INTERIM **FINANCIAL REPORT** AT JUNE 30, **2010**

CONTENT

1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

For the first half of 2010, SUEZ ENVIRONNEMENT posted strong and growing results.

The Group reported revenues of €6,597 million, up 12.3%, with all three of its divisions contributing to this growth. EBITDA also rose during the period, by 9.6% to €1,042 million, with continued gains in efficiency, and the EBITDA margin came to 15.8%. Net income, Group share reached €386 million, far ahead of the €175 million posted in the first half of 2009. At June 30, 2010, free cash flow was up, at €457 million, and net debt totaled €8,291 million, after a significant impact of unfavorable exchange rates.

Having demonstrated the resilience of its economic model in 2009, SUEZ ENVIRONNEMENT's results showed very strong growth in the first half of 2010, marked by a sharp increase in international activity and reflecting sustained commercial momentum in both water and waste. In waste, the prices of secondary raw materials increased significantly in the first half of 2010, but volumes remained stable overall. The Group remained focused on its policy of innovation and optimization while maintaining efforts to expand its business. Its dynamism is illustrated by new contracts and renewals such as those for water services in France (in Saint-Dizier and Strasbourg) and in Spain (in Ponferrada and La Oliva). In waste, SITA UK obtained an extension to the municipal contract with Aberdeenshire for a period of 20 years and total revenues of £200 million. It was also selected as preferred bidder by the county of Suffolk for a 25-year PFI contract worth £1 billion in revenues. Internationally, Degrémont signed numerous contracts, including in Mapocho, Chile (wastewater treatment plants, 5 years, €260 million), Panama (4 years, €80 million), and Saidabad, Bangladesh (DBO, water treatment plant, 5½ years, €90 million), and is continuing construction of the desalination plant in Melbourne, Australia. In China, SUEZ ENVIRONNEMENT signed a new 30-year concession contract (with a possible 20-year extension) for the treatment of industrial wastewater from the Chongqing Changshou industrial and chemical park. In the US, United Water won a 10-year DBO contract worth €73 million for wastewater collection and treatment facilities in the city of East Providence, Rhode Island.

This semester was also marked by the finalization of steps to unwind joint investments in the water sector in France and by the friendly takeover of Agbar. In early June, SUEZ ENVIRONNEMENT finalized this transaction, which was first announced in October 2009. With this strategic move, the Group has established a second pillar in the European water sector. It now holds a 75.01% stake in Agbar, and has taken over its water and environmental activities. Agbar's consolidation into SUEZ ENVIRONNEMENT makes strong business sense. It allows SUEZ ENVIRONNEMENT to consolidate its position in attractive markets – in Spain and internationally – through a balanced portfolio of assets. The combined strengths of Agbar and SUEZ ENVIRONNEMENT will make it possible to generate commercial synergies and share know-how and technological expertise in areas such as seawater desalination, R&D and management of services to local authorities.

Based on strong first half results and with the Agbar takeover completed in early June, SUEZ ENVIRONNEMENT is raising its 2010 objectives for year-end revenues to at least a 7% growth over 2009 at constant exchange rates, and for EBITDA to at least a 9% increase at constant exchange rates.

By 2012, SUEZ ENVIRONNEMENT's objective remains a net debt/EBITDA ratio of about 3x due to the COMPASS 2 program and its pursuit of selective investments.

SUEZ ENVIRONNEMENT confirms its long-term strategy, based on a balanced portfolio of assets, and water and waste activities that are central to environmental challenges and the burgeoning circular economy. The Copenhagen Summit served to heighten awareness about climate change. Our customers – whether municipal, commercial or industrial – are now looking for ways to combine quality services with environmental performance. By developing innovative green proposals for sustainable resource management, SUEZ ENVIRONNEMENT is taking a clear lead in the growth markets of water and waste management that address both the essential needs of communities and urgent environmental concerns."

Jean-Louis Chaussade

2 KEY FIGURES FOR THE FIRST SEMESTER OF 2010

The table below shows extracts of the income statements, statements of financial positions and statements of cash flows from the condensed consolidated financial statements for the semesters ended June 30, 2010 and June 30, 2009. The following financial information should be read in conjunction with the condensed consolidated financial statements and the Interim Management Report which follow.

(in millions of euros)	**June 30, 2010**	**June 30, 2009**
Revenues	6,597	5,872
EBITDA	1,042	951
EBITDA margin	15.8 %	16.2 %
Net income Group share	386	175
Free cash flow(*)	457	428
Net debt	8,291 *at June 30, 2010*	6,282 *at December 31, 2009*

(*) Before disposals and development capital expenditures.

3 HIGHLIGHTS – 2010 CONTRACTS

JANUARY 2010

France. Degrémont won a contract for the design, construction and 2-year operational support of the future wastewater treatment plant in Évreux (Eure). The contract represents cumulative revenues of €42 million.

France. SITA France renewed a contract with the SICTRM waste management authority in Vallée du Loing (Seine-et-Marne), for household waste collection. This 5-year contract represents cumulative revenues of €20 million.

France. Lyonnaise des Eaux renewed a contract with the town of Gif-sur-Yvette (Essonne) for drinking water supply and distribution. The contract includes works to reinforce pipelines and rehabilitate lead pipe connections. This 14-year contract represents cumulative revenues of €21 million.

FEBRUARY 2010

France. SITA France signed a contract with the Communauté Urbaine Marseille Provence Métropole (Bouches-du-Rhône) for the transfer and sorting of recyclable household waste. This 4-year contract represents cumulative revenues of €12 million.

France. SITA France won the contract to operate the energy recovery facility in Etoile sur Rhône (Drôme). The 6-year contract with SYTRAD (Ardèche-Drôme waste management authority), represents cumulative revenues of €28 million.

Germany. SITA Germany signed a contract with the municipality of Zollernalbkreis for the collection and transportation of residual and organic waste. This 8-year contract represents cumulative revenues of €13 million.

Bangladesh. Degrémont signed a DBO (Design, Build and Operate) contract for a water treatment plant in Saidabad, in the Dhaka region. The contract involves extension of the existing plant to achieve production of 450,000 cubic meters of drinking water per day. This 5½-year contract represents cumulative revenues of €90 million.

Spain. Agbar signed a 50-year contract for wastewater collection and treatment with the city of La Oliva. This contract represents cumulative revenues of €64 million.

MARCH 2010

US. United Water won a 10-year DBO contract generating cumulative revenues of €73 million for wastewater collection and treatment facilities in the city of East Providence, Rhode Island. United Water operates the facilities and has operational responsibility for the system and for compliance of the treatment facilities and processes.

Russia. Degrémont signed a contract with Evrasiyskiy, a leading private Russian company in the infrastructure industry, to build a sewage sludge incineration plant in the region of Rostov-on-Don. This contract represents an investment of €35 million.

India. Degrémont signed a DBO contract for the extension of a water treatment plant located at the TK Halli reservoir. With a capacity of 600,000 cubic meters per day, the plant will supply drinking water for nearly 3 million people in Bangalore. The contract, with a term of 2 years for the plant's design and construction and 7 years for its operation and maintenance, represents cumulative revenues of €35 million.

Spain. Agbar renewed a contract with the city of Ponferrada to supply drinking water and treat wastewater for a capacity of 69,000 population equivalent. This 25-year contract represents cumulative revenues of €137 million.

