2014

INTERIM FINANCIAL REPORT

CONTENTS

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER 3

2 KEY FIGURES FOR THE FIRST HALF OF 2014 4

3 2014 HIGHLIGHTS – CONTRACTS 5

4 INTERIM MANAGEMENT REPORT 8

- **4.1** Revenues and operational results 10
- **4.2** Operating segments 10
- **4.3** Other income statement items 11
- **4.4** Financing 11
- **4.5** Other statement of financial position items 12
- **4.6** Related party transactions 13
- **4.7** Description of the main risks and uncertainties for the remaining six months of the year 13
- **4.8** Outlook for 2014 13

5 CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2014 14

- **5.1** Consolidated statements of financial position 14
- **5.2** Consolidated income statements 15
- **5.3** Consolidated statements of comprehensive income 16
- **5.4** Statements of changes in consolidated shareholders' equity 17
- **5.5** Consolidated statements of cash flows 18
- **5.6** Notes to the consolidated financial statements 19

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT 55

7 STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION 56

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

During the first half of 2014, SUEZ ENVIRONNEMENT accelerated its development in line with its strategy.

On the one hand, SUEZ ENVIRONNEMENT has strengthened its positions in the industrial water business through the acquisition of three recognized companies in the fields of oil and gas with Process Group in Australia and the Middle East, in the mining industry with M.A.I.L.S. based in Australia and in the evaporation and crystallization sector with the Swiss company Evatherm.

On the other hand, convinced of the strong development potential of the water market in Italy, SUEZ ENVIRONNEMENT has consolidated its position in Acea by purchasing 8.4 million shares from GDF SUEZ, thereby raising its interest to 12.5%.

Finally, SUEZ ENVIRONNEMENT has withdrawn from "non-core business" activities that it considered mature, by selling its electricity production and distribution activities in Macau (CEM) in good conditions, enabling it to realize a significant capital gain.

Activity in the first six months was also marked by a high level of business activity, despite a macro-economic situation in Europe which remains difficult.

Revenue amounted to €6,891 million, slightly down versus 2013 mainly due to negative exchange rate fluctuations; it is however slightly up from an organic point of view. This figure reflects varying developments in terms of our activities.

Growth has been recorded for the Water Europe activities, which have benefited in particular from the contribution of the Aguas de Sabadell company acquired in July 2013. This growth is also the result of price increases not only in Spain, but also in France and Chile, and the maintaining of business activity thanks to the new wastewater contract for the Barcelona metropolitan area and the development of new businesses in France. Volumes have increased compared to the first half of 2013, which were affected by rainfall and particularly unfavorable temperatures.

Revenue from the Waste Europe activities has dropped mainly for reasons of scope due to the sale of metal and medical waste treatment activities in the United Kingdom in 2013. Moreover, the macro-economic situation has remained flat in Europe, with industrial production varying significantly from one country to another; nonetheless, the volumes handled by the Group are well positioned at +1.2%, thanks to the commissioning of new treatment capacities in France and the United Kingdom.

In the International division, growth has been recorded for activities in China, Australia, Morocco and the United States. Since the beginning of the year, SUEZ ENVIRONNEMENT has achieved many successes, including the Nantong hazardous waste energy recovery plant in China, the Casablanca urban cleaning management contract in Morocco, and the Edmonton waste management contract in Canada. Meanwhile, Degrémont's revenue has dropped, following the end of Design & Build contracts in Europe for which no equivalent has been introduced in 2014. The backlog, however, has stabilized at around €0.9 billion.

In terms of operational performance, EBITDA amounted to €1,326 million, up +8.0% compared with the first half of 2013. This amount includes in particular the capital gain of €129 million on the sale by Sino-French Holdings Limited of its shares in CEM.

Restated to exclude this capital gain, the EBITDA margin on revenues remained strong at 17.4%, and relatively stable compared to the first half of 2013.

There was also a significant increase of +18.5% in the EBIT [(1)] compared to June 30, 2013, also due to the CEM capital gain. Net income Group share amounted to €280 million. This growth exceeds that of the EBITDA, thanks to strong control of capital intensity by the Group and a good risk management.

Net financial debt, for its part, amounted to €7,295 million. This excludes the CEM sale proceeds of €224 million which were received on July 15, 2014. Net debt has significantly decreased compared with the end of June 2013 (€7,798 million), and is slightly up compared with the end of December 2013 (€7,186 million), mainly due to the seasonal nature of our activities and the dividend payment. The Net Debt to EBITDA ratio stood at 2.8 compared to 3.1 on June 30, 2013.

Faced with constantly evolving businesses, these commercial successes and the satisfactory performance of the Group illustrate its ability to anticipate market trends and to adapt thanks to an increasingly innovative strategy and a more effective organizational structure; SUEZ ENVIRONNEMENT is continuing in its two-fold strategy to strengthen its traditional businesses and achieve growth in its four priority areas.

Given these satisfactory results, SUEZ ENVIRONNEMENT is maintaining all of its 2014 objectives.

Finally, during the month of July 2014, the Group has announced its intention to proceed with the acquisition of the remaining 24.14% of Agbar from Criteria in exchange of a mix of new shares to be issued by SUEZ ENVIRONNEMENT and cash, thereby making Criteria the second largest SUEZ ENVIRONNEMENT shareholder. This transaction will in particular simplify the Agbar shareholding structure with a reduction of minority interests; creating value for the Group and its shareholders, it also offers strong perspectives for an increase in net income Group share thanks to the thriving Spanish and Chilean markets in which Agbar is a leader.

Jean-Louis Chaussade

(1) *Current operating income including the share of the net income of the equity-accounted companies considered as part of the Group's core business.*

KEY FIGURES FOR THE FIRST HALF OF 2014

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, 2014 and June 30, 2013.

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, 2014	June 30, 2013 restated [b]
Revenues	6,891	7,040
EBITDA	1,326	1,229
Net income Group share	280	132
Free cash flow [a]	215	210
Net debt	7,295	7,186
	at 06/30/2014	*at 12/31/2013 restated* [b]

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

(b) *June and December 2013 data have been restated for comparison purposes to take into account the application, at January 1, 2014, of the IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised standards.*

3 2014 HIGHLIGHTS – CONTRACTS

January 2014

United Kingdom: Sita UK signed a public-private partnership agreement involving waste-to-energy recovery for household waste with the Merseyside Waste Disposal Authority. This 30-year contract represents cumulative revenues of €1.4 billion.

Brazil: Degrémont was awarded two contracts to operate water cycle facilities for an industrial customer in the energy sector. These 4-year contracts represent cumulative revenues of €4 million.

France: Sita entered into a partnership agreement with Doublet to develop products based on C'Urban ("Concrete Urban"), an innovative and environmentally-friendly concrete.

February 2014

United States: United Water renewed its contract with the West Basin Municipal Water District, to operate and maintain the largest water recycling facility in the United States. This 5-year contract represents cumulative revenues of around €37 million.

Egypt: Degrémont was awarded the operation and maintenance contract for the Gabal El Asfar 2A wastewater treatment plant in Cairo. This 5-year contract represents cumulative revenues of €28 million.

China: SUEZ ENVIRONNEMENT was awarded a sludge drying contract in Yangzhou via the Yangzhou Sino-French Environment Company Limited joint venture. This 30-year contract represents cumulative revenues of €234 million. SUEZ ENVIRONNEMENT's share amounts to €24 million.

Morocco: SUEZ ENVIRONNEMENT was awarded a contract to build and operate the Meknes waste disposal and recovery facility. This 20-year contract represents cumulative revenues of €90 million.

Italy: SUEZ ENVIRONNEMENT increased its presence in the water sector in Italy by acquiring GDF SUEZ's interest of 8.4 million shares in Acea, *i.e.* 3.95% of the share capital, thereby raising its interest to 12.5%.

France: SUEZ ENVIRONNEMENT announced the renegotiation of its €1.5 billion syndicated loan. The maturity of the loan was extended from February 2016 to February 2019, including an option to extend it until February 2021, while the financial terms were also improved.

France: SUEZ ENVIRONNEMENT issued zero-coupon bonds convertible into and/or exchangeable for new or existing shares ("OCEANE") maturing on February 27, 2020, for a nominal amount of €350 million.

Belgium: Degrémont was awarded a contract to build the Liège drinking water production plant. This contract represents cumulative revenues of €6 million.

Nigeria: Degrémont was awarded a contract to design and build a drinking water production plant for the City of Karshi. This contract represents cumulative revenues of €6 million.

March 2014

Canada: Sena Waste Services was chosen to operate the Edmonton waste management center. The 5-year contract represents cumulative revenues of €54 million.

China: Sita Waste Services signed a contract to build and operate a new hazardous waste treatment and waste-to-energy recovery plant in the Nantong economic and technological development area, as part of a joint venture with Shanghai Chemical Industry Park Investment Corporate ("SCIP") and Nantong Economic Technology and Development Area Company ("NETDA"). This 30-year contract represents cumulative revenues of €575 million.

April 2014

United States: Degrémont was awarded a contract to design and supply a sewage sludge incineration system by the Green Bay Metropolitan Sewerage District in Wisconsin. This contract represents cumulative revenues of €15 million.

India: SUEZ ENVIRONNEMENT signed three new contracts amounting to total revenues of €61 million in the water and wastewater treatment sectors, including a contract for improving the water supply services for 12.5 million residents in Mumbai, a second contract to design, build, operate and maintain a drinking water plant for 2.5 million residents in Pune, and lastly, a contract to build and operate two wastewater treatment plants in Bangalore.

Australia: Sita Australia acquired Mining & Industrial Labour Services (M.A.I.L.S). The company thereby boosted its position in the industrial waste management sector, by broadening its offer to mining companies in the Goldfields, one of the main mining regions in Western Australia.

Brazil: Degrémont was awarded a new engineering and supply contract for four water treatment units for two FPSOs ("floating production storage and offloading platforms") operated by Petrobras.

France: Safege was awarded a contract to manage the drinking water supply infrastructure for Syndicat des Eaux d'Ile de France (SEDIF). This 5-year contract represents cumulative revenues of €17 million.

France: SUEZ ENVIRONNEMENT launched SHARING 2014, its second worldwide shareholding plan for Group employees. SHARING 2014 is aimed at almost 76,000 Group employees in 22 countries.

May 2014

France: Blue Orange, the SUEZ ENVIRONNEMENT venture capital fund, and Demeter Partners helped Agri-Esprit to develop its solution aimed at supporting sustainable agriculture via a €1 million capital increase. Agri-Esprit's founders and historical shareholders remained the majority shareholders following the transaction.

Azerbaijan: SUEZ ENVIRONNEMENT signed a €22.5 million 5-year strategic partnership agreement with the Azerbaijan National Water Company focusing on training and the transfer of know-how across all the businesses in the water cycle.

China: SUEZ ENVIRONNEMENT and NWS Holdings Limited, its partner, via their Sino-French Holdings Limited joint venture, entered into an agreement to sell 90% of their interest in Companhia de Electricidade de Macau ("CEM") to Nam Kwong Development Limited, a wholly-owned subsidiary of Nam Kwong Company Limited. The transaction was subject to certain conditions precedent, including the usual approvals, among others. The transaction amounted to around €450 million for Sino-French Holdings Limited.

Morocco: Sita Blanca was awarded the Casablanca urban cleaning management contract. This 7-year contract represents cumulative revenues of over €187 million.

June 2014

France: SUEZ ENVIRONNEMENT successfully issued a second hybrid bond, as part of its liability management strategy, amounting to €500 million with a coupon of 3%. The funds raised will specifically be allocated to the partial buy-back of the hybrid bonds issued in September 2010, for an amount of €300 million.

France: SUEZ ENVIRONNEMENT launched Aquadvanced™, an innovative and modular software that optimizes all the performance indicators of drinking water networks (flow, pressure and quality) thanks to sensors that monitor the network's hydraulic behavior in real time, in order to deal with the rising urban population and the increase in water needs, and to combat waste and optimize performance of water supply networks. These indicators enable leaks to be located and anticipated, and water quality to be continuously monitored.

Australia: SUEZ ENVIRONNEMENT acquired Process Group, a company with operations in Melbourne (Australia), Singapore and Abu Dhabi (United Arab Emirates), which specializes in the design and manufacturing of equipment intended for the oil and gas industry. Process Group, which was founded in 1978, has 120 employees, and generates annual revenues of around €60 million.

Belgium: Sita inaugurated, in Antwerp, a plant equipped with the cutting-edge optical sorting technology High 5, which sorts and recovers glass according to color, and is the result of an industrial partnership between Sita, the European market leader in waste recovery, and Sibelco, the world leading supplier of minerals to the glass manufacturing industry. High 5, a plant that is capable of recycling 250,000 tons of glass per year, is therefore the first plant in the world that separates incoming flows into four different grades.

Australia: Degrémont was awarded by Delta Electricity at the Vales Point Power Station a contract to operate a water reclamation plant with a daily capacity of 1.2 million liters.

July 2014

Spain: The Group announced its intention to purchase the remaining 24.14% interest in Agbar from Criteria (a subsidiary of La Caixa) in exchange for 22 million new shares to be issued by SUEZ ENVIRONNEMENT, and cash for €299 million. Criteria will reinvest this amount in the following three assets:

- a 15% interest in the company that operates the water and wastewater contract for the Barcelona metropolitan area, to be purchased from Agbar;
- a 14.5% interest in Aguas de Valencia to be purchased from SUEZ ENVIRONNEMENT;
- SUEZ ENVIRONNEMENT COMPANY shares, which Criteria intends to purchase on the market in the short-term, with a view of acquiring interest of up to 7% in the share capital.

At the same time as reinforcing its historical partnership with Criteria, which will become the second largest shareholder in SUEZ ENVIRONNEMENT whilst remaining the Group's historical industrial partner in Spain, this transaction enables the simplification of Agbar's holding structure via a reduction of the minority interests; it creates value for the Group and its shareholders, and also provides prospects for strong growth in the Group's net income thanks to the momentum of the Spanish and Chilean markets where Agbar is the market leader.

United States: United Water was awarded the management of the Nassau County wastewater services. This 20-year contract represents total revenues of over €0.9 billion.

Switzerland: SUEZ ENVIRONNEMENT acquired an interest in Evatherm, a Swiss engineering company that specializes in evaporation and crystallization technologies. Combined with SUEZ ENVIRONNEMENT's capabilities in water and wastewater treatment, the aim is to offer high-value added applications to the oil and gas, chemicals, energy and mining industries.

Brazil: SUEZ ENVIRONNEMENT via Degrémont increased its presence on the industrial water market via a €30 million contract for Klabin, the world's leading pulp and paper producer in Brazil. This contract provides for the engineering, procurement and construction of water treatment facilities.

