 27, 2013

The Board of Directors, in its meeting of March 27, 2013, and in accordance with the authorization of the Shareholders' Meeting of May 24, 2012, granted 1,315,100 performance shares to 1,773 beneficiaries. The vesting period for these shares is from two to four years depending upon the country and the beneficiaries. These shares are also subject to a two-year lock-in period in France, Belgium and Spain.

These shares are conditional upon the following performance conditions:

For 834 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, contingent upon SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average performance of the CAC 40 and Eurostoxx Utilities indices over the period ranging from January 1, 2013 to February 27, 2015;
- a non-market performance condition based on the Group's cumulative net income from continuing operations from January 1, 2013 to December 31, 2014;
- a non-market performance condition based on the Group's EBITDA from January 1, 2013 to December 31, 2014.

For the other beneficiaries, all allocated shares are subject to a non-market performance condition, specifically the Group's EBITDA between January 1, 2013 and December 31, 2014.

The fair value of bonus share plans is estimated based on the share price at the grant date, (i.e. €9.79), taking into account the absence of dividends over the vesting period, the turnover rate for the relevant staff in each plan, and the likelihood of the Group achieving its internal performance conditions. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For shares subject to market performance conditions, market performance is measured using Monte Carlo simulations.

The following assumptions were applied:

- volatility of 29.2%;
- a 2-year risk- free rate of 0.19%, a 3-year risk-free rate of 0.35% and a 4-year risk-free rate of 0.61%;
- a normalized annual dividend of €0.65.

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

- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the CAC 40 index: 65%;
- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the Eurostoxx Utilities index: 70%;
- correlation between the CAC 40 and Eurostoxx Utilities indices: 85%;
- volatility of the Eurostoxx Utilities index: 23%;
- volatility of the CAC 40: 22%;
- index dividend rate: 3.5%.

The resulting fair value of the shares granted leads to a total expense of €8.1 million, recorded over the plan's duration.

At June 30, 2013, the impact of this plan on the net income Group share stands at -€0.9 million.

NOTE 11 Legal and arbitration proceedings

11.1 Competition and industry concentration

Inspections conducted by the European Commission

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

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

In a decision dated April 23, 2013, the European Commission closed this inquiry.

Following its investigation, the Commission has indeed identified no facts that could justify a statement of objections.

11.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €131.5 million as of June 30, 2013 (excluding litigation in Argentina).

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

Société des Eaux du Nord

Negotiations had 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 related mainly to amendments signed in 1996 and 1998 that were being challenged by the local authority.

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

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

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

By a judgment of February 20, 2013, the Administrative Court cancelled the unilateral amendments to the contract. In particular, this exempts SEN from paying the €115 million command.

LMCU filed an appeal of the judgment with the Administrative Court of Douai on April 24, 2013.

A settlement agreement was reached between the parties on June 21, 2013. The agreement, approved by the Council of the Urban Community of Lille, was sent to judicial review, a condition of its entry into force.

Under the terms of this agreement, the parties have settled all of their disputes, with the exception of a possible cash surplus that could be owed by SEN. The parties have mutually agreed to submit this matter to an expert to be named by the Lille Administrative Court.

Litigation in Argentina

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

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

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

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

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

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

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

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

A preliminary report on the Buenos Aires concession was presented by the expert to the ICSID at the end of 2012.

United Water (New York State, United States)

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

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

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

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents. It was then definitively dismissed on May 31, 2011.

The claim for compensatory damages and interest was dismissed on October 12, 2012 by the Supreme Court of Rockland County. The residents referred to the judge, in order to have him reconsider the jury's decision. The judge rejected this request on January 25, 2013. On February 12, 2013, the residents appealed this last decision, and have six months in order to present their conclusions.

This claim has been reported to the insurance companies.

Degrémont (Melbourne)

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

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

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

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

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

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture.

An additional expense was booked in the financial statements, as detailed in Note 2 to the consolidated financial statements as at December 31, 2012.

On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the earlier of the final delivery of the plant or February 28, 2013 on the one hand, and to allow the submission and pursuit of claims against the State of Victoria on the other hand.

As the final delivery of the plant was made on December 17, 2012, the parties decided to prorogate the effects of the standstill until February 28, 2013. A further amendment was made on March 1, 2013 to allow the parties to continue their discussions.

As of the date of this document, the parties had finalized a settlement agreement allowing them to settle their dispute, excluding the claims they filed against the State of Victoria.

This agreement is subject to the approvals of the State of Victoria and the lenders.

The conditions precedent must be met on August 15, 2013 unless extended.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believe, however, that the majority of additional costs incurred to date are linked to elements, many of which can be attributed to force majeure and cannot be fully attributed to them.

The first claim related to compensation for 71 days not worked due to weather problems was notified to the State of Victoria on January 30, 2013.