APRIL 2010

France. Lyonnaise des Eaux renewed two delegation of public services contracts for water and wastewater treatment with the Porte de l'Isère metropolitan authority. With a term of 28 years, the contracts represent cumulative revenues of €28 million. The wastewater treatment contract includes the operation of a wastewater treatment plant for a 120,000 population equivalent. The plant is currently under construction, and will have an incinerator for sludge treatment.

Chile. A consortium composed of Agbar (51%) and Degrémont (49%) signed a €260 million contract with Aguas Andinas to extend the wastewater treatment plant at Mapocho in the Santiago Valley and operate it during 5 years. The contract also provides for the modernization of the facility to permit energy recovery from sewage sludge.

Panama. Degrémont, in a consortium with the Brazilian construction company Odebrecht, signed a contract with the Health Ministry of Panama for the design, construction and 4-year operation of an urban wastewater treatment plant for the capital city. This contract represents cumulative revenues of €80 million for Degrémont.

Brazil. Degrémont and Ondeo Industrial Solutions (OIS), together with the EGESA-TKK consortium which is heading up construction of the twelfth Petrobras refinery in northeast Brazil, signed a contract to design and build a treatment and recycling plant for residual process water from the new facility. This contract represents cumulative revenues of €49 million for Degrémont.

MAY 2010

France. Lyonnaise des Eaux signed a 12-year contract to manage the drinking water system for the city of Saint-Dizier (Haute-Marne). The contract, which incorporates technological solutions for water resource preservation, represents cumulative revenues of €16 million.

Malta. IBM selected Ondeo Systems to outfit the 250,000 water meters for Malta's 400,000 inhabitants with automatic meter reading (AMR) technology. This is the largest AMR contract in Europe.

China. Through its subsidiary Sino French Water, and working closely with Chongqing Water Group and Changshou Chemical Industrial Park Development and Construction Company Ltd., SUEZ ENVIRONNEMENT was awarded a new 30-year concession contract (with a possible 20-year extension) for the treatment of industrial wastewater from the Chongqing Changshou industrial and chemical park.

United Kingdom. SITA UK was selected as preferred bidder by the county of Suffolk for a 25-year Private Finance Initiative (PFI) contract to manage the county's household waste. The contract has a total estimated value of £1 billion. It involves the construction and operation of an energy recovery plant with a capacity of 269,000 tons per year and the production of electricity for the equivalent of 30,000 homes.

JUNE 2010

United Kingdom. SITA UK renewed its waste treatment contract with Aberdeenshire. The 15-year contract (with a possible 5-year extension) represents cumulative revenues of £200 million. It provides for the development of a new site to allow better recovery of energy from waste and reduce the volume of waste being landfilled.

Spain. On June 8, 2010, SUEZ ENVIRONNEMENT, alongside its historical partner Criteria CaixaCorp. (Criteria), finalized the acquisition of Agbar, announced in October 2009. With this strategic move, SUEZ ENVIRONNEMENT has established a second pillar in the European water market.

Under the agreement with Criteria, SUEZ ENVIRONNEMENT now holds a 75.01% stake in Agbar and has taken over its water and environmental activities.

JULY 2010

France. Lyonnaise des Eaux signed a contract with the Communauté Urbaine of Strasbourg for the operation of a wastewater treatment plant with total recovery of by-products and sludge. This 8-year contract represents cumulative revenues of €93 million.

France. SITA France won the contract to operate the household waste incineration plant in the city of Ivry-sur-Seine (Val-de-Marne). This unit, one of the largest in Europe with a processing capacity of 665,000 tons per year, processes household waste from 15 municipalities in the Paris area and 12 *arrondissements* in Paris, serving more than 1.2 million inhabitants. This contract represents annual revenues of €30 million over a total of 6 years.

Spain. Agbar signed a new concession contract for drinking water distribution with the city of Calvia, Mallorca. This 50-year contract represents cumulative revenues of €980 million.

SUEZ ENVIRONNEMENT. The ICSID [1] confirms Argentina's liability for terminating the water and wastewater contracts for the city of Buenos Aires and the state of Santa Fe.

(1) ICSID: International Centre for Settlement of Investment Disputes.

4 INTERIM MANAGEMENT REPORT

In a still adverse economic environment, SUEZ ENVIRONNEMENT achieved strong growth in its business, with revenues rising 12.3% in the first half of 2010. Aside from the positive impact of exchange rates and scope effects, this increase was mainly the result of high organic growth (up 8.8%) which the three operating segments contributed to.

This rise in revenues was accompanied by a 9.6% increase in **EBITDA** and an 11% jump in **current operating income (EBIT)** (respectively up 7.2% and 7.3%, excluding exchange rate impact).

Net income Group share came to €386 million. In addition to the growth in EBIT, this €212 million increase over 2009 largely reflects gains on disposal and remeasurement of assets (under the revised IFRS 3) related to business combinations in the first half of 2010 (i.e. the unwinding of joint investments in the water sector in France and the friendly takeover of Aguas de Barcelona).

Free cash flow before disposals and development capital expenditures stood at €457 million, an increase of 6.8% compared to 2009. This strong improvement is primarily attributable to the rise in cash generated from operations (up 9.6%), well-managed maintenance investments, and the optimized management of working capital requirements.

Net financial debt totaled €8,291 million at June 30, 2010. The increase of €2,010 million compared to December 31, 2009 mainly reflects the friendly takeover of Aguas de Barcelona and the impact of the change in consolidation method (€1,354 million), the impact of exchange rates and negative "marked-to-market" resulting from the euro's depreciation against most foreign currencies (€375 million).

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2010

The significant events that took place over the first half of 2010 are summarized below.

FINALIZATION OF THE FRIENDLY TAKEOVER OF AGUAS DE BARCELONA

On June 8, 2010, SUEZ ENVIRONNEMENT finalized its takeover of the water and environment activities of Aguas de Barcelona (Agbar), announced on October 22, 2009. SUEZ ENVIRONNEMENT now holds a 75.01% stake in Agbar, which has been fully consolidated in the Group's consolidated financial statements since this takeover. Criteria CaixaCorp. (Criteria), the Group's historical partner in Agbar, retains a 24.03% interest and the balance (0.96%) is owned by shareholders who did not tender their shares under Agbar's delisting offer between May 10 and 24 this year.

During the first semester, the takeover proceeded in the following stages:

- **January 12, 2010:** Agbar's shareholders approve resolutions relating to the delisting offer followed by the cancellation of the shares thus acquired and Agbar's sale to Criteria of its interest in Adeslas (health insurance business);

- **April 27, 2010:** the European Commission rules in favor of SUEZ ENVIRONNEMENT's takeover of Agbar;
- **May 7, 2010:** the CNMV (Spanish financial markets authority) approves Agbar's delisting offer at a price of €20 per share. The delisting offer runs from May 10-24, 2010;
- **May 12, 2010:** the Spanish insurance regulator approves the sale of Agbar's controlling interest in Adeslas to Criteria;
- **May 27, 2010:** announcement of the results of the delisting offer. 91.27% of minority shareholders tendered their shares under the offer. This transaction represents an investment of €273 million for Agbar. The shares acquired by Agbar through this offer are subsequently cancelled;
- **June 8, 2010:** finalization of agreements between SUEZ ENVIRONNEMENT and Criteria. Agbar sells its entire stake in Adeslas to Criteria for €687 million; at the same time, Criteria sells a portion of its Agbar shares to the Group at a price of €20 per share, or a total of €666 million. Following these transactions, Criteria still holds a significant minority stake in Agbar of 24.03%.