China: SUEZ ENVIRONNEMENT finalized the sale of its interests in Companhia de Electricidade de Macau (CEM) which generated a capital gain of €129 million.

4 INTERIM MANAGEMENT REPORT

SUEZ ENVIRONNEMENT improved its operating performance thanks to strong growth in the Water Europe activities, and despite an economic environment that has remained tough in Europe, and with very different situations from one country to another since the beginning of the year.

EBITDA [(1)] and **EBIT** [(1)] increased by 8.0% and 18.5% respectively, primarily due to the capital gain on the disposal of the electricity production and distribution activities in Macau, which amounted to €129 million.

Net income Group share amounted to €280 million, an increase of €148 million compared with the first half of 2013. This change is primarily explained by the increase in EBIT, as well as by the impact of the COMPASS cost-saving plan.

Free cash flow before disposals and development capex rose to €215 million, a slight increase compared with the free cash flow for the first half of 2013, which amounted to €210 million.

Net financial debt amounted to €7,295 as at June 30, 2014, compared with €7,186 as at December 31, 2013. The reported increase was primarily related to the payment of cash dividends during the first half (€468 million), which was partially offset by the deconsolidation of a financial receivable linked to the commissioning of the Vernéa waste-to-energy recovery plant in Clermont-Ferrand (France), which amounted to €212 million, and by the liability management transaction on the existing undated deeply subordinated notes, which generated a net amount of €172 million.

Significant events in the first half of 2014

Issue by SUEZ ENVIRONNEMENT of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE")

On February 24, 2014, SUEZ ENVIRONNEMENT COMPANY launched a zero-coupon bond issue including an option to convert and/or exchange them for new and/or existing shares ("OCEANE") maturing on February 27, 2020, for a nominal amount of €350 million, for a total of 19,052,803 bonds.

The nominal value per bond was set at €18.37, representing an issue premium of 30% over the reference price for the SUEZ ENVIRONNEMENT COMPANY share on the regulated market of Euronext in Paris ("Euronext Paris") [(2)].

The bonds do not bear any interest. They were issued at par on February 27, 2014, the date of the settlement/delivery of the bonds and are redeemable on February 27, 2020 either at par by a cash payment, or through a delivery of new and/or existing shares and, if applicable, an amount in cash, at the discretion of SUEZ ENVIRONNEMENT COMPANY. The bonds will entitle holders to the allotment of new and/or existing SUEZ ENVIRONNEMENT COMPANY shares at the rate of one share per bond, subject to any subsequent adjustments. The bonds may be early-redeemed at the initiative of SUEZ ENVIRONNEMENT COMPANY, under certain conditions.

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

(2) *This benchmark price is equal to the volume-weighted average price of the Company's shares recorded on Euronext Paris from the opening of the trading session on February 24, 2014 up until the point when the final terms and conditions for the bonds were determined.*

Increased interest in Acea (Italy)

At the end of February 2014, SUEZ ENVIRONNEMENT purchased 8.4 million shares in Acea, *i.e.* 3.95% of the share capital, thereby raising its interest to 12.5%. These shares were purchased at market value from GDF SUEZ, which sold its entire interest.

Acea is responsible for the management of water and electricity in the city of Rome (Italy) and many of the towns and cities in the central region of the country. It generated €3.6 billion in revenues in 2013. As leading operator in the water market in Italy, Acea supplies 9 million inhabitants.

Given SUEZ ENVIRONNEMENT's reinforced position in the governance of Acea, the shares held have been accounted for by the equity method since April 1, 2014.

SHARING 2014 plan

In April 2014, SUEZ ENVIRONNEMENT launched SHARING, its second shareholding offer reserved for more than 76,000 Group employees in 22 countries. The aim of the offer is to develop the Group's employee shareholding base.

The reference price announced on June 23, 2014 was €14.92 per share (corresponding to the average opening price for the 20 trading days between May 26 and June 20). The subscription price was therefore €11.94 per share (*i.e.* 80% of the reference price).

22% of the Group employees have subscribed to more than 9 million shares.

As a consequence, Group employees will see their participation in the capital of the Company double to reach almost 4%.

Long-term incentive plan

On March 26, 2014, the Board of Directors decided to put in place a long-term remuneration plan taking the form of a bonus paid in cash to certain employees, subject to performance (internal and market) and attendance conditions.

If the performance conditions are 100% met, the maximum amount payable at the end of the three-year period will be €15 million.

SUEZ ENVIRONNEMENT enters into an agreement for the sale of its indirect interest in *Companhia de Electricidade de Macau* (CEM)

SUEZ ENVIRONNEMENT and its partner NWS Holdings Limited (New World), via their Sino-French Holdings (Hong Kong) Limited joint venture, entered into an agreement to sell 90% of their interest in *Companhia de Electricidade de Macau* ("CEM") to Nam Kwong Development (H.K.) Limited, a wholly-owned subsidiary of Nam Kwong (Group) Company Limited ("Nam Kwong"). The transaction amounted to USD612 million for the share held by SFH.

CEM is an integrated utility whose portfolio includes an exclusive concession for the distribution and sale of low, medium and high voltage electricity in Macau. The concession contract was extended in 2010 for a period of 15 years.

Since the conditions precedent have all been fulfilled on June 30, 2014, the disposal generated a profit of €129 million for the Group which was recorded in the half-year accounts.

New issue and redemption of outstanding undated deeply subordinated notes

On June 23, 2014, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes for a total amount of €500 million. In accordance with the provisions of IAS 32, these notes or hybrid bonds constitute equity rather than a debt in the Group's consolidated accounts as there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any maturity of the final redemption, but only optional redemption dates.

Alongside this new issue, and in order to benefit from the most advantageous market conditions, SUEZ ENVIRONNEMENT COMPANY bought back hybrid bonds of the same nature issued in September 2010 for €312 million including a redemption premium of €12 million over the initial par value of €300 million.

Following these two transactions, the Group's outstanding hybrid bonds amounted to €950 million on June 30, 2014.

See Note 8.3.2 in chapter 5 of this Interim Financial Report.

Reinforcement of the Group's positions on the industrial water market through Degrémont

In order to reach its growth ambition on the industrial water market, the Group has completed the acquisition of Process Group on June 25, 2014, through its subsidiary Degrémont.

Based in Melbourne (Australia), Singapore and Abu Dhabi (United Arab Emirates), Process Group deals with complex and challenging projects requiring technology solutions such as Gas dehydration, Gas sweetening, produced water treatment and sand management.

The Company counts 120 employees and achieves annual revenues of around €60 million.

4.1 Revenues and operational results

SUEZ ENVIRONNEMENT generated **revenues** of €6,891 million in the first half of 2014, a decrease of -2.1%. This decrease of -€149 million broke down as follows:

- organic growth of +€53 million. The Water Europe segment was up by +€78 million (+3.6%), primarily as a result of price increases and the development of new businesses. The Waste Europe segment remained relatively stable, registering a -0.1% or -€4 million decline, although situations varied considerably depending on the country. The increase in the United Kingdom, which was driven by the commissioning of new treatment capacities, was offset by a contraction in the contribution from Poland, which was affected by changes in the regulations governing the waste collection market; Lastly, the International segment registered a decrease of -€20 million (-1.2%), which included growth in the activities in China, Australia, Morocco and the United States, but lower revenues for Degrémont, due to the termination of Design & Build contracts in Europe that were not replaced in 2014;
- negative scope effects of -€34 million;
- negative exchange rate effects of -€168 million, mainly relating to the Australian dollar (-€68 million), the Chilean peso (-€62 million), the US dollar (-€15 million) and the Indonesian rupiah (-€10 million).

EBITDA rose by +€98 million to €1,326 million, *i.e.* an +8.0% increase, due to the following factors:

- organic growth of +€20 million, or +1.6%, which was primarily due to the Water Europe segment;
- favorable scope effects of +€138 million, primarily related to the disposal of CEM by SFH, a company jointly owned by SUEZ ENVIRONNEMENT and the New World Group, which has been consolidated via the equity method since 2014 due to the application of the new IFRS 10 and 11 standards. SFH's net income Group share, is therefore included in EBITDA and EBIT, in accordance with the new definitions used by SUEZ ENVIRONNEMENT;
- a negative foreign exchange impact of -€61 million.

EBIT amounted to €658 million, an increase of +€103 million (+18.5%) compared with the first half of 2013. This figure also includes the capital gain on the disposal of CEM, as described above.

Income from operating activities amounted to €653 million, an increase of +€105 million compared with the first half of 2013. This change is explained by the increase in EBIT and by non-recurring items of -€5 million.

Net income Group share amounted to €280 million, an increase of +€148 million. This change was primarily due to the impact of the effects mentioned above, as well as to a +€19 million increase in net financial expenses, which was partially offset by a -€23 million decrease in the tax charge, and a -€38 million decrease in minority interests.

Earnings per share amounted to €0.51 for the first half of 2014 compared with €0.22 in the first half of 2013.

4.2 Operating segments

Due to the strong growth of the Water Europe activities, which specifically benefited from a markedly more favorable climate in the first half of 2014 compared with the same period in 2013, and despite an economic environment that remained tough in Europe, and was characterized by very different industrial output situations depending on the country, **revenues** amounted to €6,891 million, or a 2.1% decrease. Organic growth amounted to +0.8% (+€53 million), while the breakdown by operating segment was as follows:

Water Europe posted organic growth in revenue of +3.6% (+€78 million) thanks to:

- organic growth of +0.5% at Lyonnaise des Eaux (+€5 million), which was driven by price indexation formulas and the development of new businesses (innovative technological solutions combining environmental and financial performance);

- organic growth of +7.5% at Agbar (+€77 million) thanks to price increases, higher volumes both in Spain and Chile, and the development of new offers.

The **Waste Europe** segment remained virtually unchanged, with organic decline of -0.1% (-€4 million), which is explained by a +1.2% rise in volumes processed, specifically including the commissioning of new treatment capacities in France and the United Kingdom which was offset by a fall in the price of secondary raw materials over the half-year, and the unfavorable impact of the new regulations introduced in the Polish waste collection market. Organic growth by geographical region was +0.2% in France, +1.8% in the United Kingdom and Scandinavia, -0.9% in the Benelux and Germany region, and -11.8% in Central Europe.

The **International** segment posted an organic decline of -1.2% (-€20 million), as a result of the following trends:

- a sharp decrease for Degrémont (-13.5%, -€78 million) as a result of the termination of Design & Build contracts in Europe, which were not replaced in 2014;
- growth in the Africa-Middle East-India region (+8.9%; +€26 million), primarily due to the water and waste activities in Morocco;
- the dynamism in the Asia-Pacific region (+5.0%; +€26 million) primarily in Australia and Hong Kong;
- lastly, growth in North America (+2.0%; +€5 million), as a result of price increases, which offset a decrease in invoiced volumes that was due to the unfavorable weather conditions in the first half.

EBITDA amounted to €1,326 million, an organic growth of +1.6% (+€20 million), which broke down as follows:

- **Water Europe** recorded organic growth of +9.0% (+€52 million), which was primarily explained by significant price increases, especially in Chile and Spain, and by an increase in volumes sold compared with the first half of 2013, which had been characterized by particularly unfavorable weather conditions;
- the **Waste Europe** segment saw a decrease of -1.1% (-€4 million), as a result of the strong performance of the Group’s activities in the United Kingdom, offset by the weaker performance of the Benelux and Germany region, which was affected by an overcapacity situation and pricing pressure, and by the unfavorable impact of the new regulations introduced in the Polish waste collection market;
- the **International** segment’s EBITDA was down -0.9% (-€3 million) compared with the first half of 2013, which had been specifically characterized by a non-recurrent effect of +€30 million relating to the extension of the Sydney contract. Excluding this item, all the international activities registered an improved performance.

4.3 Other income statement items

Income from operating activities amounted to €653 million as at June 30, 2014. This figure is explained by EBIT of €658 million plus -€5 million net of non-recurring items.

Net financial income/(loss) as at June 30, 2014 amounted to €212 million, compared with €193 million in the first half of 2013. This decrease in net financial income is primarily explained by an increase in financial expenses in Chile relating to indexation formulas that take into account in the rise in inflation.

Income tax expenses declined by -€23 million compared with the first half of 2013. The effective tax rate was 23.3%, due mainly to the fact that many of the Group’s operating companies are located in countries that apply a lower tax rate than France.

The share in net income of “non-core” associated companies amounted to +€6 million, an increase of +€1 million compared with June 30, 2013.

Net income attributable to non-controlling interests was €108 million, a decrease of -€38 million compared with the first half of 2013.

4.4 Financing

Cash flows from operating activities

Cash flows from operating activities before financial expense and income tax amounted to €987 million as at June 30, 2014, a decrease of €7 million compared with June 30, 2013. This change is primarily explained by the change in EBITDA, excluding the share in net income from equity associates, which was negative, due mainly to unfavorable foreign exchange effects.

Working capital requirement (WCR) had a negative impact of €300 million in the first half, compared with a negative impact of €248 million in the first half of 2013.

In total, cash flows from operating activities produced a cash surplus of +€615 million in the first half of 2014, a -€25 million decrease compared with June 30, 2013, which was primarily due to the negative change mentioned above in the working capital requirement.

Cash flows from investing activities

Cash flows from investing activities included:

- maintenance capital expenditure of €242 million, *i.e.* 3.5% of the Group's consolidated revenues;
- development capital expenditure of €190 million;
- financial investments amounting to €147 million, which primarily corresponded to the purchase of 8.4 million Acea shares, and of the shares in Process Group and M.A.I.L.S;
- disposals amounting to €82 million;
- the deconsolidation of a financial receivable (IFRIC 12) relating to the commissioning of the Vernéa waste-to-energy recovery plant in Clermont-Ferrand (France), which amounted to €212 million.

Overall, cash flows from investing activities resulted in a cash shortfall of €299 million compared with €485 million in the first half of 2013.

Cash flows from financing activities

The amount of the cash dividends paid was €468 million (compared with €467 million in 2013).

Debt increased by €109 million in the first half of 2014, compared with an increase of €363 million in the first half of 2013.

Overall, financing activities generated a cash shortfall of €524 million in the first six months of the 2014 financial year, compared with a shortfall of €250 million in 2013.

Net debt at June 30, 2014

Net debt at June 30, 2014 amounted to €7,295 million, compared with €7,186 million as at the end of December 2013. This increase was primarily due to:

- the payment of dividends for €468 million in the first half of 2014;

Partially offset by:

- the deconsolidation of a financial receivable linked to the commissioning of the Vernéa waste-to-energy recovery plant in Clermont-Ferrand, which amounted to €212 million;
- the issue of €172 million net in undated deeply subordinated notes.

As at June 30, 2014, the Group had a total of €2,521 million of confirmed undrawn credit facilities, including €1,068 million in commecial paper backup lines.