A second claim related to the consequences of a change in social welfare regulations after the tender submitted by Aquasure was notified to the State of Victoria on April 4, 2013;

A third claim related to the payment for water produced before delivery of the plant was also notified to the State of Victoria on June 12, 2013.

The reception of claims will depend on the court's interpretation of the contract's clauses.

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

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

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar has requested and already received the repayment of approximately €5 million wrongly levied for 1996 corporate tax (including late penalties). The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

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

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

The ruling of the Supreme Court is final and binding. On March 20, 2013, the company received the tax collection notice for the reassessments notified and confirmed by the tax administration for fiscal years 1999-2001, amounting to €20 million, already paid, plus €9 million in late penalties. The company has filed an application with the Central Economic-Administrative Tribunal (TEAC) regarding the late penalties.

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

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

NOTE 12 Related party transactions

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

Only material transactions are described below.

12.1 Transactions with GDF SUEZ and related entities

In millions of euros	June 30, 2013	Dec. 31. 2012	June 30, 2012
Transactions with GDF SUEZ			
Purchases / sales of goods and services	(5.6)	(15.2)	(5.6)
Non financial payables	23.8	22.7	15.9
Non financial receivables	1.2	1.9	2.6
Receivables carried at amortized cost [(a)]	24.2	24.7	26.2
Transactions with companies linked to GDF SUEZ			
Purchases / sales of goods and services	(3.7)	(10.8)	(7.9)
Financial income	11.2	10.7	3.6
Financial expenses	(2.9)	(12.4)	(7.1)
Non financial receivables	31.3	37.2	31.0
Non financial payables	4.9	1.7	3.5
Borrowings excluding financial instruments	1.1	144.0	146.1
Commodity derivatives (Liabilities)	0.5	0.5	1.1
Net cash	7.6	14.0	4.5
Guarantees and commitments given	-	21.6	20.0

(a) Refer to Note 2.2.1 of the chapter 20.1 of the 2009 SUEZ ENVIRONNEMENT Reference Document – Synthetic Argentinean contract.

Except for a current account of €1.1 million with a consolidated company within the GDF SUEZ Group in North America, the outstanding debt excluding financial instruments with related companies of GDF SUEZ was fully repaid during the first half of 2013.

In addition, loans granted by GDF SUEZ Finance to SITA Polska were repaid in May and June 2013. Consequently guarantees that were given by SUEZ ENVIRONNEMENT to GDF SUEZ relating to these loans for nearly €20 million, have been released.

12.2 Transactions with joint ventures and associates

12.2.1 Joint ventures

At the end of June 2013, the Group held a €272.9 million loan granted to SFWD, a 50%-proportionately consolidated company. The "non-Group" share of €136.4 million was recognized under assets in the Group's consolidated statement of financial position.

At that date, the Group also had a €311.3 million current account with the joint venture responsible for the construction of the seawater desalination plant near Melbourne. This joint venture is proportionately consolidated at 35%. The "non-Group" share of €202.4 million was recognized under assets in the Group's consolidated statement of financial position.

12.2.2 Associates

As at December 31, 2012, there are no significant transactions or commitments involving associates in the first-half of 2013.

NOTE 13 Subsequent events

Termination of the shareholders' agreement relating to SUEZ ENVIRONNEMENT COMPANY

As indicated in press releases dated December 5, 2012 and January 22, 2013 (see sections 18.3.1 and 19 of the 2012 Reference Document), the shareholders' agreement relating to SUEZ ENVIRONNEMENT COMPANY was terminated on July 22, 2013.

This decision resulted in GDF SUEZ losing control of SUEZ ENVIRONNEMENT COMPANY. As of July 22, 2013, the 35.8% stake held by the GDF SUEZ Group is accounted for by the equity method in the consolidated financial statements of GDF SUEZ.

GDF SUEZ has also expressed its intention to remain the Company's main shareholder and a long-term strategic partner. GDF SUEZ has affirmed its commitment not to reduce its stake in the Company and to support its development strategy. The Company's governance will be modified to reflect these changes. In particular, the reduction of the number of directors representing GDF SUEZ, with Mr Gérard Mestrallet remaining as Chairman, will be considered, along with the conditions under which SUEZ ENVIRONNEMENT Group's employees might be represented on the Board of Directors.

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris, July 31, 2013

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2013 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 2013.

Jean-Louis Chaussade

Chief Executive Officer

SUEZ ENVIRONNEMENT COMPANY

7 STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

To the Shareholders,

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

- the limited review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1 to June 30, 2013, and
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying the conclusion expressed above, we draw your attention to notes 1.3.1 "IAS 19 Revised - Employee benefits applicable on January 1, 2013" and 1.3.2 "Other standards, amendments and interpretations applicable in 2013" to the condensed half-yearly consolidated financial statements, which outline the impact of new standards, amendments 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 limited review.

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

Courbevoie and Paris-La-Défense, July 31, 2013

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.

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