Criteria and SUEZ ENVIRONNEMENT have signed a new shareholders' agreement.

This significant event for SUEZ ENVIRONNEMENT is recognized in the consolidated financial statements at June 30, 2010 in accordance with the provisions of the revised IFRS 3 – Business combinations. Accordingly, the Group remeasured its previously held interests in Agbar to fair value at the acquisition date, or €20 per share (generating a total gain on remeasurement of €167 million).

FINALIZATION OF THE PROCESS OF UNWINDING JOINT INVESTMENTS IN WATER IN FRANCE

On March 23, 2010, following consultations with the staff representative bodies of the different companies and the approval of the European Competition Authorities, SUEZ ENVIRONNEMENT and Veolia Environnement announced the unwinding of all their interests in water management joint companies in France.

As a result of this process, launched on December 19, 2008, SUEZ ENVIRONNEMENT, through its subsidiary Lyonnaise des Eaux, owns 100% of the eight companies below:

- Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM);
- Société Provençale des Eaux (SPE);
- Société des Eaux du Nord (SEN) and its subsidiaries;
- Société des Eaux de Versailles et de Saint Cloud (SEVESC) and its subsidiaries;
- Société Martiniquaise des Eaux (SME);
- Société Guyanaise des Eaux (SGDE);
- Société Stéphanoise des Eaux (SSE);
- Société Nancéienne des Eaux (SNE).

This transaction is recognized in the consolidated financial statements at June 30, 2010 in accordance with the provisions of the revised IFRS 3 – Business combinations. Accordingly, the Group remeasured the interests previously held by Lyonnaise des Eaux in the companies taken over by the Group to fair value at the acquisition date, generating a gain on remeasurement of €120 million.

Meanwhile, Lyonnaise des Eaux sold all its interests in Société des Eaux de Marseille and Société des Eaux d'Arles to Veolia-Eau. These disposals generated a consolidated capital gain of €81 million.

SIGNIFICANT CONTRACTS

On the Spanish market, Agbar renewed contracts with the cities of Ponferrada (León province) and La Oliva (Fuerteventura) for 25 years and cumulative revenues of €137 million, and 50 years and cumulative revenues of €64 million, respectively.

SUEZ ENVIRONNEMENT, through its US subsidiary United Water, won a contract generating cumulative revenues of €73 million to design, build and operate (DBO), for a term of 10 years, wastewater collection and treatment facilities in the city of East Providence (Rhode Island). United Water operates the facilities and has operational responsibility for the system and for compliance of the treatment facilities and processes.

A consortium composed of Agbar (51%) and Degrémont (49%) signed a €260 million contract with Aguas Andinas to extend the wastewater treatment plant at Mapocho in the Santiago Valley (Chile) and operate it during 5 years. The contract also provides for the modernization of the facility to permit energy recovery from sewage sludge.

Degrémont, in consortium with the Brazilian construction company Odebrecht, signed a contract with the Health Ministry of Panama for the design, construction and 4-year operation of an urban wastewater treatment plant for the capital city. The €170 million contract represents €80 million in revenues for Degrémont.

SUEZ ENVIRONNEMENT, through its subsidiaries Degrémont and Ondeo Industrial Solutions (OIS), signed a contract with the EGESA-TKK consortium, which is heading up construction of the twelfth Petrobras refinery in northeast Brazil, to design and build a treatment and recycling plant for residual process water from the new facility. The contract represents cumulative revenues of €97 million, of which €49 million for Degrémont.

Through its subsidiary Sino French Water, and working closely with Chongqing Water Group and Changshou Chemical Industrial Park Development and Construction Company Ltd., the Group was awarded a new 30-year concession contract (with a possible 20-year extension) for the treatment of industrial wastewater from the Chongqing Changshou industrial and chemical park.

SITA UK, SUEZ ENVIRONNEMENT's British subsidiary and a specialist in waste management, was selected as preferred bidder by the county of Suffolk for a 25-year Private Finance Initiative (PFI) contract to manage the county's household waste. The contract represents estimated revenues of £1 billion. It involves the construction and operation of an energy recovery plant with a capacity of 269,000 tons per year and the production of electricity for the equivalent of 30,000 homes. SITA UK will invest £180 million for the construction of this plant.

SITA UK renewed its waste treatment contract with Aberdeenshire. The 15-year contract (with a possible 5-year extension) represents cumulative revenues of £200 million.

ACQUISITIONS

In the first half of 2010, SUEZ ENVIRONNEMENT increased its stake in ACEA and crossed the 5% threshold for ownership of this listed Italian group. ACEA is 51% owned by the city of Rome and operates in the water and energy sectors.

SUCCESSFUL IPO FOR CHONGQING WATER GROUP

In late March 2010, following a capital increase, the shares of Chongqing Water Group (CWG) were listed on the Shanghai stock market. SUEZ ENVIRONNEMENT, through its subsidiary Suyu (held at 50%), did not take part in this IPO, and thus saw its stake diluted. Suyu's stake in CWG therefore declined from 15% to 13.4%.

BONDS

On June 24, 2010, under the EMTN program implemented in March 2009, SUEZ ENVIRONNEMENT COMPANY issued a €500 million tranche with a 4.125% coupon, maturing on June 24, 2022.

4.1 REVENUE AND OPERATIONAL RESULTS

Within a still adverse global economic environment in Europe and the US, SUEZ ENVIRONNEMENT recorded revenues of €6,597 million, up 12.3%. The increase in revenues of €724 million breaks down as follows:

- organic growth of €512 million, driven by each of the three operating segments: the International segment posted the strongest growth (up 19.9%), thanks to increased business at Degrémont which was boosted by the Melbourne contract, as well as the dynamism of volumes and prices in Asia, Central Europe, and Morocco. The Waste Europe segment also posted robust growth (up 8.2%), mainly due to steep price increases for secondary raw materials (mainly paper and metals) which boosted the sorting/recovery/recycling business. Finally, Water Europe also advanced (up 1.1%) as a result of rate increases and higher invoiced volumes at Agbar;
- the impacts of scope effects (+ €114 million), mainly resulting from acquisitions in the Water sector in 2010, both in France and Spain, and the full-year impact of acquisitions in 2009 (particularly in SITA France and the acquisition of an additional 50% interest in SITA Waste Services in Hong Kong), which offset the disposal in late 2009 of the 50% stake in LondonWaste;

- the positive impact of exchange rates for €98 million, primarily involving the Australian dollar (€36 million), the Chilean peso (€15 million), the pound sterling (€12 million) and the Swedish krona (€9 million).

EBITDA rose by €92 million to €1,042 million, a 9.6% increase, resulting from the following factors:

- organic growth of €25 million, up 2.7%, primarily related to the International and Waste Europe segments and including the effects of the COMPASS plan (SUEZ ENVIRONNEMENT's cost reduction program);
- a positive impact of €43 million due to favorable scope effects;
- a positive exchange rate impact of €23 million involving the currencies mentioned above.