4.5 Other statement of financial position items

Net intangible assets and **goodwill** amounted to €7,411 million, and were almost unchanged compared with December 31, 2013 (+€2 million).

Net tangible assets amounted to €7,539 million, compared with €7,750 million at December 31, 2013, *i.e.* a decrease of -€211 million, which was primarily due to negative foreign exchange effects (-€66 million) and to the depreciation charges and impairment losses over the period (-€270 million).

Investments in associates and joint ventures increased by +€242 million and +€119 million respectively. These increases are explained by positive foreign exchange effects (+€7 million), changes in the scope of consolidation amounting to +€215 million, primarily due to the consolidation of Acea via the equity method, and to the €129 million capital gain generated by the disposal of the indirect interest in Companhia de Electricidade de Macau (CEM).

Available-for-sale securities decreased by -€135 million due to the consolidation of Acea via the equity method.

Total shareholders' equity amounted to €6,951 million, which was virtually unchanged compared with December 31, 2013.

Provisions increased by +€54 million to €1,823 million as at June 30, 2014, compared with €1,769 million at December 31, 2013. This rise was primarily due to a +€34 million increase in provisions for post-retirement benefits and other long-term benefits, and to a positive foreign exchange impact of +€16 million.

Deferred tax amounted to a net asset of €261 million, compared with €184 million as at December 31, 2013.

4.6 Related party transactions

Note 14 to the condensed consolidated financial statements hereafter provides details on significant related party transactions. These transactions primarily involve GDF SUEZ (mainly within the context of the synthetic Argentine contract).

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

The chapter on Risk factors (chapter 4) of SUEZ ENVIRONNEMENT COMPANY 2013 Reference Document provides a detailed description of the risk factors to which the Group is exposed. No other risks or uncertainties are expected than those presented in this document.

4.8 Outlook for 2014

SUEZ ENVIRONNEMENT is maintaining its targets [(1)], and remains fully focused on achieving its 2014 guidance.

SUEZ ENVIRONNEMENT is reaping the benefits of strong positions and of a robust development model. With a balanced asset portfolio, and water and waste activities boosted by strong growth drivers, SUEZ ENVIRONNEMENT is implementing the measures required to preserve its financial strength and future growth, and is thereby demonstrating its ability to develop its growth model.

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

(1) *Assuming GDP growth of 1% in the Euro zone in 2014, within a stable accounting and tax framework compared with January 1, 2014, and at constant exchange rates.*

5 CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2014

5.1 Consolidated statements of financial position

In millions of euros	Note	June 30, 2014	December 31, 2013 restated [(a)]
Non-current assets			
Intangible assets, net	6	4,247.4	4,314.0
Goodwill	6	3,163.2	3,094.9
Property, plant and equipment net	6	7,539.0	7,750.0
Available-for-sale securities	8	230.4	365.5
Loans and receivables carried at amortized cost	8	723.6	681.2
Derivative financial instruments	8	161.0	200.2
Investments in joint ventures	7	610.9	491.8
Investments in associates	7	748.3	506.4
Other assets		292.7	303.0
Deferred tax assets		800.0	726.1
TOTAL NON-CURRENT ASSETS		**18,516.5**	**18,433.1**
Current assets			
Loans and receivables carried at amortized cost [(b)]	8	101.1	354.7
Derivative financial instruments	8	5.5	11.6
Trade and other receivables	8	3,950.0	3,618.6
Inventories		279.8	269.6
Other assets		1,281.1	1,250.3
Financial assets measured at fair value through income	8	63.9	91.6
Cash and cash equivalents	8	2,189.2	2,391.4
TOTAL CURRENT ASSETS		**7,870.6**	**7,987.8**
TOTAL ASSETS		**26,387.1**	**26,420.9**
Shareholders' equity, Group share		4,980.2	4,951.6
Non-controlling interests	10	1,971.1	1,998.9
TOTAL SHAREHOLDERS' EQUITY		**6,951.3**	**6,950.5**
Non-current liabilities			
Provisions	11	1,384.2	1,318.7
Long-term borrowings [(c)]	8	7,505.3	7,076.6
Derivative financial instruments	8	57.5	46.2
Other financial liabilities	8	3.2	3.4
Other liabilities		869.6	876.0
Deferred tax liabilities		538.8	542.5
TOTAL NON-CURRENT LIABILITIES		**10,358.6**	**9,863.4**
Current liabilities			
Provisions	11	438.9	450.4
Short-term borrowings [(c)]	8	2,183.7	2,748.4
Derivative financial instruments	8	12.6	8.1
Trade and other payables	8	2,507.9	2,724.1
Other liabilities		3,934.1	3,676.0
TOTAL CURRENT LIABILITIES		**9,077.2**	**9,607.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,387.1**	**26,420.9**

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) *The standards relating to consolidation methods (IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised) mentioned in Note 1.3.3 apply to the financial years beginning as from January 1, 2014. As a result, the financial statements presented for the comparable financial year 2013 have been restated.*

(b) *See explanation of the variation in Note 8.3.4.1.*

(c) *See explanation of the variation in Note 8.3.1.*

5.2 Consolidated income statements

In millions of euros	Note	June 30, 2014	June 30, 2013 restated [a]
Revenues	3.2	6,890.8	7,039.8
Purchases		(1,383.8)	(1,429.4)
Personnel costs		(1,831.8)	(1,861.7)
Depreciation, amortization and provisions		(523.6)	(471.5)
Other operating expenses		(2,793.6)	(2,911.7)
Other operating income		112.0	153.0
CURRENT OPERATING INCOME		**470.0**	**518.5**
Mark-to-market on operating financial instruments		(1.5)	(1.4)
Impairment on property, plant and equipment, intangible and financial assets		(50.5)	3.7
Restructuring costs		(28.7)	(15.7)
Scope effects		70.7	(2.9)
Other gains and losses on disposals and non-recurring items		5.5	9.0
INCOME FROM OPERATING ACTIVITIES	**4.2**	**465.5**	**511.2**
Share in net income of equity-accounted companies considered as core business		187.8	36.7
of which: share in net income of joint ventures [b]	7.1	*150.5*	*20.9*
of which: share in net income of associates	7.2	*37.3*	*15.8*
INCOME FROM OPERATING ACTIVITIES AFTER SHARE IN NET INCOME OF THE EQUITY-ACCOUNTED COMPANIES CONSIDERED AS CORE BUSINESS		**653.3**	**547.9**
Financial expenses		(251.0)	(240.9)
Financial income		39.2	48.1
Net financial income (loss)	**4.3**	**(211.8)**	**(192.8)**
Income tax expense	4.4	(59.1)	(82.1)
Share in net income of other equity-accounted companies	7.1	5.8	5.1
NET INCOME		**388.2**	**278.1**
of which: Group share		279.8	131.7
Non-controlling interests		108.4	146.4
Net income (Group share) per share *(in euros)*	**5**	**0.51**	**0.22**
Net diluted income (Group share) per share *(in euros)*	**5**	**0.49**	**0.22**

(a) *Data at June 30, 2013 has been changed for comparability purposes to reflect the application of standards (IFRS 10, IFRS 11, IFRS 12 et IAS 28 revised) mentioned in Note 1.3.3.*

(b) *The change is primarily explained by the sale of the indirect interest held in Companhia de Electricidade de Macau (CEM) by the Group. Refer to Note 2.*

5.3 Consolidated statements of comprehensive income

In millions of euros	June 30, 2014	June 30, 2014 of which Group share	June 30, 2014 of which non controlling interests	June 30, 2013 restated [a]	June 30, 2013 restated – of which Group share [a]	June 30, 2013 restated – of which non controlling interests [a]
Net income	**388.2**	**279.8**	**108.4**	**278.1**	**131.7**	**146.4**
Available-for-sale securities	(0.3)	(0.9) [c]	0.6	32.4	32.4 [b]	-
Net investment hedges	(32.8)	(32.6)	(0.2)	40.8	38.0	2.8
Cash flow hedges (excluding commodities)	(6.8)	(2.1)	(4.7)	15.6	12.5	3.1
Commodity cash-flow hedges	0.6	0.6	-	(3.8)	(3.9)	0.1
Deferred taxes on items above	12.2	11.3	0.9	(8.6)	(7.8)	(0.8)
Share of joint ventures in reclassifiable items, net of taxes	(13.1)	(13.1)	-	0.5	0.5	-
Share of associates in reclassifiable items, net of taxes	(64.1)	(64.1) [c]	-	4.5	4.5	-
Translation adjustments	17.8	52.4 [d]	(34.6)	(174.0)	(82.6) [e]	(91.4)
Total reclassifiable items	**(86.5)**	**(48.5)**	**(38.0)**	**(92.6)**	**(6.4)**	**(86.2)**
Actuarial gains and losses	(38.6)	(37.6)	(1.0)	30.0	29.2	0.8
Deferred taxes on actuarial gains and losses	15.7	15.4	0.3	(10.4)	(10.2)	(0.2)
Share of joint ventures in non-reclassifiable items, net of taxes	6.4	6.4	-	-	-	-
Total non-reclassifiable items	**(16.5)**	**(15.8)**	**(0.7)**	**19.6**	**19.0**	**0.6**
COMPREHENSIVE INCOME	**285.2**	**215.5**	**69.7**	**205.1**	**144.3**	**60.8**

(a) *Data at June 30, 2013 has been changed for comparability purposes to reflect the application of standards (IFRS 10, IFRS 11, IFRS 12 et IAS 28 revised) mentioned in Note 1.3.3.*
(b) *Change due primarily to the increase in stock prices of Acea shares.*
(c) *This change is primarily explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates (See Note 2).*
(d) *This change is primarily explained by the appreciation of the British pound and the Australian dollar.*
(e) *The variation is mainly due to the depreciation of the British pound and the Australian dollar.*

5.4 Statements of changes in consolidated shareholders' equity

In millions of euros	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordi-nated notes	Share-holders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2012 published	**510,233,829**	**2,040.9**	**4,147.2**	**(2,091.9)**	**(117.1)**	**150.0**	**(10.0)**	**744.8**	**4,863.9**	**1,995.3**	**6,859.2**
IFRS 10, 11 et 12 restatements (see Note 1.3.3)				(11.4)					(11.4)	41.1	29.7
Shareholders' equity at January 1, 2013 restated [(a)]	**510,233,829**	**2,040.9**	**4,147.2**	**(2,103.3)**	**(117.1)**	**150.0**	**(10.0)**	**744.8**	**4,852.5**	**2,036.4**	**6,888.9**
Net income				131.7					131.7	146.4	278.1
Other comprehensive income items				19.0	76.2	(82.6)			12.6	(85.6)	(73.0)
Comprehensive income				**150.7**	**76.2**	**(82.6)**	**-**	**-**	**144.3**	**60.8**	**205.1**
Share-based payment				12.7					12.7	-	12.7
Dividends distributed in cash			(8.9)	(331.3)					(340.2)	(157.2)	(497.4)
Interests of undated deeply subordinated notes issue				(36.2)					(36.2)		(36.2)
Purchase/sale of treasury shares				(7.5)			(4.4)		(11.9)		(11.9)
Capital increase/reduction									-	1.5	1.5
Transactions between shareholders				0.4					0.4	(0.3)	0.1
Business combinations				(0.6)					(0.6)	(2.2)	(2.8)
IAS 19 revised Impacts				(1.7)					(1.7)		(1.7)
Other changes				(1.2)					(1.2)	(0.2)	(1.4)
Shareholders' equity at June 30, 2013 restated	**510,233,829**	**2,040.9**	**4,138.3**	**(2,318.0)**	**(40.9)**	**67.4**	**(14.4)**	**744.8**	**4,618.1**	**1,938.8**	**6,556.9**
Shareholders' equity at December 31, 2013 published	**510,233,829**	**2,040.9**	**4,138.3**	**(2,018.7)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,963.0**	**1,946.6**	**6,909.6**
IFRS 10, 11 et 12 restatements (see Note 1.3.3)				(11.4)					(11.4)	52.3	40.9
Shareholders' equity at January 1, 2014 restated [(a)]	**510,233,829**	**2,040.9**	**4,138.3**	**(2,030.1)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,951.6**	**1,998.9**	**6,950.5**
Net income				279.8					279.8	108.4	388.2
Other comprehensive income items				(15.8)	(100.9)	52.4			(64.3)	(38.7)	(103.0)
Comprehensive income				**264.0**	**(100.9)**	**52.4**	**-**	**-**	**215.5**	**69.7**	**285.2**
Share-based payment				5.7					5.7		5.7
Dividends distributed in cash				(329.3)					(329.3)	(132.5)	(461.8)
Partial redemption of the 2010 undated deeply subordinated note (including redemption premium)				(8.1)				(300.0)	(308.1)		(308.1)
Issue of new undated deeply subordinated note								500.0	500.0		500.0
Issuance fees of new undated deeply subordinated note								(3.3)	(3.3)		(3.3)
Interests of undated deeply subordinated notes issue (net of tax)				(21.4)					(21.4)		(21.4)
Purchase/sale of treasury shares				0.3			(41.2)		(40.9)		(40.9)
Capital increase/reduction									-	2.0	2.0
Equity component of OCEANE bonds (net of tax)				23.0					23.0 [(b)]		23.0
Transactions between shareholders				(4.6)					(4.6)	31.9	27.3
Business combinations				(8.4)					(8.4)	-	(8.4)
Other changes				0.4					0.4	1.1	1.5
Shareholders' equity at June 30, 2014	**510,233,829**	**2,040.9**	**4,138.3**	**(2,108.5)**	**22.6**	**0.2**	**(54.8)**	**941.5**	**4,980.2**	**1,971.1**	**6,951.3**

(a) *The shareholders' equity at January 1, 2013 and January 1, 2014 have been adjusted in order to take the first application of IFRS 10, 11 and 12 into account.*
The decrease in "shareholders' equity, Group share" results from the application of IFRS 11 and IAS 28 revised. Joint ventures consolidated on a proportional basis formed part of the Cash Generating Units (CGUs) prior to the application of IFRS 11. These entities, which are now consolidated via the equity method, no longer form part of these CGUs. Accordingly, a portion of the overall goodwill attached to these CGUs was reclassified to the "Investments in joint ventures" line in the statement of financial position on January 1, 2013, in proportion to the book value of the CGUs in question. An impairment charge was recorded at that date in every case where the book value of these joint ventures, increased in this way, became higher than their fair value. The impairment charges recorded on this basis amounted to €11.4 million.