Current operating income (EBIT) stood at €437 million, up significantly by €43 million (+11.0%) compared to 2009. An increase in depreciation and amortization and movements in provisions totaling a negative €58 million (largely related to scope effects) was partially offset by a decrease in expenses related to stock options, bonus shares and other employee benefits (IFRS 2) totaling €18 million (including the reversal of €13 million in expenses recognized in previous years due to the partial achievement of the conditions for granting bonus shares).

Income from operating activities totaled €676 million, up €312 million over the first half of 2009, reflecting improved EBIT, as mentioned above, as well as gains from the disposal of assets and the impact of scope effects. These gains total €359 million, including €358 million from the unwinding of joint investments in the water sector in France and the friendly takeover of Aguas de Barcelona.

Net income Group share came to €386 million. The lower growth of net income compared to income from operating activities (up €212 million, versus €312 million) was due to lower financial result (by €73 million) and income taxes (by €17 million). Earnings per share came to €0.79 in the first half of 2010, against €0.36 per share in the first half of 2009.

4.2 OPERATING SEGMENTS

SUEZ ENVIRONNEMENT recorded organic growth of 8.8% in **revenues,** which breaks down by operating segment as follows:

Water Europe posted organic revenue growth of +1.1%, an increase of €20 million, reflecting:

- 0.4% organic growth of Lyonnaise des Eaux (€4 million). The termination of the Paris contract and slower activity at OIS were offset by an increase in new constructions in France (led by the construction of wastewater treatment plants in Cannes, Digne and Port St. Louis du Rhône) and by slight contractual rate increases, all in a context of stable volumes (excluding Paris);
- 2.0% organic growth of Agbar (€15 million), led by the health division for the first five months of the year (resulting from a sharp increase in the number of policyholders), as well as rate increases in water in Spain and the United Kingdom, and higher volumes (China, United Kingdom and, to a lesser extent, Spain). These factors were partially offset by a slowdown in construction related to the economic crisis and the finalization of major projects in 2009.

8.2% organic growth in **Waste Europe** revenues (€212 million), related mainly to steep price increases for secondary raw materials (metals and paper) which favored the sorting/recovery/recycling business. This growth was recorded in France (up 10.8%), the Benelux/Germany area (up 8.8%) and, to a lesser extent, in the UK and Scandinavia (up 0.9%) due to a drop in industrial and commercial volumes.

International businesses posted organic growth of 19.9% (€279 million), arising from the following trends:

- very strong growth of Degrémont (up 48.7%, or €218 million) mainly driven by the Melbourne contract;
- dynamic activity in Asia-Pacific (up 9.8%, or €29 million) across all countries, including Australia, Hong Kong and Indonesia;
- sustained growth in the Central Europe – North Africa – Middle East region (up 5.3% or €20 million), notably in Morocco, Poland (mainly related to snow removal) and the Czech Republic;
- growth in North America (up 4.2%, or €12 million), as a result of rate increases and stability in invoiced volumes.

EBITDA: SUEZ ENVIRONNEMENT recorded organic growth of 2.7% (up €25 million), which breaks down as follows:

- negative organic growth in **Water Europe** (down 3.4%, or €14 million), stemming mainly from Lyonnaise des Eaux due to favorable non-recurring items recognized in France in 2009, the termination of the Paris contract, and development costs related to new services (AMR, services to households, etc.);
- **Waste Europe** benefited from the impact of cost-reduction plans initiated since the end of 2008 and from higher prices for secondary raw materials impacting the sorting/recovery/recycling business. EBITDA posted organic growth of 5.8% (or €21 million);
- EBITDA in the **International** segment rose sharply, in line with revenues (up 15.9%, compared to 19.9%) owing to dynamic activity at Degrémont, in Asia-Pacific and in the Central Europe – North Africa – Middle East region.

4.3 OTHER INCOME STATEMENT ITEMS

Income from operating activities totaled €676 million at June 30, 2010, up €312 million compared to June 30, 2009. Current operating income (EBIT) of €437 million was increased primarily by gains on disposal and scope effects, totaling €359 million. This was partially offset by impairment losses and restructuring expenses of €121 million.

Net financial result at June 30, 2010 came to a negative €188 million, (versus a negative €115 million in the first half of 2009). The rise in cost of net debt which came to €188 million (versus €133 million at June 30, 2009) primarily reflects the higher average debt over the period combined with an increase of its average cost (5.0% in 2010 against 4.6% in 2009, due to the refinancing policy under which the average maturity of debt was extended). To a lesser extent, changes in the fair value of hedging instruments for the debt also had a negative impact on the net financial result in 2010. Finally, dividends received and other elements of financial income (expense) were lower by €18 million.

Income tax expense rose €17 million compared to the first half of 2009. The effective tax rate came to 12.0%, mainly due to the non-taxation or taxation at a reduced rate (5%), respectively, of gains on remeasurement and disposal of assets related to the unwinding of joint investments in the water sector in France and the friendly takeover of Aguas de Barcelona. In 2009, the effective tax rate was already low (16.5%), related to the impact of setting up a tax consolidation group in France.

The share in net income from associates fell by €8 million compared to June 30, 2009.

Net income attributable to non-controlling interests (formerly minority interests) was €56 million, up slightly by €3 million compared to the first half of 2009.

4.4 FINANCING

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations before income tax and financial expenses totaled €905 million at June 30, 2010, up €79 million year-on-year. This increase mainly reflects the growth in EBITDA of €92 million.

The working capital requirement (WCR) had a positive impact of €67 million in the first half thanks to its streamlined management across all the Group's business units.

Operating activities generated a total cash surplus of €922 million over the first half of 2010, an increase of nearly €157 million compared to June 30, 2009.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities included:

- maintenance capital expenditure for an amount of €285 million;
- development capital expenditure for an amount of €339 million;
- financial investments totaling €521 million, including €320 million for the takeover of Aguas de Barcelona (€666 million for the purchase of Agbar shares held by Criteria, less the corresponding €346 million of cash assets acquired), and €146 million related to the entities acquired as part of the unwinding of joint investments in the French water sector;
- proceeds from disposals totaling €581 million for the first half of 2010, including €331 million from the disposal of Adeslas (€687 million in proceeds from disposal, less €356 million of cash transferred); €111 million from the unwinding of joint investments (€137 million in proceeds from disposal, less €26 million of cash transferred); and €110 million from the disposal of LondonWaste in late 2009.

Interest and dividends from non–current financial assets generated €20 million in cash inflows, a decrease of €19 million versus 2009. This decline is largely attributable to dividends received in 2009 on Gas Natural shares which have since been sold.

Overall, cash flows from investing activities generated a €547 million cash shortfall, compared to a €566 million cash shortfall in the first half of 2009.

CASH FLOWS FROM FINANCING ACTIVITIES

A total of €421 million in dividends was paid in 2010, compared to €403 million in 2009. This payout includes €317 million in dividends paid by SUEZ ENVIRONNEMENT COMPANY to its shareholders, virtually the same amount as in 2009. It also includes €103 million in dividends paid by various subsidiaries to non-controlling shareholders (compared to €85 million in 2009). Net interest expense was €208 million, compared to €105 million at June 30, 2009.