(b) *Pre-tax impact of the shareholders' equity component of the OCEANE (Bond Convertible or Exchangeable for New or Existing Shares) instrument: €35.2 million (see Note 8.3.1). Tax impact of -€12.2 million (see Note 4.4.2), i.e. a net impact of €23.0 million.*

5.5 Consolidated statements of cash flows

In millions of euros	Note	June 30, 2014	June 30, 2013 restated [a]
Net income		**388.2**	**278.1**
- Share in net income (loss) of joint ventures		(156.3)	(26.0)
- Share in net income (loss) of associates		(37.3)	(15.8)
+ Dividends received from joint ventures and associates		56.4	33.2
- Net depreciation, amortization and provisions		535.7	443.1
- Scope effects, other gains and losses on disposal and non-recurring items		(76.2)	(6.1)
- Other items with no cash impact		5.4	12.7
- Income tax expense	4.4	59.1	82.1
- Financial income	4.3	211.8	192.8
Cash flows from operations before financial income/(expense) and income tax		**986.8**	**994.1**
+ Tax paid		(72.0)	(106.6)
Change in working capital requirements		**(300.2)**	**(247.6)**
Cash flows from operating activities		**614.6**	**639.9**
Investments in property, plant and equipment and intangible assets	3.4.3	(431.8)	(509.4)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(48.1)	(5.0)
Acquisitions of interests in associates and joint ventures	3.4.3	(92.3)	(5.4)
Acquisitions of available-for-sale securities	3.4.3	(6.8)	(6.2)
Disposals of property, plant and equipment and intangible assets		18.8	21.0
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		62.0	15.5
Disposals of interests in associates and joint ventures		0.9	7.5
Disposals of available-for-sale securities		-	-
Interest received on non-current financial assets		(2.3)	4.4
Dividends received on non-current financial assets		5.3	25.0
Change in loans and receivables issued by the Company and others [b]		195.8	(32.5)
Cash flows from investing activities		**(298.5)**	**(485.1)**
Dividends paid [c]		(479.1)	(468.6)
Repayment of borrowings [d]	8	(1,022.4)	(641.8)
Change in financial assets at fair value through income		26.7	(28.2)
Financial interest paid		(181.4)	(208.1)
Financial interest received on cash and cash equivalents		20.7	19.5
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		16.2	1.5
Increase in financial debt	8	883.6	1,085.0
Increase in share capital		2.1	1.8
Issue of Undated deeply Subordinated Notes net of costs		182.6	-
OCEANE: equity component		35.2	-
Purchase/sale of treasury shares		(40.9)	(11.7)
Change in share of interests in controlled entities	3.4.3	32.3	0.6
Cash flows from financing activities		**(524.4)**	**(250.0)**
Impact of changes in exchange rates and other		6.1	(41.8)
TOTAL CASH FLOWS FOR THE PERIOD		**(202.2)**	**(137.0)**
Opening cash and cash equivalents		**2,391.4**	**2,129.2**
Closing cash and cash equivalents	8	**2,189.2**	**1,992.2**

(a) *Data at June 30, 2013 has been changed for comparability purposes to reflect the application of standards mentioned in Note 1.3.3.*
(b) *The change is primarily explained by the assignment of a financial receivable (IFRIC12) relating to the commissioning of an incinerator in France.*
(c) *Including withholding tax.*
(d) *Including the redemption of the €770 million nominal residual amount of the 2009 bond issue.*

5.6 Notes to the consolidated financial statements

Contents

NOTE 1	Basis of presentation, principles and accounting policies	19
NOTE 2	Major transactions	24
NOTE 3	Operating segments information	25
NOTE 4	Income statement	29
NOTE 5	Earnings per share	32
NOTE 6	Goodwill, intangible assets and property, plant and equipment	33
NOTE 7	Investments in joint ventures and associates	33
NOTE 8	Financial instruments	37
NOTE 9	Management of risks arising from financial instruments	44
NOTE 10	Non-controlling interests	49
NOTE 11	Provisions	50
NOTE 12	Share-based payments	51
NOTE 13	Legal and arbitration proceedings	52
NOTE 14	Related party transactions	54
NOTE 15	Subsequent event	54

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 29, 2014, the interim condensed consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2014 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, 2014 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, 2014 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, 2013, subject to specific provisions relating to the preparation of interim financial information as described hereafter.

1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed consolidated financial statements for the six months ended June 30, 2014 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013 in accordance with IFRS as published by the IASB and endorsed by the European Union (EU), with the exception of the following items in Notes 1.3.1 and 1.3.3.

1.3.1 Accounting policies applied by the Group starting January 1, 2014

1.3.1.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014

The standards and amendments requiring mandatory application by the Group for the first time starting January 1, 2014 are the following:

- IFRS 10 – Consolidated Financial Statements;

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

- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities.
- Amendment to IAS 28 – Investments in Associates and Joint Ventures.
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities.
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting.

1.3.1.2 VOLUNTARY APPLICATION OF THE FRENCH ACCOUNTING STANDARDS AUTHORITY'S (ANC) RECOMMENDATION 2013-01

The Group has decided to apply the recommendation of the French Accounting Standards Authority (ANC) issued on April 4, 2013 regarding disclosure of the share in net income of equity-accounted companies in the consolidated income statement.

Therefore, the line previously referred to as "Share in net income of associates" has been split between:

- "share in net income of equity-accounted companies considered as core business" disclosed after the line "Income from operating activities", which includes the share in net income of companies accounted for by the equity method when those entities' operations are such that they directly contribute to the Group's core operations (i.e. water and waste businesses); and
- "share in net income of other equity-accounted companies", which remains disclosed before the line "Net income" and includes the share in net income of other associates and joint venture which do not directly contribute to the Group's core operations.

1.3.2 IFRS standards and amendments applicable after 2014 that the Group has elected not to early adopt

Interpretation adopted by the European Union and applicable in 2015

- IFRIC 21 – Legal Rights or Tax Bases (Levies).

This interpretation was adopted by the European Commission on June 14, 2014, with mandatory application to fiscal years beginning June 17, 2014. In the European Union, companies closing their accounts on December 31, will apply IFRIC 21 from January 1, 2015.

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

Standards and amendments published by the IASB and not adopted yet by the European Union

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

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

- IFRS 15 – Revenue from Contracts with Customers [(1)].
- Amendments IAS 16 and IAS 38 – Clarification of the principle for the basis of depreciation and amortization [(1)].
- Amendments IFRS 11 – Accounting treatment for the acquisition of an interest in a joint operation [(1)].

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

1.3.3 Impact of the first application of the new consolidation standards (IFRS 10, IFRS 11, IFRS12, and IAS 28 revised)

The following standards provide for retroactive application to fiscal years beginning January 1, 2014.

In adopting these new standards, the Group analyzed companies that had entered into governance agreements with outside investors in order to evaluate its level of control and the impact that eliminating the proportionate consolidation method would have on all reported periods.

IFRS 10 – "Consolidated Financial Statements"

IFRS 10 replaces the provisions relating to the consolidated financial statements contained in IAS 27 "Consolidated and Separate Financial Statements" as well as interpretation SIC-12 "Consolidation – Special Purpose Entities".

IFRS 10 introduces a new single-control model based on the concepts of power and returns: "An investor controls an entity when he is exposed, or has rights, to variable returns from its involvement with the entity and has the current ability to affect those returns through its power to lead its key activities."

Previously, control was defined in IAS 27 as the power to rule an entity's financial and operating policies so as to obtain benefits from its activities.

The analyses carried out by the Group did not identify any significant impacts resulting from the first-time application of this standard. These impacts are presented in full with those related to the application of IFRS 11 in paragraphs 1.3.3.1 to 1.3.3.4 hereafter.

IFRS 11 – "Joint Arrangements"

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and interpretation SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers."

IFRS 11 defines how to treat a joint arrangement over which two or more parties have joint control. Pursuant to this new standard, there are only two types of joint arrangement: joint ventures and joint operations. Joint arrangements are classified on the basis of the rights and obligations of each party in the joint arrangement, taking into account the structure, legal form of the agreements, rights conferred on each party by the agreements, and any specific facts and circumstances.

A **joint venture** is a joint arrangement whereby the parties ("Venturers") that have joint control of the entity have rights to the net assets of the entity.

A **joint operation** is a joint arrangement whereby the parties ("joint participants") have direct rights to the assets and direct obligations for the liabilities of the entity.

Pursuant to IFRS 11, joint arrangements considered as **joint ventures** must be consolidated under the equity method. Each of the joint participants in a **joint operation** will account for the assets and liabilities (and income and expenses) relating to the participant's interests in the joint operation.

The analyses carried out by the Group have revealed that a number of arrangements under joint control are joint ventures and are therefore now consolidated under the equity method.

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

IFRS 12 – "Disclosure of Interests in Other Entities"

IFRS 12 is a standard requiring disclosure about an entity's interests in subsidiaries, joint arrangements, associates and/or non-consolidated structured entities (see Notes 7 and 10).

IAS 28 revised – "Investments in Associates and Joint Ventures"

The first-time application of this revised standard did not impact the Group. Amendments to this standard are primarily amendments brought about by the new standards on consolidation mentioned above.

1.3.3.1 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON THE COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2013:

In millions of euros	December 31, 2013 published	First-time application of consolidation standards	December 31, 2013 restated
Non-current assets			
Intangible assets, net	4,517.5	(203.5)	4,314.0
Goodwill	3,184.3	(89.4)	3,094.9
Property, plant and equipment net	7,832.5	(82.5)	7,750.0
Available-for-sale securities	498.1	(132.6)	365.5
Loans and receivables carried at amortized cost	787.6	(106.4)	681.2
Derivative financial instruments	200.2	-	200.2
Investments in joint ventures	497.1	(5.3)	491.8
Investments in associates	-	506.4	506.4
Other assets	303.0	-	303.0
Deferred tax assets	730.1	(4.0)	726.1
TOTAL NON-CURRENT ASSETS	**18,550.4**	**(117.3)**	**18,433.1**
Current assets			
Loans and receivables carried at amortized cost	353.8	0.9	354.7
Derivative financial instruments	11.6	-	11.6
Trade and other receivables	3,628.5	(9.9)	3,618.6
Inventories	286.4	(16.8)	269.6
Other assets	1,279.6	(29.3)	1,250.3
Financial assets measured at fair value through income	91.6	-	91.6
Cash and cash equivalents	2,506.0	(114.6)	2,391.4
TOTAL CURRENT ASSETS	**8,157.5**	**(169.7)**	**7,987.8**
TOTAL ASSETS	**26,707.9**	**(287.0)**	**26,420.9**
Shareholders' equity, Group share	4,963.0	(11.4)	4,951.6
Non-controlling interests	1,946.6	52.3	1,998.9
TOTAL SHAREHOLDERS' EQUITY	**6,909.6**	**40.9**	**6,950.5**
Non-current liabilities			
Provisions	1,339.8	(21.1)	1,318.7
Long-term borrowings	7,228.9	(152.3)	7,076.6
Derivative financial instruments	46.2	-	46.2
Other financial liabilities	3.6	(0.2)	3.4
Other liabilities	876.2	(0.2)	876.0
Deferred tax liabilities	568.5	(26.0)	542.5
TOTAL NON-CURRENT LIABILITIES	**10,063.2**	**(199.8)**	**9,863.4**
Current liabilities			
Provisions	461.0	(10.6)	450.4
Short-term borrowings	2,769.7	(21.3)	2,748.4
Derivative financial instruments	6.9	1.2	8.1
Trade and other payables	2,770.1	(46.0)	2,724.1
Other liabilities	3,727.4	(51.4)	3,676.0
TOTAL CURRENT LIABILITIES	**9,735.1**	**(128.1)**	**9,607.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**26,707.9**	**(287.0)**	**26,420.9**

1.3.3.2 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON THE COMPARATIVE CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2013:

The various items from the Group's consolidated income statement presented in the table below correspond to the income statement as henceforth reported, following first-time application of the new standards on consolidation and application of the recommendation of the French Accounting Standards Authority (ANC) issued on April 4, 2013 regarding the presentation of the share in net income of equity-accounted companies in the consolidated income statement (see Note 1.3.1).

In millions of euros	June 30, 2013 published	First-time application of consolidation standards [(a)]	June 30, 2013 restated
Revenues	7,176.8	(137.0)	7,039.8
Purchases	(1,483.2)	53.8	(1,429.4)
Personnel costs	(1,894.2)	32.5	(1,861.7)
Depreciation, amortization and provisions	(485.7)	14.2	(471.5)
Other operating expenses	(2,953.0)	41.3	(2,911.7)
Other operating income	160.5	(7.5)	153.0
CURRENT OPERATING INCOME	**521.2**	**(2.7)**	**518.5**
Mark-to-market on operating financial instruments	(1.4)	-	(1.4)
Impairment on property, plant and equipment, intangible and financial assets	3.7	-	3.7
Restructuring costs	(15.7)	-	(15.7)
Scope effects	(2.7)	(0.2)	(2.9)
Other gains and losses on disposals and non-recurring items	9.0	-	9.0
INCOME FROM OPERATING ACTIVITIES	**514.1**	**(2.9)**	**511.2**
Share in net income of equity-accounted companies considered as core business	-	36.7	36.7
of *which: share in net income of joint ventures*	-	*20.9*	*20.9*
of *which: share in net income of associates*	-	*15.8*	*15.8*
INCOME FROM OPERATING ACTIVITIES AFTER SHARE IN NET INCOME OF THE EQUITY-ACCOUNTED COMPANIES CONSIDERED AS CORE BUSINESS	**514.1**	**33.8**	**547.9**
Financial expenses	(244.4)	3.5	(240.9)
Financial income	59.0	(10.9)	48.1
Net financial income (loss)	**(185.4)**	**(7.4)**	**(192.8)**
Income tax expense	(85.7)	3.6	(82.1)
Share in net income of other equity-accounted companies	14.7	(9.6)	5.1
NET INCOME	**257.7**	**20.4**	**278.1**
of which: Group share	131.7	-	131.7
Non-controlling interests	126.0	20.4	146.4
Net income (Group share) per share *(in euros)*	**0.22**	**-**	**0.22**

(a) *As the first application of IFRS 10 and 11, and the reclassification of the share in the net income of equity-accounted companies considered as core business in Income from operating activities are not material, the impact of the new standards on consolidation is included in the same column.*

1.3.3.3 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON COMPARATIVE COMPREHENSIVE INCOME AT JUNE 30, 2013:

In millions of euros	June 30, 2013 published	First-time application of consolidation standards	June 30, 2013 restated
Net income	257.7	20.4	278.1
Other reclassifiable items	(86.9)	(5.7)	(92.6)
Other non-reclassifiable items	19.6	-	19.6
COMPREHENSIVE INCOME	**190.4**	**14.7**	**205.1**

1.3.3.4 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON COMPARATIVE CONSOLIDATED STATEMENT OF CASH FLOW AT JUNE 30, 2013:

In millions of euros	June 30, 2013 published	First-time application of consolidation standards	June 30, 2013 restated
Cash flows from operating activities	658.2	(18.3)	639.9
Cash flows from investing activities	(497.1)	12.0	(485.1)
Cash flows from financing activities	(255.7)	5.7	(250.0)
Impact of changes in exchange rates and other	(39.5)	(2.3)	(41.8)
OPENING CASH AND CASH EQUIVALENTS	**2,247.3**	**(118.1)**	**2,129.2**
CLOSING CASH AND CASH EQUIVALENTS	**2,113.2**	**(121.0)**	**1,992.2**

1.4 Use of judgment and estimates

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

1.4.1 Estimates

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

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

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

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

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2013.

1.4.2 Judgment

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

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

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

1.5 Interim financial reporting

Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2014 are not necessarily indicative of those that may be expected for full-year 2014.

Income tax expense

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

Pension benefit obligations

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

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 15.4 to the consolidated financial statements at December 31, 2013).

NOTE 2 Major transactions

2.1 Issue by SUEZ ENVIRONNEMENT of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE")

On February 24, 2014, SUEZ ENVIRONNEMENT COMPANY launched a zero-coupon bond issue including an option to convert and/or exchange them for new and/or existing shares ("OCEANE") maturing on February 27, 2020, for a nominal amount of €350 million, for a total of 19,052,803 bonds.

The nominal value per bond was set at €18.37, representing an issue premium of 30% over the reference price for the SUEZ ENVIRONNEMENT COMPANY share on the regulated market of Euronext in Paris ("Euronext Paris") [(1)].

The bonds do not bear any interest. They were issued at par on February 27, 2014, the date of the settlement/delivery of the bonds and are redeemable on February 27, 2020 either at par by a cash payment, or through a delivery of new and/or existing shares and, if applicable, an amount in cash, at the discretion of SUEZ ENVIRONNEMENT COMPANY. The bonds will entitle holders to the allotment of new and/or existing SUEZ ENVIRONNEMENT COMPANY shares at the rate of one share per bond, subject to any subsequent adjustments. The bonds may be early-redeemed at the initiative of SUEZ ENVIRONNEMENT COMPANY, under certain conditions.

2.2 Increased interest in Acea (Italy)

At the end of February 2014, SUEZ ENVIRONNEMENT purchased 8.4 million shares in Acea, *i.e.* 3.95% of the share capital, thereby raising its interest to 12.5%. These shares were purchased at market value from GDF SUEZ, which sold its entire interest.

Acea is responsible for the management of water and electricity in the city of Rome (Italy) and many of the towns and cities in the central region of the country. It generated €3.6 billion in revenues in 2013. As leading operator in the water market in Italy, Acea supplies 9 million inhabitants.

Given SUEZ ENVIRONNEMENT's reinforced position in the governance of Acea, the shares held have been accounted for by the equity method since April 1, 2014.

2.3 SHARING 2014 plan

In April 2014, SUEZ ENVIRONNEMENT launched SHARING, its second shareholding offer reserved for more than 76,000 Group employees in 22 countries. The aim of the offer is to develop the Group's employee shareholding base.

The reference price announced on June 23, 2014 was €14.92 per share (corresponding to the average opening price for the 20 trading days between May 26 and June 20).The subscription price was therefore €11.94 per share (*i.e.* 80% of the reference price).

22% of the Group employees have subscribed to more than 9 million shares.

As a consequence, Group employees will see their participation in the capital of the Company double to reach almost 4%.

2.4 Long-term incentive plan

On March 26, 2014, the Board of Directors decided to put in place a long-term remuneration plan taking the form of a bonus paid in cash to certain employees, subject to performance (internal and market) and attendance conditions.

If the performance conditions are 100% met, the maximum amount payable at the end of the three-year period will be €15 million.

(1) *This benchmark price is equal to the volume-weighted average price of the Company's shares recorded on Euronext Paris from the opening of the trading session on February 24, 2014 up until the point when the final terms and conditions for the bonds were determined.*

2.5 SUEZ ENVIRONNEMENT enters into an agreement for the sale of its indirect interest in *Companhia de Electricidade de Macau* (CEM)

SUEZ ENVIRONNEMENT and its partner NWS Holdings Limited (New World), via their Sino-French Holdings (Hong Kong) Limited joint venture, entered into an agreement to sell 90% of their interest in *Companhia de Electricidade de Macau* ("CEM") to Nam Kwong Development (H.K.) Limited, a wholly-owned subsidiary of Nam Kwong (Group) Company Limited ("Nam Kwong"). The transaction amounted to USD612 million for the share held by SFH.

CEM is an integrated utility whose portfolio includes an exclusive concession for the distribution and sale of low, medium and high voltage electricity in Macau. The concession contract was extended in 2010 for a period of 15 years.

Since the conditions precedent have all been fulfilled on June 30, 2014, the disposal generated a profit of €129 million for the Group which was recorded in the half-year accounts.

2.6 New issue and redemption of outstanding undated deeply subordinated notes

On June 23, 2014, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes for a total amount of €500 million. In accordance with the provisions of IAS 32, these notes or hybrid bonds constitute equity rather than a debt in the Group's consolidated accounts as there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any maturity of the final redemption, but only optional redemption dates.

Alongside this new issue, and in order to benefit from the most advantageous market conditions, SUEZ ENVIRONNEMENT COMPANY bought back hybrid bonds of the same nature issued in September 2010 for €312 million including a redemption premium of €12 million over the initial par value of €300 million.

Following these two transactions, the Group's outstanding hybrid bonds amounted to €950 million on June 30, 2014.

See Note 8.3.2

2.7 Reinforcement of the Group's positions on the industrial water market through Degrémont

In order to reach its growth ambition on the industrial water market, the Group has completed the acquisition of Process Group on June 25, 2014, through its subsidiary Degrémont.

Based in Melbourne (Australia), Singapore and Abu Dhabi (United Arab Emirates), Process Group deals with complex and challenging projects requiring technology solutions such as Gas dehydration, Gas sweetening, produced water treatment and sand management.

The Company counts 120 employees and achieves annual revenues of around €60 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.

Since January 1, 2014, and following the application by the Group of IFRS 10 and 11 relating to consolidated financial statements and partnerships, the Group has decided to amend the definition of EBITDA, which now includes the share in the net income of equity-accounted companies whose activities contribute to the Group's core business.

In addition, the share in the net income of equity-accounted companies whose activities contribute to the Group's core business has been added to the current operating income, in order to introduce a new indicator known as EBIT.

3.2 Key indicators by operating segment

Revenues

	June 30, 2014			June 30, 2013 restated		
In millions of euros	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	2,207.5	13.2	2,220.7	2,155.9	10.0	2,165.9
Waste Europe	3,137.3	19.0	3,156.3	3,214.2	19.3	3,233.5
International	1,544.7	14.3	1,559.0	1,666.3	15.0	1,681.3
Other	1.3	40.1	41.4	3.4	45.8	49.2
Intercompany eliminations		(86.6)	(86.6)		(90.1)	(90.1)
TOTAL REVENUES	**6,890.8**	**-**	**6,890.8**	**7,039.8**	**-**	**7,039.8**

EBITDA

In millions of euros	June 30, 2014	June 30, 2013 restated
Water Europe	606.6	579.8
Waste Europe	373.7	377.3
International	388.8	289.5
Other	(42.7)	(18.1)
TOTAL EBITDA	**1,326.4**	**1,228.5**

EBIT

In millions of euros	June 30, 2014	June 30, 2013 restated
Water Europe	270.2	250.8
Waste Europe	127.8	128.7
International	298.2	195.8
Other	(38.4)	(20.1)
TOTAL EBIT	**657.8**	**555.2**

Depreciation and amortization

In millions of euros	June 30, 2014	June 30, 2013 restated
Water Europe	(219.0)	(218.3)
Waste Europe	(222.8)	(232.9)
International	(79.6)	(84.1)
Other	(3.7)	(2.2)
TOTAL DEPRECIATION AND AMORTIZATION	**(525.1)**	**(537.5)**

Capital Employed

In millions of euros	June 30, 2014	December 31, 2013 restated
Water Europe	6,721.6	6,744.5
Waste Europe	4,094.4	4,284.2
International	3,416.8	3,106.2
Other	(21.3)	(111.0)
TOTAL CAPITAL EMPLOYED	**14,211.5**	**14,023.9**

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

In millions of euros	June 30, 2014	June 30, 2013 restated
Water Europe	(235.7)	(204.3)
Waste Europe	(143.4)	(204.2)
International	(162.4)	(105.0)
Other	(5.2)	(11.9)
TOTAL INVESTMENTS	**(546.7)**	**(525.4)**

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

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, 2014	June 30, 2013 restated	June 30, 2014	December 31, 2013 restated
France	2,555.0	2,562.5	2,504.2	2,551.5
Europe	2,497.7	2,447.1	8,109.0	8,171.4
International	1,838.1	2,030.2	3,598.3	3,301.0
TOTAL	**6,890.8**	**7,039.8**	**14,211.5**	**14,023.9**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

In millions of euros	June 30, 2014	June 30, 2013 restated
Current operating income	**470.0**	**518.5**
Share in net income of equity-accounted companies considered as core business	187.8	36.7
EBIT	**657.8**	**555.2**
(-) Net depreciation, amortization and provisions	523.6	471.5
(-) Share-based payments (IFRS 2) [(a)]	5.4	12.7
(-) Disbursements under concession contracts	139.6	189.1
EBITDA	**1,326.4**	**1,228.5**

(a) *The impact of Share Appreciation Rights is disclosed after hedging by warrants.*

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

In millions of euros	June 30, 2014	December 31, 2013 restated
(+) Tangible and intangible assets, net	11,786.4	12,064.0
(+) Goodwill, net	3,163.2	3,094.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	226.0	297.5
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	822.7	1,035.0
(+) Investments in joint ventures (excluding other comprehensive income net of taxes)	570.1	436.3
(+) Investments in associates (excluding other comprehensive income net of taxes)	749.8	507.2
(+) Trade and other receivables	3,950.0	3,618.6
(+) Inventories	279.8	269.6
(+) Other current and non-current assets	1,573.8	1,553.3
(-) Provisions and actuarial losses/gains on pensions plans	(1,595.5)	(1,573.0)
(-) Trade and other payables	(2,507.9)	(2,724.1)
(-) Other current and non-current liabilities	(4,803.7)	(4,552.0)
(-) Other financial liabilities	(3.2)	(3.4)
CAPITAL EMPLOYED	**14,211.5**	**14,023.9**

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

In millions of euros	June 30, 2014	June 30, 2013 restated
Investments in property, plant and equipment and intangible assets	(431.8)	(509.4)
Takeover of subsidiaries net of cash and cash equivalents acquired	(48.1)	(5.0)
Acquisitions of interests in associates and joint ventures	(92.3)	(5.4)
Acquisitions of available-for-sale securities	(6.8)	(6.2)
Change in share of interests in controlled entities	32.3	0.6
TOTAL INVESTMENTS	**(546.7)**	**(525.4)**

NOTE 4 Income statement

4.1 Current operating income and EBIT

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

4.2 Income from operating activities

In millions of euros	June 30, 2014	June 30, 2013 restated
CURRENT OPERATING INCOME	**470.0**	**518.5**
Mark-to-market on operating financial instruments	(1.5)	(1.4)
Impairment on property, plant and equipment, intangible and financial assets	(50.5)	3.7
Restructuring costs	(28.7)	(15.7)
Scope effects	70.7	(2.9)
Other gains and losses on disposals and non-recurring items	5.5	9.0
INCOME FROM OPERATING ACTIVITIES	**465.5**	**511.2**
Share in net income of equity-accounted companies considered as core business	187.8	36.7
of which: share in net income of joint ventures	*150.5*	*20.9*
of which: share in net income of associates	*37.3*	*15.8*
INCOME FROM OPERATING ACTIVITIES AFTER SHARE IN NET INCOME OF THE EQUITY-ACCOUNTED COMPANIES CONSIDERED AS CORE BUSINESS	**653.3**	**547.9**

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

In millions of euros	June 30, 2014	June 30, 2013 restated
Impairments:		
Goodwill	-	(0.2)
Property, plant and equipment and other intangible assets	(39.0)	(6.2)
Financial assets	(14.2)	(0.5)
Total	**(53.2)**	**(6.9)**
Write-back of impairments:		
Property, plant and equipment and other intangible assets	0.4	1.7
Financial assets	2.3	8.9
Total	**2.7**	**10.6**
TOTAL	**(50.5)**	**3.7**

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, 2014, as at June 30, 2013, 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, 2014, this item mainly includes impairments on assets in Water Europe and Waste Europe operating segments.

As at June 30, 2013, there was no significant impairment.

4.2.1.3 IMPAIRMENTS ON FINANCIAL ASSETS

As at June 30, 2014, this item includes especially impairments on financial receivables related to a concession contract in the International segment and financial assets in Waste Europe segment.

As at June 30, 2013, there was no significant impairment.

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

4.2.2 Restructuring costs

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

As at June 30, 2013, this item included the final impacts related to the Group's exit from Hungary.

4.2.3 Scope effects

As at June 30, 2014, this item mainly includes a revaluation gain of €64.5 million to reflect the fair value of the Acea securities, that were already held at January 1, 2014, and were previously recognized as available-for-sale securities (refer to Notes 2 and 7), linked to the reinforced position of the Group in the governance of Acea that took place in 2014.

In accordance with the terms of IAS 28 "Investments in Associates and Joint Ventures", the interest previously held in Acea was recognized at its fair value as at the date when significant influence came (see Note 7).

As at June 30, 2013, there were no significant effects on the scope of consolidation to be noticed.

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

As at June 30, 2013, there were no significant non-recurring items as at June 30, 2014.

4.3 Financial result

	June 30, 2014			June 30, 2013 restated		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(208.9)**	**26.5**	**(182.4)**	**(203.7)**	**23.1**	**(180.6)**
Interest expenses on gross borrowings	(171.6)	-	(171.6)	(193.6)	-	(193.6)
Exchange gain/(loss) on borrowings and hedges	(26.6)	-	(26.6)	(2.6)	-	(2.6)
Unrealized income/(expenses) from economic hedges on borrowings	-	-	-	(0.7)	-	(0.7)
Income/(expenses) on cash and cash equivalents, and financial assets at fair value through income	-	20.1	20.1	-	18.7	18.7
Capitalized borrowing costs	-	6.4	6.4	-	4.4	4.4
Financial income (expenses) relating to a financial debt or receivable restructuring	(10.7)	-	(10.7)	(6.8)	-	(6.8)
Other Financial Income and Expenses	**(42.1)**	**12.7**	**(29.4)**	**(37.2)**	**25.0**	**(12.2)**
Net interest expenses related to post employment and other long term benefits	(10.4)	-	(10.4)	(11.3)	-	(11.3)
Unwinding of discounting adjustment to long term provisions (except post employment)	(19.6)	-	(19.6)	(19.7)	-	(19.7)
Change in fair value of derivatives not included in net debt	-	0.4	0.4	-	1.2	1.2
Income from available-for-sale securities	-	3.4	3.4	-	14.1	14.1
Other	(12.1)	8.9	(3.2)	(6.2)	9.7	3.5
FINANCIAL INCOME/(LOSS)	**(251.0)**	**39.2**	**(211.8)**	**(240.9)**	**48.1**	**(192.8)**

The cost of net debt remains stable between June 30, 2013 and June 30, 2014, as the decrease in interest rates affecting the interest expense on gross borrowings was offset by foreign exchange losses on the Group's financial debt in Chile (depreciation of the Chilean peso compared with the euro).