Overall, financing activities generated a cash shortfall of €353 million in the first half of 2010, versus a cash surplus of €71 million in 2009.

NET DEBT AT JUNE 30, 2010

Net debt at June 30, 2010 stood at €8,291 million, compared to €6,282 million at December 31, 2009. This €2,010 million increase is mainly attributable to:

- the friendly takeover of Aguas de Barcelona for €1,354 million, corresponding to the net amount including the increase of the stake in Aguas de Barcelona to 75.01%, the disposal of Adeslas, and the impact of the change in consolidation method for Agbar (from proportionate consolidation to full consolidation);
- dividend payout of €421 million (including €317 million paid to shareholders of SUEZ ENVIRONNEMENT COMPANY);
- changes in exchange rates (€265 million) and in marked-to-market of hedging instruments (€110 million).

At June 30, 2010, the Group had a total of €2,336 million in undrawn credit facilities.

4.5 OTHER STATEMENT OF FINANCIAL POSITION ITEMS

Intangible assets and goodwill totaled €6,609 million, an increase of €1,303 million compared to December 31, 2009, mainly due to the unwinding of joint investments in the French water sector and the takeover of Agbar.

Property plant and equipment, net, stood at €8,202 million versus €6,488 million at December 31, 2009, an increase of €1,714 million (mainly due to the change to full consolidation of Agbar).

Investments in associates and **available-for-sale securities** were almost unchanged at €327 million and €464 million, respectively.

Total shareholders' equity amounted to €5,230 million, an increase of €812 million over December 31, 2009, after the payment of dividends for an amount of €421 million.

Provisions increased by €231 million to €1,620 million at June 30, 2010 (mainly due to the change to full consolidation of Agbar).

Deferred taxes resulted in a net asset of €320 million, €54 million higher than at December 31, 2009, following the recognition of deferred tax assets under the tax consolidation group in France.

4.6 RELATED PARTY TRANSACTIONS

Note 11 to the consolidated financial statements provides details on the significant related party transactions. These transactions essentially involve GDF SUEZ (primarily the synthetic Argentinean agreement) and companies related to GDF SUEZ (financing of SUEZ ENVIRONNEMENT COMPANY).

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

The section on Risk factors (Chapter 4) of SUEZ ENVIRONNEMENT COMPANY's 2009 Reference Document provides a detailed description of the Group's risk exposure. No other risks or uncertainties are expected other than those presented in the above mentioned document.

4.8 OUTLOOK FOR 2010

With solid first half results and the full consolidation of Agbar effective June 1, 2010, SUEZ ENVIRONNEMENT has raised its 2010 objectives concerning revenues and EBITDA [(1)]:

- growth in total revenues of at least 7% compared with 2009, at constant exchange rates;
- growth in EBITDA of at least 9% compared with 2009, at constant exchange rates.

The other 2010 objectives remain unchanged:

- free cash flow generation of at least €700 million (which corresponds to the total 2009 free cash flow excluding non-recurring items);
- net investments of less than €1.3 billion [(2)], plus €600 million related to the acquisition of Agbar.

These objectives are consistent with a still adverse economic climate in Europe which offers little certainty.

By 2012, SUEZ ENVIRONNEMENT's objective is a Net Debt/EBITDA ratio of about 3x thanks to the COMPASS 2 program which provides for €250 million in savings on EBITDA for the 2010-2012 period and to the continued policy of selective investments.

(1) Based on assumptions for a 1% growth in GDP for the eurozone and stable average prices for secondary raw materials compared to December 31, 2009.

(2) Net investments, excluding strategic acquisitions. This item includes maintenance capital expenditure, organic development capital expenditure, and financial investments, and is net of disposals.

5 CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY AT JUNE 30, 2010

5.1 STATEMENTS OF FINANCIAL POSITIONS

(in millions of euros)	Note	June 30, 2010	December 31, 2009
NON-CURRENT ASSETS			
Intangible assets, net	5	2,898.9	2,235.8
Goodwill	5	3,709.8	3,069.5
Property, plant and equipment, net	5	8,202.1	6,487.9
Available-for-sale securities	8	463.5	447.8
Loans and receivables carried at amortized cost	8	578.7	400.3
Derivative financial instruments	8	110.6	44.8
Investments in associates		327.1	322.9
Other non-current assets	8	130.9	121.3
Deferred tax assets		775.5	552.9
TOTAL NON-CURRENT ASSETS		**17,197.1**	**13,683.2**
CURRENT ASSETS			
Loans and receivables carried at amortized cost	8	222.1	204.6
Derivative financial instruments	8	14.3	11.7
Trade and other receivables	8	4,177.1	3,701.4
Inventories		287.5	270.4
Other current assets	8	922.9	823.5
Financial assets at fair value through income	8	491.1	1,141.1
Cash and cash equivalents	8	2,776.6	2,711.7
TOTAL CURRENT ASSETS		**8,891.6**	**8,864.4**
TOTAL ASSETS		**26,088.7**	**22,547.6**
Shareholders' equity, Group share		3,872.9	3,675.9
Non-controlling interests		1,357.1	742.2
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**5,230.0**	**4,418.1**
NON-CURRENT LIABILITIES			
Provisions	7	1,140.6	1,054.4
Long-term borrowings	8	8,369.2	6,400.0
Derivative financial instruments	8	114.6	62.5
Other non-current liabilities		706.9	635.5
Deferred tax liabilities		455.2	287.0
TOTAL NON-CURRENT LIABILITIES		**10,786.5**	**8,439.4**
CURRENT LIABILITIES			
Provisions	7	479.4	334.6
Short-term borrowings	8	3,137.1	3,680.2
Derivative financial instruments	8	61.4	57.1
Trade and other payables	8	4,148.3	3,741.4
Other current liabilities		2,246.0	1,876.8
TOTAL CURRENT LIABILITIES		**10,072.2**	**9,690.1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**26,088.7**	**22,547.6**

Note: All amounts indicated in the tables are expressed in millions of euros, unless otherwise stated. Rounding may in some cases result in insignificant differences in totals or changes.

5.2 INCOME STATEMENTS

(in millions of euros)	Note	June 30, 2010	June 30, 2009
Revenue		6,596.5	5,872.1
Purchases		(1,717.9)	(1,284.9)
Personnel costs		(1,645.8)	(1,585.2)
Depreciation, amortization and provisions		(477.2)	(419.7)
Other operating income and expenses		(2,318.9)	(2,188.9)
CURRENT OPERATING INCOME	4	**436.7**	**393.4**
Marked-to-market on operating financial instruments		1.0	2.1
Impairment on property, plant and equipment, intangible and financial assets		(70.8)	(7.7)
Restructuring costs		(50.2)	(26.5)
Changes in scope of consolidation		364.7	1.1
Other disposal gains or losses and non-recurring items		(5.7)	1.0
INCOME FROM OPERATING ACTIVITIES	4	**675.7**	**363.4**
Financial expenses		(245.9)	(175.0)
Financial income		57.8	60.0
FINANCIAL INCOME/(LOSS)	4	**(188.1)**	**(115.0)**
Income tax expense	4	(58.3)	(40.9)
Share in net income of associates		13.0	20.7
NET INCOME		**442.3**	**228.2**
of which, Group share		386.5	174.9
of which, share attributable to non-controlling interests		55.8	53.3
Net income (Group share) per share *(in euro)*		**0.79**	**0.36**