The decrease in other financial income and expenses is primarily explained by the payment received in 2013 of a dividend of USD14.5 million by a company that was sold to GDF SUEZ in the first half of 2014.

4.4 Income tax

4.4.1 Income tax expense in the income statement

In millions of euros	June 30, 2014	June 30, 2013 restated
Net income (A)	388.2	278.1
Income tax expense (B)	(59.1)	(82.1)
Share in net Income of joint ventures and associates (C) [(a)]	193.6	41.8
Income before income tax and before share in net income of joint ventures and associates (A) - (B) - (C) = (D)	**253.7**	**318.5**
EFFECTIVE INCOME TAX RATE - (B) / (D)	**23.3%**	**25.8%**

(a) *The share in the net income of joint ventures and associates includes all these entities, without breaking down their businesses (core and non-core). This amount primarily includes the capital gain on the disposal of the indirect interest in CEM by the SFH group.*

At June 30, 2014, the Group's effective tax rate was 23.3% compared to 25.8% at June 30, 2013.

At June 30, 2014, this rate is primarily explained by the fact that a large number of the Group's operating companies are established in countries where the tax rates are lower than in France, and by the revaluation of the shares formerly held in Acea, which had no tax impact. It is also explained by the impact of the tax credit for Competitiveness and Employment (CICE) in France and other tax credits. If restated only for these tax credits, the effective tax rate at June 30, 2014 would have reached 30.4%.

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 in 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 (CICE). Excluding these last items from the calculation, the effective rate as of June 30, 2013 would have been 29.1%.

In addition, net deferred tax assets within the French tax consolidation Group, including all temporary differences, totaled €338.5 million at June 30, 2014, compared to €308 million at December 31, 2013.

4.4.2 Deferred taxes in the statement of financial position

In millions of euros	Assets	Liabilities	Net
At December 31, 2013 restated	**726.1**	**(542.5)**	**183.6**
From income statement	37.5	(8.7)	28.8
From other comprehensive income [(a)]	26.4	3.9	30.3
Scope effects	8.8	(6.4)	2.4
Translation adjustments	15.0	1.8	16.8
Other impacts	(3.3)	2.6	(0.7)
Deferred tax netting off by tax entity	(10.5)	10.5	-
AT JUNE 30, 2014	**800.0**	**(538.8)**	**261.2**

(a) *This amount includes fluctuations in consolidated shareholders' equity for deferred tax linked to the OCEANE bonds (-€12.2 million) and to the undated deeply subordinated notes (+€17.2 million).*

NOTE 5 Earnings per share

	June 30, 2014	June 30, 2013 restated
Numerator *(in millions of euros)*		
Net income, Group share	**279.8**	**131.7**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010	(11.5)	(18.1)
- expenses related to the partial redemption of the undated deeply subordinated notes	(8.1)	-
ADJUSTED NET INCOME, GROUP SHARE	**260.2**	**113.6**
Denominator *(in millions of euros)*		
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	**508.5**	**509.4**
Earnings per share *(in euros)*		
Net income Group share per share	**0.51**	**0.22**
Net diluted income Group share per share	**0.49**	**0.22**

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

- the SUEZ ENVIRONNEMENT COMPANY bonus share plans;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense after tax of €1.3 million.

The SUEZ ENVIRONNEMENT COMPANY stock option plans were not included in the diluted net earnings per share calculation, as their exercise price remains above the annual average share price.

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

In millions of euros	Goodwill	Intangible assets	Property, plant and equipments
A. Gross amount at December 31, 2013 restated	**3,192.1**	**6,858.5**	**14,756.9**
Acquisitions	-	119.0	216.4
Disposals	-	(6.6)	(77.8)
Scope effects	43.4	23.1	6.1
Translation adjustments	27.0	12.8	(32.2)
Other	-	16.2	(19.7)
AT JUNE 30, 2014	**3,262.5**	**7,023.0**	**14,849.7**
B. Accumulated depreciation and impairment at December 31, 2013 restated	**(97.1)**	**(2,544.5)**	**(7,006.9)**
Depreciation and impairment losses	-	(213.4)	(350.7)
Disposals	-	5.2	69.1
Scope effects	-	(6.2)	(2.4)
Translation adjustments	(2.1)	(4.2)	(34.0)
Other	-	(12.5)	14.2
AT JUNE 30, 2014	**(99.2)**	**(2,775.6)**	**(7,310.7)**
C. Carrying amount = A + B			
At December 31, 2013 restated	**3,094.9**	**4,314.0**	**7,750.0**
AT JUNE 30, 2014	**3,163.2**	**4,247.4**	**7,539.0**

The scope effects for goodwill correspond mainly to the acquisition of Process group by Degrémont as described in Note 2. The purchase price allocation is in process.

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2014, no depreciation was accounted for as at June 30, 2014.

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the Chilean peso (-€113 million), the Australian dollar (+€18 million) and the pound sterling (+€16 million).

NOTE 7 Investments in joint ventures and associates

7.1 Investments in joint ventures

	Carrying amount of investments in joint ventures		Share in net income of joint ventures	
In millions of euros	June 30, 2014	December 31, 2013 restated	June 30, 2014	June 30, 2013 restated
SFH group	401.1	273.4	140.4	10.3
Suyu	147.3	152.4	10.3	10.3
Other	62.5	66.0	5.6	5.4
TOTAL	**610.9**	**491.8**	**156.3**	**26.0**

In millions of euros	June 30, 2014	June 30, 2013 restated
Net income	156.3	26.0
Other comprehensive income (OCI)	(6.7)	0.5
Comprehensive income	**149.6**	**26.5**

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

At June 30, 2014, the SFH group's net income primarily includes the capital gain on the disposal of CEM (see Note 2).

The summarized financial information at 100% of the SFH Group below has been prepared in accordance with IFRS.

Summarized Statement of financial position at 100%

In millions of euros	June 30, 2014	December 31, 2013
Non-current assets	650.2	903.8
Current assets	609.4	311.6
of which Cash and cash equivalents	*102.3*	*173.5*
TOTAL ASSETS	**1,259.6**	**1,215.4**
Shareholders' equity, Group share	802.2	546.8
Non-controlling interests	11.0	50.1
Total shareholders' equity	**813.2**	**596.9**
Non-current liabilities	278.7	300.7
Current liabilities	167.7	317.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,259.6**	**1,215.4**

Summarized Income Statement at 100%

In millions of euros	June 30, 2014	June 30, 2013
Revenues	255.9	256.5
Current operating income	40.1	34.0
Net income - group share	280.8	20.6
Net income - non-controlling interests	2.3	2.5
Net income	**283.1**	**23.1**
Other comprehensive income (OCI)	12.1	14.1
Comprehensive income	**295.2**	**37.2**

Dividends

In millions of euros	Dividends related to 2013	Dividends related to 2012
Dividends paid by SFH	18.8	19.4

7.2 Investments in associates

	Carrying amount of investments in associates		Share in net income of associates	
In millions of euros	June 30, 2014	December 31, 2013 restated	June 30, 2014	June 30, 2013 restated
In Agbar group	294.1	289.6	11.1	9.7
In Acea group	217.8	-	5.6	-
In Degrémont group	123.2	122.6	11.8	4.5
In the company Brnenske Vodarny A Kanalizace	32.2	32.2	0.6	0.9
In Sita UK group	26.9	4.4	1.8	(1.9)
In Sita Belgium group	25.7	34.4	2.7	2.2
In United Water group	6.2	6.5	(0.1)	-
In Sita France group	3.6	2.5	(1.7)	(0.8)
Other	18.6	14.2	5.5	1.2
TOTAL	**748.3**	**506.4**	**37.3**	**15.8**

In millions of euros	June 30, 2014	June 30, 2013 restated
Net income	37.3	15.8
Other comprehensive income (OCI) [(a)]	(64.1)	4.5
COMPREHENSIVE INCOME	**(26.8)**	**20.3**

(a) *This change is primarily explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates (See Note 2).*

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

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

The value of the associate in the statement of financial position as of June 30, 2014 was €218 million.

The gain, equal to the difference between the fair value of the interest formerly held in Acea and its initial book value, was recorded in the consolidated income statement for €64.5 million and presented on the line "Scope effects."

In accordance with the provisions of IAS 28, in the next 12 months the Group will achieve a fair value measurement of each of the individual assets and liabilities of Acea. This process will modify the split between goodwill on the one hand and fair values of individual assets and liabilities on the other, without modifying the total amount of the item "Investments in associates" in the statement of financial position.

The summarized financial information at 100% of the Acea Group herafter has been prepared in accordance with IFRS.

Summarized Statement of financial position at 100%

In millions of euros	March 31, 2014 [a]	December 31, 2013
Non-current assets	4,199.0	4,159.2
Current assets	2,166.6	2,265.1
of which Cash and cash equivalents	*398.8*	*563.1*
TOTAL ASSETS	**6,365.6**	**6,424.3**
Shareholders' equity, Group share	1,359.9	1,322.6
Non-controlling interests	86.7	84.2
Total shareholders' equity	**1,446.6**	**1,406.8**
Non-current liabilities	2,923.5	2,929.7
Current liabilities	1,995.4	2,087.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,365.6**	**6,424.3**

(a) *The half-year Acea Group's consolidated financial statements are not available on the date when the Group's interim consolidated financial statements are published.*
In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized financial statements at March 31, 2014 correspond to the most recent financial statements available.

Summarized Income Statement at 100% – first quarter results

In millions of euros	March 31, 2014 [a]	March 31, 2013 [a]
Revenues	780.1	823.1
Gross operating profit	166.0	157.0
Operating profit /(loss)	99.9	89.3
Net income - group share	44.5	36.8
Net income - non-controlling interests	2.3	2.1
Net income	**46.7**	**38.9**
Other comprehensive income (OCI)	(6.7)	(0.9)
Comprehensive income	**40.0**	**38.0**

(a) *The half-year Acea Group's consolidated financial statements are not available on the date when the Group's interim consolidated financial statements are published.*
In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized financial statements at March 31, 2014 correspond to the most recent financial statements available.

For information purposes, the Acea group's 2013 annual revenues amounted to €3.6 billion.

Dividends

In millions of euros	Dividends related to 2013	Dividends related to 2012
Dividends paid by Acea	89.4	63.9

NOTE 8 Financial instruments

8.1 Financial assets

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

	June 30, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	230.4	-	230.4	365.5	-	365.5
Loans and receivables carried at amortized cost	723.6	4,051.1	4,774.7	681.2	3,973.3	4,654.5
Loans and receivables carried at amortized cost (excluding trade and other receivables)	723.6	101.1	824.7	681.2	354.7	1,035.9
Trade and other receivables	-	3,950.0	3,950.0	-	3,618.6	3,618.6
Financial assets measured at fair value	161.0	69.4	230.4	200.2	103.2	303.4
Derivative financial instruments (see Note 8.4)	161.0	5.5	166.5	200.2	11.6	211.8
Financial assets measured at fair value through income	-	63.9	63.9	-	91.6	91.6
Cash and cash equivalents	-	2,189.2	2,189.2	-	2,391.4	2,391.4
TOTAL	**1,115.0**	**6,309.7**	**7,424.7**	**1,246.9**	**6,467.9**	**7,714.8**

8.1.1 Available-for-sale securities

Movements during the period are broken down as follows:

In millions of euros	
AT DECEMBER 31, 2013 RESTATED	**365.5**
Acquisitions	6.8
Net book value of disposals	(0.5)
Changes in fair value posted to equity as other comprehensive income	(0.3) [(a)]
Changes in fair value posted to income statement	(1.5)
Scope effects, exchange rates and other	(139.6) [(b)]
AT JUNE 30, 2014	**230.4**

(a) *The change in fair value is shown excluding the impact of Acea (see Scope effects).*
(b) *Primarily results from the consolidation of Acea under the equity method for an amount of -€145.5 million.*

The value of available-for-sale securities held by the Group amounts to €230.4 million as of June 30, 2014, which is divided between €18.7 million for listed securities and €211.7 million for unlisted securities.

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

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

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

		Post acquisition remeasurement			
In millions of euros	Dividends	Change in fair value	Impact of exchange rates	Impairment	Income/(loss) on disposals
Shareholders' equity [(a)]		(0.3)	-		
Net income	3.0	-		(1.5)	2.4
TOTAL AT JUNE 30, 2014	**3.0**	**(0.3)**	**-**	**(1.5)**	**2.4**
Shareholders' equity [(a)]		60.2	-		
Net income	16.1	-		(1.5)	2.8
TOTAL AT DECEMBER 31, 2013 RESTATED	**16.1**	**60.2**	**-**	**(1.5)**	**2.8**

(a) *Excluding tax impact.*

8.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as of June 30, 2014, as well as their breakdown as "non-current" and "current":

	June 30, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,505.3	2,183.7	9,689.0	7,076.6	2,748.4	9,825.0
Derivative financial instruments (see Note 8.4)	57.5	12.6	70.1	46.2	8.1	54.3
Trade and other payables	-	2,507.9	2,507.9	-	2,724.1	2,724.1
Other financial liabilities	3.2	-	3.2	3.4	-	3.4
TOTAL	**7,566.0**	**4,704.2**	**12,270.2**	**7,126.2**	**5,480.6**	**12,606.8**

8.3 Net debt

8.3.1 Analysis by type of debt net

	June 30, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,344.0	2,172.0	9,516.0	6,977.3	2,653.0	9,630.3
Impact of measurement at amortized cost	26.3	11.7	38.0	3.9	90.6	94.5
Impact of fair value hedge [(a)]	135.0	-	135.0	95.4	4.8	100.2
Borrowings and debts	**7,505.3**	**2,183.7**	**9,689.0**	**7,076.6**	**2,748.4**	**9,825.0**
Debt-related derivatives under liabilities [(b)] (see Note 8.4)	6.7	5.2	11.9	15.4	1.1	16.5
Gross debt	**7,512.0**	**2,188.9**	**9,700.9**	**7,092.0**	**2,749.5**	**9,841.5**
Assets related to financing [(c)]	(2.0)	-	(2.0)	(0.9)	-	(0.9)
Assets related to financing	**(2.0)**	**-**	**(2.0)**	**(0.9)**	**-**	**(0.9)**
Financial assets at fair value through income excluding financial derivative instruments (see Note 8.1)	-	(63.9)	(63.9)	-	(91.6)	(91.6)
Cash and cash equivalents	-	(2,189.2)	(2,189.2)	-	(2,391.4)	(2,391.4)
Debt-related derivatives under assets [(b)] (see Note 8.4)	(146.2)	(4.6)	(150.8)	(162.7)	(9.1)	(171.8)
Net cash	**(146.2)**	**(2,257.7)**	**(2,403.9)**	**(162.7)**	**(2,492.1)**	**(2,654.8)**
Net debt	**7,363.8**	**(68.8)**	**7,295.0**	**6,928.4**	**257.4**	**7,185.8**
Outstanding borrowings	7,344.0	2,172.0	9,516.0	6,977.3	2,653.0	9,630.3
Assets related to financing [(c)]	(2.0)	-	(2.0)	(0.9)	-	(0.9)
Financial assets measured at fair value through income excluding financial derivative instruments (see Note 8.1)	-	(63.9)	(63.9)	-	(91.6)	(91.6)
Cash and cash equivalents	-	(2,189.2)	(2,189.2)	-	(2,391.4)	(2,391.4)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**7,342.0**	**(81.1)**	**7,260.9**	**6,976.4**	**170.0**	**7,146.4**

(a) *This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.*
(b) *This item represents the fair value of debt-related derivatives, regardless of whether or not they are designated as hedges.*
(c) *The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.*

The fair value of borrowings and debts amounted to €11,189.2 million at June 30, 2014, compared with a book value of €9,689.0 million.

The decrease in the current portion of financial debt at June 30, 2014 is primarily explained by the redemption in April 2014 of the €770 million residual nominal amount of the SUEZ ENVIRONNEMENT COMPANY convertible bond issued in April 2009.

On February 27, 2014, SUEZ ENVIRONNEMENT issued bonds including an option to convert and/or exchange them for new or existing SUEZ ENVIRONNEMENT COMPANY shares ("OCEANE"), the main features of which are as follows:

- 19,052,803 OCEANE bonds with a par value of €18.37, *i.e.* a total issue of €350 million;
- the initial conversion ratio is one SUEZ ENVIRONNEMENT COMPANY share for one OCEANE bond;
- the issue price represents a premium of 30% compared with the benchmark price of €14.13 on the day of issue;
- the OCEANE bonds are redeemable at par on maturity on February 27, 2020, and each bondholder has the option to ask for the conversion of their bonds into SUEZ ENVIRONNEMENT COMPANY shares at any time;
- zero-coupon.

Pursuant to IAS 32, the conversion options relating to these OCEANE bonds have been recognized as shareholders' equity instruments amounting to €35.2 million before tax (see Note 4.4.2 for the related tax impact).

8.3.2 Issue of Undated Deeply Subordinated Notes

SUEZ ENVIRONNEMENT COMPANY has issued Undated Deeply Subordinated Notes amounting to €500 million with a coupon of 3.0%. Moreover, SUEZ ENVIRONNEMENT COMPANY has partially redeemed Undated Deeply Subordinated Notes from the tranche issued in 2010, for which the par value was €300 million.

As was the case for the 2010 issue, this new issue is not recognized in financial debt, as it satisfies the conditions for recognition in shareholders' equity provided for by IAS 32.

8.3.3 Commercial paper issue

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up €1,500.0 million. At June 30, 2014, the outstanding notes totaled €1,067.8 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, 2014, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

8.3.4 Assignment of receivables

8.3.4.1 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 new securitization program, which is known as a "deconsolidation" program, was the subject of an initial assignment of receivables on June 26, 2012 for the assigning companies in the Sita France consolidation scope. On November 23, 2012, the assigning companies in the Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland consolidation scopes added to this new sub-fund for the first time.

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

The main characteristics of the program are as follows:

(a) a compartment dedicated to the Group's receivables was created within a SPV, called Fonds Commun de Titrisation (or FCT);

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

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

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

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

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

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

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

(f) set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At June 30, 2014, this security deposit had not yet been formed;

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

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

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

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

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

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

Accounting treatment

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

According to IAS 39 and based on the terms of the 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, 2014

In millions of euros		
Total of receivables sold over the period	1,200.2	
Loss arising from sale over the period	(15.8)	(b)
Remuneration for CC1	0.5	(c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	5.9	(d)
Outstanding receivables transferred as of June 30, 2014	411.5	(a)
Book value of CC1 as of June 30, 2014	32.8	(e)
Fair value of CC1	32.8	
Book value of CC2	*	
Residual maturity of CC1	35 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**369.3**	**(a) + (b) + (c) + (d) - (e)**

* *No security deposit known as "CC2" had been formed as of June 30, 2014; payment of this deposit is subject to the conditions described above.*

8.3.4.2 DISCOUNTED ASSIGNMENT OF RECEIVABLES

As part of Public-Private Partnerships, the subsidiaries may assign the portion of future payments guaranteed by local authorities and/or private clients (which are recognized as financial receivables in accordance with IFRIC 12) to the organizations that finance projects, via discounted assignment programs.

The assignment agreements arranged and the contractual clauses between stakeholders enable compliance with the deconsolidation criteria specified by IAS 39.

A first discounted assignment transaction was performed during the first half of 2014, which involved the deconsolidation of a concession receivable amounting to €211.7 million.

8.3.5 Change in net debt

During the first half of 2014, net debt increased by €109.2 million, primarily for the following reasons:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €339.2 million (tax of €9.9 million included);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to €129.1 million;

Partially offset by:

- a transaction involving the assignment of a financial concession receivable on the date when the infrastructure was commissioned, which enabled the simultaneous deconsolidation of the receivable and of the financial debt from the statement of financial position in an amount of €211.7 million;
- the increase in the balance of undated deeply subordinated notes at June 30, 2014 compared with January 1, 2014, which resulted in a €171.8 million decrease in financial debt, after taking into account in the €10.8 million coupon paid over the period (refer to Note 2).

8.3.6 Debt/equity ratio

In millions of euros	June 30, 2014	December 31, 2013 restated
Net debt	7,295.0	7,185.8
Total equity	6,951.3	6,950.5
Debt/equity ratio	**104.9%**	**103.4%**

8.4 Derivative financial instruments

Derivative financial assets

	June 30, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	146.2	4.6	150.8	162.7	9.1	171.8
Derivatives hedging commodities	-	0.5	0.5	-	0.1	0.1
Derivatives hedging other items	14.8	0.4	15.2	37.5	2.4	39.9
TOTAL (see Note 8.1)	**161.0**	**5.5**	**166.5**	**200.2**	**11.6**	**211.8**

Derivative financial liabilities

	June 30, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	6.7	5.2	11.9	15.4	1.1	16.5
Derivatives hedging commodities	-	0.2	0.2	-	0.3	0.3
Derivatives hedging other items	50.8	7.2	58.0	30.8	6.7	37.5
TOTAL (see Note 8.2)	**57.5**	**12.6**	**70.1**	**46.2**	**8.1**	**54.3**

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

8.5 Fair value of financial instruments by level

8.5.1 Financial assets

Available-for-sale securities

Listed securities are recognized in the consolidated statement of financial position at fair value for €18.7 million at June 30, 2014. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at €211.7 million at June 30, 2014 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As of June 30, 2014, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros	
AT DECEMBER 31, 2013 RESTATED	**199.2**
Acquisitions	6.8
Disposals	(1.1)
Gains and losses posted to equity	1.1
Gains and losses posted to income	(0.9)
Scope effects, exchange rates and other	6.6
AT JUNE 30, 2014	**211.7**

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. The net value of other unlisted securities is not of a significant uniform amount that would have to be presented separately.

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) amounting to €824.7 million at June 30, 2014, may contain elements that contribute to a fair value hedging relationship. At June 30, 2014, no hedges were put in place.

For the record, when a hedge is put in place, the fair value of the hedged item is considered to be Level 2, as calculated from observable interest and exchange rates.

Derivative financial instruments

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options, and currency swaps. It is recognized at its fair value at June 30, 2014 for €166.5 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

Financial assets measured at fair value through income

Financial assets measured at fair value through the income statement amounting to €63.9 million at June 30, 2014, determined based on observable data, are considered Level 2.

8.5.2 Financial liabilities

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

	June 30, 2014				December 31, 2013 restated			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings and debts	**11,189.2**	**5,297.7**	**5,891.5**		**10,930.5**	**5,500.4**	**5,430.1**	
Derivative financial instruments	**70.1**		**70.1**		**54.3**		**54.3**	
Debt-related derivates	11.9		11.9		16.5		16.5	
Derivatives hedging commodities	0.2		0.2		0.3		0.3	
Derivatives hedging other items	58.0		58.0		37.5		37.5	
TOTAL	**11,259.3**	**5,297.7**	**5,961.6**	-	**10,984.8**	**5,500.4**	**5,484.4**	-

Borrowings and debts

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

Derivative financial instruments

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

8.6 Offsetting of derivative assets and liabilities

The net amount of financial derivatives, after taking into account legally enforceable master netting agreements or similar agreements, whether or not offset in accordance with paragraph 42 of IAS 32, is presented in the table below:

	June 30, 2014				December 31, 2013 restated			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
In millions of euros	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross Amount [(a)]	166.0	(69.9)	0.5	(0.2)	211.7	(54.0)	0.1	(0.3)
VALUE AFTER OFFSETTING	**152.6**	**(56.5)**	**0.5**	**(0.2)**	**199.1**	**(41.4)**	**-**	**(0.2)**

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

NOTE 9 Management of risks arising from financial instruments

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

The risk management policy is described in Note 13 to the consolidated financial statements as at December 31, 2013.

9.1 Market risks

9.1.1 Commodity market risks

9.1.1.1 HEDGING OPERATIONS

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

9.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

The fair values of derivative instruments linked to commodities at June 30, 2014 and at December 31, 2013 are presented in the table below:

	June 30, 2014				December 31, 2013 restated			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Cash flow hedges	0.5	-	0.2	-	0.1	-	0.3	-
TOTAL	**0.5**	**-**	**0.2**	**-**	**0.1**	**-**	**0.3**	**-**

9.1.2 Currency risk

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

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

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

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

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

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

Changes in exchange rates against the euro only affect income through gains and losses on assets and liabilities denominated in a currency other than the reporting currency of the companies carrying them on their statement of financial position, and to the extent that these assets and liabilities do not qualify as net investment hedges. A uniform more or less 10% change in exchange rates would generate a loss or a gain of €2.9 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 €111.2 million. This impact is offset by a counter effect on the net investment in the hedged currency.

9.1.3 Interest rate risk

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

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

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

9.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE

To improve the understanding of the Group's exposure to market fluctuations, a third category of debt has been created in addition to fixed-rate and floating-rate debt, *i.e.* inflation-linked debt. This last category, which was previously added to the fixed-rate category, corresponds exclusively to securities issued by Aguas Andinas in Chile. It involves fixed-rate bonds denominated in Unidad de Fomento (a Chilean monetary unit adjusted for inflation).

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

Outstanding borrowings

	June 30, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	29%	36%	24%	39%
Fixed rate	62%	55%	67%	52%
Fixed rate indexed to inflation	9%	9%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	June 30, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	6%	15%	-3%	17%
Fixed rate	82%	73%	91%	71%
Fixed rate indexed to inflation	12%	12%	12%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**

9.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of more or less 1% compared with interest rates at June 30, 2014.

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 €19.4 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 €0.1 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 €9.5 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 €10.8 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

9.2 Counterparty risk

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

9.2.1 Operating activities

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

Trade and other receivables	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2014	161.8	20.8	45.1	227.7	317.2	3,649.9	4,194.8
At December 31, 2013 restated	202.5	22.0	69.1	293.6	352.8	3,199.2	3,845.6

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

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

9.2.2 Financial activities

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

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

Loans and receivables carried at amortized cost (excluding trade and other receivables)	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2014	-	1.4	4.1	5.5	105.3	785.0	895.8
At December 31, 2013 restated	2.6	1.6	7.8	12.0	114.7	982.7	1,109.4

(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, €70.8 million and €0.3 million as at June 30, 2014. The change in these items is presented in Note 8.1.

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

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

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

At June 30, 2014, the Group's total available cash (consisting of cash and cash equivalents and financial assets at fair value through income) represents €2,253.1 million.

At June 30, 2014, "cash and cash equivalents" as well as derivative financial instruments are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

	June 30, 2014				December 31, 2013 restated			
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	2,327.0	91%	2%	7%	2,591.3	94%	4%	2%

(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.*

9.3 Liquidity risk

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

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, 2014, these confirmed credit facilities amounted to €2,755.8 million, including €2,521.3 million in available and undrawn credit lines.

64% of total credit lines and 69% 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, 2014, the outstanding notes totaled €1,067.8 million.

As of June 30, 2014, bank funding accounted for 12% of gross financial debt (excluding bank overdrafts and current accounts, as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 71% and commercial papers for 12%) represented 83% of outstanding borrowings (excluding bank overdrafts and current accounts).

At June 30, 2014, cash and cash equivalents (€2,189.2 million) and qualifying financial assets recognized at fair value through income (€63.9 million), net of bank overdrafts and current accounts (€760.2 million), amounted to €1,492.9 million.

At June 30, 2014, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

In millions of euros	Total	2014	2015	2016	2017	2018	Beyond 5 years
Bonds issues	6,179.7	20.1	45.8	89.8	466.3	197.1	5,360.6
Commercial paper	1,067.8	1,067.8	-	-	-	-	-
Draw downs on credit facilities	234.5	55.7	66.4	52.0	4.4	-	56.0
Borrowings under finance leases	369.6	24.5	47.8	45.5	46.5	75.2	130.1
Other bank borrowings	805.7	92.3	117.1	113.0	144.7	191.6	147.0
Other borrowings	98.5	11.5	14.4	9.2	9.7	7.7	46.0
Overdrafts and current accounts	760.2	760.2					
Outstanding borrowings	**9,516.0**	**2,032.1**	**291.5**	**309.5**	**671.6**	**471.6**	**5,739.7**
Financial assets relating to financing	(2.0)	-	-	-	-	-	(2.0)
Financial assets measured at fair value through income	(63.9)	(63.9)	-	-	-	-	-
Cash and cash equivalents	(2,189.2)	(2,189.2)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,260.9**	**(221.0)**	**291.5**	**309.5**	**671.6**	**471.6**	**5,737.7**

As of June 30, 2014, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	Total	2014	2015	2016	2017	2018	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,082.2	141.3	336.5	328.1	314.2	282.6	1,679.4

At June 30, 2014 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	2014	2015	2016	2017	2018	Beyond 5 years
Derivatives (excluding commodities)	(97.7)	24.2	(16.3)	(24.7)	(20.1)	(17.0)	(43.9)

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	2014	2015	2016	2017	2018	Beyond 5 years
Confirmed undrawn credit facilities	2,521.3	226.8	177.7	424.5	154.5	-	1,537.8

As of June 30, 2014, no counterparty represented more than 9% of confirmed unused credit facilities.