5.3 STATEMENTS OF COMPREHENSIVE INCOME

(in millions of euros)	Note	June 30, 2010	June 30, 2009
NET INCOME		**442.3**	**228.2**
Available-for-sale financial assets	8	(0.2)	(31.7)
Net investment hedges		(94.9)	(12.9)
Cash flow hedges (excluding commodities)		(20.3)	(11.6)
Commodity cash flow hedges		11.3	20.6
Actuarial gains and losses		6.3	28.9
Translation adjustments		250.3	62.1
Deferred taxes		25.6	20.4
Share in comprehensive income from associates		10.6	0.6
Other comprehensive income items		**188.7**	**76.4**
TOTAL COMPREHENSIVE INCOME		**631.0**	**304.6**
of which, Group share		604.1	222.8
of which, share attributable to non-controlling interests		26.9	81.8

5.4 STATEMENTS OF CASH FLOWS

(in millions of euros)	June 30, 2010	June 30, 2009
NET INCOME	**442.3**	**228.2**
- Share in net income from associates	(13.0)	(20.7)
+ Dividends received from associates	26.1	18.2
- Net depreciation, amortization and provisions	552.4	418.3
- Changes in scope of consolidation and other disposal gains or losses and non-recurring items	(358.9)	(2.1)
- Other items with no cash impact	9.7	28.2
- Income tax expense	58.3	40.9
- Net financial loss	188.1	115.0
Cash from operations before financial income and income tax	**905.0**	**826.0**
+ Tax paid	(50.3)	(35.5)
Change in working capital requirements	**67.2**	**(25.5)**
Cash from/(used in) operating activities	**921.9**	**765.0**
Investments in property, plant and equipment and intangible assets	(624.6)	(544.7)
Acquisitions of controlling interests in subsidiaries net of cash and cash equivalents acquired [a]	(470.2)	(12.1)
Acquisitions of interests in associates and joint ventures [a]	(19.8)	(3.1)
Acquisitions of available-for-sale securities	(30.7)	(102.5)
Disposals of tangible and intangible fixed assets	16.9	3.0
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold [a]	451.4	(0.2)
Disposals of interests in associates and joint ventures [a]	111.5	11.1
Disposals of available-for-sale securities	1.2	45.9
Interest received on non-current financial assets	5.4	8.2
Dividends received on non-current financial assets	15.0	31.0
Change in loans and receivables issued by the Company and others	(3.1)	7.9
Cash from/(used in) investing activities	**(547.0)**	**(555.5)**
Dividends paid	(420.8)	(403.0)
Repayment of financial debt	(1,215.8)	(1,489.8)
Decrease in share capital paid to non controlling interest	(140.6)	0.0
Change in financial assets at fair value through income	687.9	(1,157.6)
Financial interest paid	(207.6)	(104.7)
Financial interest received on cash and cash equivalents	6.0	10.4
Increase in financial debt	972.3	3,211.6
Increase in share capital	1.9	1.1
Treasury share movements	(35.3)	3.0
Changes in proportion of ownership interest in controlled entities [a]	(1.1)	0.0
Cash from/(used in) financing activities	**(353.1)**	**71.0**
Impact of changes in exchange rates and other	43.1	40.2
TOTAL CASH FLOW FOR THE PERIOD	**64.9**	**320.7**
OPENING CASH AND CASH EQUIVALENTS	**2,711.7**	**1,668.5**
CLOSING CASH AND CASH EQUIVALENTS	**2,776.6**	**1,989.2**

(a) In application of the revised IAS 27, cash flows related to changes in the proportion of ownership interest in controlled entities must now be presented under "Cash from/(used in) financing activities" in the statements of cash flows.
In this context, the Group has changed the way acquisitions and disposals of subsidiaries are presented in the statements of cash flows. Until December 31, 2009, the items "Acquisitions of entities net of cash and cash equivalents acquired" and "Disposals of entities net of cash and cash equivalents sold" included the effects on cash flows of acquisitions/disposals of controlled entities or entities over which the Group had joint control, acquisitions/disposals of associates, and changes in the proportion of ownership interests in controlled entities or entities over which the Group had joint control.
Effective January 1, 2010, changes in the proportion of ownership interest in controlled entities are presented under " Changes in proportion of ownership interest in controlled entities" under "Cash from/(used in) financing activities". Acquisitions and disposals of associates and joint ventures are presented separately from cash flows related to the acquisition/disposal of controlled entities. Cash flows related to the acquisition or loss of control of subsidiaries are shown respectively under "Acquisitions of controlling interests in subsidiaries net of cash and cash equivalents acquired" and "Loss of controlling interests in subsidiaries net of cash and cash equivalents sold".
The comparative information for the first half of 2009 has been restated regarding the cash flows concerned by this new presentation.

5.5 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves (*)	Changes in fair value and other (**)	Translation adjustments (**)	Treasury shares	Shareholders' equity, Group share	Non-controlling interests	Total
Shareholders' equity at December 31, 2008	**489,699,060**	**1,958.8**	**3,795.9**	**(2,065.7)**	**(7.1)**	**(132.4)**	**(17.1)**	**3,532.4**	**637.6**	**4,170.0**
Net income				174.9	0.0			174.9	53.3	228.2
Other comprehensive income items				25.3	(7.8)	30.4		47.9	28.5	76.4
Total comprehensive income				**200.2**	**(7.8)**	**30.4**		**222.8**	**81.8**	**304.6**
Employee share issues and share-based payment				25.4				25.4		25.4
Capital increase/reduction									0.1	0.1
Dividends paid				(317.6)				(317.6)	(83.6)	(401.2)
Purchase/sale of treasury shares				(0.8)			3.8	3.0		3.0
Other changes			(195.9) (a)	197.4 (a)				1.5	61.0 (b)	62.5
Shareholders' equity at June 30, 2009	**489,699,060**	**1,958.8**	**3,600.0**	**(1,961.1)**	**(14.9)**	**(102.0)**	**(13.3)**	**3,467.5**	**696.9**	**4,164.4**
Shareholders' equity at December 31, 2009	**489,699,060**	**1,958.8**	**3,600.0**	**(1,732.1)**	**(1.7)**	**(144.4)**	**(4.7)**	**3,675.9**	**742.2**	**4,418.1**
Net income				386.5				386.5	55.8	442.3
Other comprehensive income items				6.7	(81.6)	292.5		217.5	(28.9)	188.7
Total comprehensive income				**393.2**	**(81.6)**	**292.5**		**604.1**	**26.9**	**631.0**
Employee share issues and share-based payment				9.2				9.2		9.2
Capital increase/reduction									(0.8)	(0.8)
Dividends paid				(318.1)				(318.1)	(102.7)	(420.8)
Purchase/sale of treasury shares				(0.5)			(29.1)	(29.6)		(29.6)
Transactions between shareholders and business combinations				(55.5)				(55.5)	694.8	639.3 (c)
Other changes				(13.1)				(13.1)	(3.3)	(16.4)
Shareholders' equity at June 30, 2010	**489,699,060**	**1,958.8**	**3,600.0**	**(1,716.9)**	**(83.3)**	**148.1**	**(33.8)**	**3,872.9**	**1,357.1**	**5,230.0**

(*) In accordance with IFRS, actuarial gains and losses are presented under "Consolidated reserves".
(**) Translation reserves related to changes in fair value are reclassified to translation adjustments.
The statement of changes in shareholders' equity at June 30, 2009 was modified in order to present comparable data.
(a) By decision of the Board of Directors, the legal reserve has been funded by deduction from the contribution premium.
(b) This change mainly involves first-time consolidations.
(c) See Note 2 – Significant Events. This change mainly concerns the effects of the Agbar Group takeover.

The Shareholders' Meeting of May 20, 2010 voted to distribute a dividend of €1.30 per share for fiscal year 2009. Since an interim dividend of €0.65 per share had been paid on June 3, 2009, SUEZ ENVIRONNEMENT distributed the balance of €0.65 per share in May 2010, for a total dividend payout of €317.4 million, plus withholding tax of €0.7 million.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENT

NOTE 1 Basis of presentation and significant accounting principles and policies

1.1 BASIS OF PRESENTATION

SUEZ ENVIRONNEMENT COMPANY SA, the parent company of the Group, is a *société anonyme* (French corporation), established in November 2000. Its headquarters are located at 1, rue d'Astorg, Paris (75008), France.

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

The creation of the Group results from reclassifications carried out between different holding company subsidiaries of SUEZ SA. These reclassifications have not made any changes to SUEZ SA's control over the entities that are included in the Group. These transactions between entities under common control did not fall within the scope of IFRS 3 – Business combinations, and were recognized in the consolidated financial statements at their book value under the "pooling of interests" method. As IFRS does not provide any specific guidance for business combinations involving entities under common control, the accounting treatment adopted was reviewed by Group management in light of IAS 8 – Accounting policies, changes in accounting estimates and errors – and in particular paragraph 10 of the standard – selection and application of accounting policies. The revised IFRS 3 (see Section 1.6 "Summary of changes in accounting policies and in the presentation of the financial statements required under the revised IFRS 3 and revised IAS 27"), which came into effect on January 1, 2010, does not cover business combinations involving entities under common control, and otherwise has no retroactive impact.

On this basis, the Group's condensed consolidated financial statements at June 30, 2010, with their comparison data for the first half of 2009, are presented according to the "pooling of interests" method.

On August 3, 2010, the condensed interim consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries at June 30, 2010 were presented to the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, which authorized their publication.

1.2 ACCOUNTING STANDARDS

Pursuant to the European Commission Regulation of July 19, 2002 on the International Financial Reporting Standards (IFRS), the Group's annual consolidated financial statements were established in accordance with IFRS as issued by the IASB and endorsed by the European Union [(1)].

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2010 were prepared in accordance with the provisions of IAS 34 – Interim financial reporting, which allows entities to present selected explanatory notes. The condensed interim consolidated financial statements do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and must thus be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009, subject to specific dispositions relating to the preparation of interim financial information as described hereafter.

(1) Basis of presentation available on the website of the European Commission http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

1.3 ACCOUNTING POLICIES

The accounting policies used in preparing the condensed interim consolidated financial statements are consistent with those used for the year ended December 31, 2009, in accordance with IFRS as issued by the IASB and endorsed by the European Union, except for the items mentioned below in paragraph 1.3.1:

1.3.1 IFRS standards, IFRIC amendments and interpretations whose application is mandatory in 2010

- **Revised IFRS 3 –** *Business Combinations,* which applies to acquisitions of controlling interests (as defined by revised IAS 27) completed on or after January 1, 2010, and **revised IAS 27 –** *Consolidated and Separate Financial Statements.*

The key changes made with regard to the accounting principles laid out in Notes 1.5.3 "Business combinations" and 1.5.4.1.A "Recognition of goodwill" to the 2009 consolidated financial statements are presented in Section 1.6 below.

- **Improvements to IFRS 2009 –** *Annual improvements to international financial reporting standards.*
- **Amendment to IAS 39 –** *Eligible hedged items.*
- **Amendment to IFRS 2 –** *Group cash-settled share-based payment transactions.*
- **Amendment to IFRS 5** (Annual improvement to IFRS 2008) – *Non-current assets held for sale and discontinued operations.*
- **IFRIC 17 –** *Distribution of non-cash assets to owners.*

Other than the revised IFRS 3 and revised IAS 27, no amendments or interpretations had a material impact on the Group's condensed consolidated financial statements at June 30, 2010.

1.3.2 IFRS standards and IFRIC interpretations that are mandatory after 2010 and that have not been adopted early by the Group

- **IFRS 9 –** *Financial Instruments* [1].
- **Amendment to IAS 32 –** *Classification of rights issues.*
- **Revised IAS 24** – *Related party disclosures* [1].
- **IFRIC 19 –** *Extinguishing financial liabilities with equity instruments* [1].
- **Amendment to IFRIC 14 –** *Prepayments of a minimum funding requirement* [1].
- **Improvements to IFRS 2010 –** *Annual improvements to IFRS* [1].

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

1.4 USE OF JUDGEMENT AND ESTIMATES

The financial crisis led the Group to strengthen its risk oversight procedures and to conduct an assessment of the risks, in particular counterparty risk, in measuring its financial instruments. The Group's estimates used in business plans and determination of discount rates used in impairment tests and for calculating provisions take into account the crisis situation and the resulting extreme market volatility.

1.4.1 Estimates

Preparation of the financial statements requires the use of estimates and assumptions to determine the value of the assets and liabilities, the disclosure of contingent assets and liabilities at the statement of financial position reporting date and the 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 main estimates used by the Group in preparing the condensed interim consolidated financial statements relate mainly to:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets;
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits;
- capital renewal and replacement liabilities;
- financial instruments;
- unmetered revenues;
- the recognition of tax losses carried forward.

Detailed information related to the use of estimates is provided in Note 1 to the 2009 annual consolidated financial statements.

1.4.2 Judgment

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

This particularly applies to the recognition of concession arrangements, the classification of service arrangements that contain a lease and the recognition of acquisitions of non-controlling interests [2].

(1) These standards and interpretations have not yet been endorsed by the European Union.

(2) Formerly "Minority interests".

In accordance with IAS 1, the Group presents current and non-current assets and current and non-current liabilities separately, in 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 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 heavily influenced by changes in climate conditions. Consequently, the interim results for the six months ended June 30, 2010 are not necessarily indicative of those that may be expected for the full-year 2010.

Income tax expense

Current and deferred income tax expense for interim periods is calculated at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to the taxable 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 fiscal year. If necessary, these valuations are adjusted to take account of curtailments, settlements or other major non-recurring events during the period. Amounts recognized in the statement of financial position in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 16.4 to the consolidated financial statements at December 31, 2009).

1.6 SUMMARY OF CHANGES IN ACCOUNTING POLICIES AND IN THE PRESENTATION OF THE FINANCIAL STATEMENTS REQUIRED UNDER REVISED IFRS 3 AND REVISED IAS 27

The application of the revised IFRS 3 amends the Group's accounting policies applicable to business combinations completed on or after January 1, 2010.