NOTE 10 Non-controlling interests

SUEZ ENVIRONNEMENT fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 75.4%.

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

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

Aguas Andinas is therefore fully consolidated within the SUEZ ENVIRONNEMENT Group with a percentage of interest of 21.4%.

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

Summarized financial information on the Agbar Group (at 100%) appears below in accordance with IFRS.

Summarized Statement of financial position at 100%

In millions of euros	June 30, 2014	December 31, 2013
Non-current assets	4,400.2	4,520.3
Current assets	1,142.8	1,137.2
of which Cash and cash equivalents	*325.4*	*209.8*
TOTAL ASSETS	**5,543.0**	**5,657.5**
Shareholders' equity, Group share	1,918.8	1,948.9
Non-controlling interests [(a)]	734.8	753.4
Total shareholders' equity	**2,653.6**	**2,702.3**
Non-current liabilities	1,727.8	1,717.0
Current liabilities	1,161.6	1,238.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,543.0**	**5,657.5**

(a) *Primarily in Aguas Andinas.*

Summarized Income Statement at 100%

In millions of euros	June 30, 2014	June 30, 2013
Revenues	1,022.7	972.9
Current operating income	196.7	190.2
Net income - group share	57.4	57.7
Net income - non-controlling interests	69.5	76.4
Net income	**126.9**	**134.1**
Other comprehensive income (OCI)	(42.4)	(55.7)
Comprehensive income	**84.5**	**78.4**

Dividends

In millions of euros	Dividends related to 2013	Dividends related to 2012
Dividends paid by Agbar	80.0	80.0

The contribution of the Agbar Group to "non-controlling interests" reaches €1,557.5 million out of a total of €1,971.1 million at June 30, 2014, versus €1,597.0 million out of a total of €1,998.9 million at December 31, 2013.

This contribution of €1,557.5 million was primarily the result of:

- a 24.6% non-controlling interest in the Agbar Group; and
- a 78.6% non-controlling interest in Aguas Andinas in Chile.

NOTE 11 Provisions

In millions of euros	December 31, 2013 restated	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	June 30, 2014
Post-employment benefit obligations and other long-term benefits	576.3	17.6	(18.7)	(3.1)	1.7	10.4	0.9	36.8	621.9
Sector-related risks	113.4	3.7	(0.8)	-	8.2	-	0.2	(2.3)	122.4
Warranties	24.8	1.0	(3.6)	(0.2)	-	-	0.1	1.1	23.2
Tax risks, other disputes and claims	143.7	12.9	(9.4)	(0.3)	0.1	-	0.5	4.1	151.6
Site restoration	552.4	17.4	(14.4)	-	-	9.4	6.3	-	571.1
Restructuring costs	48.7	2.2	(25.1)	-	-	-	(0.2)	1.2	26.8
Other contingencies	309.8	31.7	(50.1)	-	1.9	3.4	8.2	1.2	306.1 [(b)]
TOTAL PROVISIONS	**1,769.1**	**86.5**	**(122.1)**	**(3.6)**	**11.9**	**23.2**	**16.0**	**42.1**	**1,823.1**

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

(b) *Provisions for "other contingencies" include a provision for the fair value of onerous contracts for €119.7 million in 2014 versus €115.3 million in 2013, following the acquisition of WSN by Sita Australia. This variation is mainly due to exchange effects.*

For the first half of 2014, the variation of total provisions mainly derived from:

- the decrease in provisions for restructuring costs of -€ 21.7 million excluding exchange rate impact;
- the increase in provisions for post-employment and other long-term benefits of +€34.3 million. This variation takes into account +€36 million of actuarial gains 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 hereafter;
- the translation adjustments of +€16.0 million, which are primarily generated by the Australian, and British subsidiaries;
- the +€23.2 million impact of unwinding discount adjustments related to provisions for site restoration, post-employment benefit obligations and other long-term benefits, and onerous contracts.

The allowances, reversals and the impact of unwinding discount adjustments presented above are broken down as follows in the consolidated income statement as at June 30, 2014:

In millions of euros	(Reversals)/net allowances
Income from operating activities	(38.5)
Other financial income and expenses	23.2
Income tax expense	(0.7)
TOTAL	**(16.0)**

NOTE 12 Share-based payments

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

In millions of euros	(Expense) for the period	
	June 30, 2014	June 30, 2013 restated
Stock-option plans [(a)]	0.4	(2.6)
Bonus share plans [(a)]	2.5	(1.5)
Worldwide financial incentive scheme	(5.2)	(8.4)
Employees share issues [(b)]	(3.9)	(0.3)
TOTAL	**(6.1)**	**(12.8)**

(a) *The positive amounts presented for the stock-option plans and the Bonus share plans are due to the non-achievement of performance conditions on the 2010 and 2012 plans.*

(b) *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 2014 are disclosed in Note 21 to the consolidated financial statements at December 31, 2013 in the SUEZ ENVIRONNEMENT COMPANY Reference Document.

12.1 Capital increase reserved for Group employees

During the first half of 2014, SUEZ ENVIRONNEMENT launched its second global employee shareholding plan, called Sharing. This employee share issue program is part of the policy to increase employee shareholding and strengthen the relationship between SUEZ ENVIRONNEMENT and its employees by offering them the possibility of being more closely associated with the Group's growth and performance. Two formulas were offered:

- a "Classic" formula, which includes a discount and employer contribution, in which the subscriber is exposed to movements in the share price. In France, employees benefited from matching shares as part of the Company shareholding plan. Outside France, matching shares took the form of a bonus share allocation. In the United Kingdom, a Share Incentive plan (SIP) was implemented alternatively. It allowed employees to subscribe at the lowest share price between the share price measured on May 19 and the one measured on July 18, 2014 while benefiting from matching shares as well;
- a "Multiple" formula, which allows employees to benefit from a leverage effect to supplement their personal contribution as well as a discounted subscription price. A swap agreement with the bank that structures the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed minimum return. In some countries (especially in the United States), the "Multiple" formula was adapted to local laws and Share Appreciation Rights were granted as an alternative.

12.1.1 Accounting impact of the employee share issue and of the matching shares in France

The subscription price for the plan was defined as the SUEZ ENVIRONNEMENT COMPANY average opening share price over the 20 trading days preceding the date of the CEO's decision to start the subscription/rejection period, less 20%, which was €11.94.

Pursuant to IFRS 2, an expense is recognized in the books of SUEZ ENVIRONNEMENT against equity. With respect to discount, the cost of the Classic and Multiple plans corresponds to the difference between the fair value of the subscribed share and the subscription price. The fair value takes into account the 5-year lock-in period required by French law, as well as, for the "Multiple" formula, the opportunity gain implicitly borne by SUEZ ENVIRONNEMENT COMPANY in allowing its employees to benefit from more advantageous pricing than they could obtain as ordinary private investors. The fair value of the matching shares under the employer contribution in France has been calculated using the method described in Note 1.5.14 to the consolidated financial statements as of December 31, 2013. In this case, the shares are delivered immediately with no vesting period, but are subject to a 5-year lock-in period.

The following assumptions were used:

- 5-year risk-free interest rate: 0.70%;
- retail banking spread: 4.00%;
- financing rate for an employee: 4.70%;
- cost of securities lending: 0.50%;
- volatility spread: 6.00%.

Therefore, an expense of -€3.2 million has been booked on the first half of 2014 since the benefit granted by the Group to subscribing employees was already known at June 30, 2014 (value of the benefit per share and number of shares subscribed).

The capital increase itself was achieved on July 21, 2014.

		Sharing Classic	Sharing Multiple	Matching shares in France	Total
Amount subscribed *(€ millions)*		10.4	88.9	-	99.3
Number of shares subscribed *(millions)*	*(a)*	0.9	7.4	0.2	8.5
Gross value of the employee benefit *(€/share)*		3.0	3.0	14.4	
Lock-in cost for the employee (€/share*)*		(3.6)	(3.6)	(3.5)	
Measure of opportunity gain *(€/share)*		-	0.8	-	
Total benefit granted to employees (€/share *subscribed)*	*(b)*	-	0.2	10.9	
Total expense	**- *(a)* x *(b)***	**-**	**(1.4)**	**(1.8)**	**(3.2)**

12.1.2 Accounting impact of the share incentive plan (SIP) in the United Kingdom

According to the SIP rules, the CEO of SUEZ ENVIRONNEMENT COMPANY set the subscription price at €13.60 on July 18, 2014. Since the benefit granted by the Group to subscribing employees was not known at June 30, 2014 (value of the benefit per share), no expense was recognized on the SIP plan in the first half of 2014.

The number of shares reserved on June 30, 2014 as part of the SIP plan is 0.2 million.

12.1.3 Accounting impact of matching shares outside of France and the United Kingdom

The matching shares overseas (excluding France and the United Kingdom) will take the form of a bonus share allocation. Vesting is subject to five years' service within the Group after the grant date (July 29, 2014). In accordance with IFRS 2, expense will be amortized on the vesting period.

Since the benefit granted by the Group to subscribing employees was not known at June 30, 2014, no expense was recognized on matching shares overseas in the first half of 2014.

12.1.4 Accounting impact of share appreciation rights (SAR)

In some countries (especially in the United States), the "Multiple" plan takes the form of an alternative mechanism called "Share Appreciation Rights" (SARs). Employees benefit from a multiplier on the performance of SUEZ ENVIRONNEMENT COMPANY shares that is paid in cash at the end of a 5-year period. The resulting debt to employees is covered by warrants issued by the bank in charge of structuring the operation.

In that context, the equivalent of 0.4 million shares were subscribed by the employees at June 30, 2014.

In accordance with IFRS 2, expense will be amortized on the vesting period.

However, since the benefit granted by the Group to subscribing employees was not known at June 30, 2014, no expense was recognized on SARs in the first half of 2014.

NOTE 13 Legal and arbitration proceedings

13.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €151.6 million as of June 30, 2014 (excluding litigation in Argentina).

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

Litigation in Argentina

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

In 2003, Suez – now 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. 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 USD40 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 USD6.1 million and USD3.8 million respectively.

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

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

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

The reports on the Buenos Aires and Santa Fe concessions were presented by the expert to the ICSID respectively in September 2013 and in April 2014. The proceedings are ongoing.

13.2 Tax litigation

Sociedad General de Aguas de Barcelona

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

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

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

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

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

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

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

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

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

NOTE 14 Related party transactions

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

Only material transactions are described below.

14.1 Transactions with GDF SUEZ and related entities

In millions of euros	June 30, 2014	December 31, 2013	June 30, 2013
Transactions with GDF SUEZ:			
Purchases/sales of goods and services	(0.9)	(5.1)	(5.6)
Non financial payables	21.1	26.5	23.8
Non financial receivables	0.8	1.1	1.2
Receivables carried at amortized cost [(a)]	22.9	22.9	24.2
Transactions with companies linked to GDF SUEZ:			
Purchases/sales of goods and services	(1.2)	(5.4)	(3.7)
Financial income	-	10.1	11.2
Financial expenses	-	(1.6)	(2.9)
Non financial receivables	28.8	31.5	31.3
Non financial payables	2.1	7.8	4.9
Borrowings excluding financial instruments	-	2.1	1.1
Commodity derivatives (Liabilities)	0.2	0.3	0.5
Net cash	-	-	7.6
Guarantees and commitments given	0.4	0.4	-

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

14.2 Transactions with joint ventures and associates

There are no significant transactions or commitments involving joint ventures or associates in the first half of 2014.

NOTE 15 Subsequent event

On July 17, 2014, SUEZ ENVIRONNEMENT entered into a Master Agreement with Criteria CaixaHolding ("*La Caixa*" Group) in order to buy the remaining 24.14% stake in Agbar, in exchange of a mix of new SUEZ ENVIRONNEMENT COMPANY shares to be issued and cash.

The transaction includes:

- the purchase of the 24.14% remaining stake in Agbar by SUEZ ENVIRONNEMENT;
- a payment by SUEZ ENVIRONNEMENT through a mix of 22 million new shares to be issued (which represent 4,1% of the capital) and cash for 299 million euros.

In parallel, "*La Caixa*" Group will use the cash received to acquire:

- from Agbar, a 15% stake in the company operating the water and wastewater contract of the Barcelona metropolitan area, Aigües de Barcelona;
- from SUEZ ENVIRONNEMENT, a 14.5% stake in Aguas de Valencia;
- additional SUEZ ENVIRONNEMENT COMPANY existing shares in the market to reinforce its stake, with the intention to reach up to 7% of the capital in the near term.

With a lock-up period of 4 years, "*La Caixa*" Group will then become the second largest shareholder of the Group. Thereby, a representative of "*La Caixa*" Group will join SUEZ ENVIRONNEMENT COMPANY Board (subject to financial participation above 5%) and will also sit at its Strategy Committee.

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris, July 30, 2014

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2014 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 2014.

The Statutory Auditor's Report on their review of the above-mentioned interim condensed consolidated financial statements, presented in chapter 7 of this Interim Financial Report, contains an observation that does not put their opinion into question. This observation outlines the impact, from January 1, 2014, of the new standards and amendments whose application is mandatory and of the voluntary application of the recommendation issued by the French accounting standards authority (*Autorité des normes comptables*) on April 4, 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 review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1 to June 30, 2014;
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying the conclusion expressed above, we draw your attention to notes 1.3.1 "Accounting policies applied by the Group starting January 1, 2014" and 1.3.3 "Impact of the first application of the new consolidation standards (IFRS 10, IFRS 11, IFRS 12, and IAS 28 revised)" to the condensed half-yearly consolidated financial statements, which outline the impact of new standards and amendments whose application is mandatory and of the voluntary application by your Group of the April 4, 2013 recommendation issued by the French accounting standards authority (*Autorité des normes comptables*).

2. Specific verification

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

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

Courbevoie and Paris-La-Défense, July 30, 2014

The Statutory Auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Gonzague Senlis	Isabelle Massa	Charles-Emmanuel Chosson	Jean-Pierre Letartre

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

SUEZ ENVIRONNEMENT COMPANY

Limited company with capital
of €2,072,935,316
Tour CB21 – 16, place de l'Iris
92040 Paris La Défense, France
Tel. +33 (0)1 58 81 20 00
Fax +33 (0)1 58 81 25 00

433.466.570 R.C.S. Nanterre

www.suez-environnement.com

MAKING THE PLANET SUSTAINABLE IS THE BEST JOB ON EARTH

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