The main changes affecting the Group's financial statements are:

- direct costs related to acquisition of controlling interests are expensed as incurred;
- in the case of a business combination achieved in stages ("step acquisition"), equity interests held prior to control being obtained are remeasured at their acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss;
- for each business combination, the acquirer must measure any non-controlling interest [1] in the acquired business either at fair value or at the proportionate share of the identifiable net assets of the acquired business. Previously, only the latter option was allowed. The Group will determine on a case-by-case basis the option it wishes to apply to recognize such non-controlling interests;
- purchases or sales of non-controlling interests that do not result in a change of control are recognized as transactions between shareholders. Accordingly, any difference between the fair value of the consideration paid or received and the related carrying value of the non-controlling interest is recognized directly in equity;
- in accordance with the revised IAS 7 following the revision of IAS 27, the comparative statement of cash flows has been restated.

  In response to the changes introduced by these new standards, the Group has added an item to the income statement, "Changes in scope of consolidation", which is presented as a non-current component of "Income from operating activities". The following impacts are recorded under this item:

  - costs related to acquisitions of controlling interests;
  - impacts of remeasurement to acquisition-date fair value of previously held interests in case of step acquisitions;

(1) Formerly "Minority interests".

- subsequent changes in the fair value of contingent consideration;
- gain or loss from the disposal of interests resulting in a change in the method of consolidation and, where applicable, the remeasurement of any retained interests.

The item "Other disposal gains or losses and non-recurring items" [1] under "Income from operating activities" includes capital gains or losses on the disposal of non-current assets and available-for-sale securities.

Effective January 1, 2010, disposals of non-current assets no longer include disposals of interests resulting in a change in the method of consolidation. These are now included under "Changes in scope of consolidation".

In the absence of an applicable standard on commitments to purchase non-controlling interests ("puts on minority interests") and considering the AMF's recommendations for the 2009 closing, the Group has decided to continue its previous accounting policies (described in Note 1 to the 2009 consolidated financial statements) for instruments recognized prior to January 1, 2010.

NOTE 2 Significant events

2.1 SIGNIFICANT EVENTS OF THE FIRST HALF OF 2010

2.1.1 Finalization of the friendly takeover of Aguas de Barcelona

On June 8, 2010, SUEZ ENVIRONNEMENT finalized its takeover of the water and environment activities of Aguas de Barcelona (Agbar), announced on October 22, 2009. SUEZ ENVIRONNEMENT now holds a 75.01% stake in Agbar, which is fully consolidated since the takeover. Criteria CaixaCorp. (Criteria), the Group's historical partner in Agbar, retains a 24.03% interest, and the balance (0.96%) is owned by shareholders who did not tender their shares under Agbar's delisting offer between May 10 and 24, 2010.

During the semester, the takeover proceeded in the following stages:

- **January 12, 2010:** Agbar's shareholders approved resolutions relating to the delisting offer followed by the cancellation of the shares thus acquired and Agbar's sale to Criteria of its interest in Adeslas (health insurance business);
- **April 27, 2010:** the European Commission ruled in favor of SUEZ ENVIRONNEMENT's takeover of Agbar;
- **May 7, 2010:** the CNMV (Spanish financial markets authority) approved Agbar's share delisting at a price of €20 per share. The delisting offer ran from May 10 to 24, 2010;
- **May 12, 2010:** the Spanish insurance regulator approves the sale of Agbar's controlling interest in Adeslas to Criteria;
- **May 27, 2010:** announcement of the results of the delisting offer. 91.27% of minority shareholders tendered their shares under the offer. The transaction represents an investment of €273 million for Agbar. The shares acquired by Agbar through this offer were subsequently cancelled;
- **June 8, 2010:** finalization of agreements between SUEZ ENVIRONNEMENT and Criteria. Agbar sold its entire stake in Adeslas to Criteria for €687 million; at the same time, Criteria sold a portion of its Agbar shares to the Group at a price of €20 per share, or a total of €666 million. Following these transactions, Criteria retained a significant minority stake in Agbar of 24.03%.

Criteria and SUEZ ENVIRONNEMENT have signed a new shareholders' agreement (see Note 6, "Investments in joint ventures").

This major transaction for SUEZ ENVIRONNEMENT is addressed in the consolidated financial statements at June 30, 2010 in accordance with the provisions of the revised IFRS 3 – Business combinations. As such, the Group has remeasured the interests it previously held to fair value at the date of acquisition, or €20 per share. The impact of the acquisition of a controlling interest on the consolidated income statement is recognized under the item "Changes in scope of consolidation" under "Income from operating activities" (see Note 4.2.3, "Changes in scope of consolidation"). The allocation of the cost of the business combination to acquired assets and assumed liabilities will be finalized during the second half of 2010 (see Note 5, "Goodwill and property, plant and equipment and intangible assets").

(1) Formerly "Disposals of assets".

2.1.2 Finalization of the process of unwinding joint investments in Water with Veolia Environnement

On March 23, 2010, following consultations with staff representative bodies of the different companies and the approval of the European Competition Authorities, SUEZ ENVIRONNEMENT and Veolia Environnement announced the unwinding of all of their interests in water management joint companies in France.

As a result of this process, launched on December 19, 2008, through its subsidiary Lyonnaise des Eaux, SUEZ ENVIRONNEMENT owns 100% of the eight companies below:

- Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM);
- Société Provençale des Eaux (SPE);
- Société des Eaux du Nord (SEN) and its subsidiaries;
- Société des Eaux de Versailles et de Saint Cloud (SEVESC) and its subsidiaries;
- Société Martiniquaise des Eaux (SME);
- Société Guyanaise des Eaux (SGDE);
- Société Stéphanoise des Eaux (SSE);
- Société Nancéienne des Eaux (SNE).

This transaction is addressed in the consolidated financial statements at June 30, 2010, in accordance with the provisions of the revised IFRS 3 – Business combinations. As such, the Group has remeasured the interests previously held by Lyonnaise des Eaux in the companies taken over by the Group to fair value at the date of acquisition. The impact of the acquisition of controlling interests on the consolidated income statement is recognized in the item "Changes in scope of consolidation" under "Income from operating activities" (see Note 4.2.3, "Changes in scope of consolidation"). The allocation of the cost of the business combination to acquired assets and assumed liabilities will be finalized during the second half of 2010 (see Note 5, "Goodwill and property, plant and equipment, and intangible assets").

Meanwhile, Lyonnaise des Eaux sold all of its interests in Société des Eaux de Marseille and Société des Eaux d'Arles to Veolia-Eau. The disposal generated a consolidated capital gain of €81 million (see Note 4.2.3, "Changes in scope of consolidation").

2.1.3 Significant contracts

On the Spanish market, Agbar renewed contracts with the cities of Ponferrada (León province) and La Oliva (Fuerteventura) for 25 years and cumulative revenues of €137 million, and 50 years and cumulative revenues of €64 million, respectively.

SUEZ ENVIRONNEMENT, through its US subsidiary United Water, won a contract generating cumulative revenues of €73 million to design, build and operate (DBO), for a term of 10 years, wastewater collection and treatment facilities in the city of East Providence (Rhode Island). United Water operates the facilities and has operational responsibility for the system and for compliance of the treatment facilities and processes.

A consortium composed of Agbar (51%) and Degrémont (49%) signed a €260 million contract with Aguas Andinas to extend the wastewater treatment plant at Mapocho in the Santiago Valley (Chile) and operate it for 5 years. The contract also provides for the modernization of the facility to permit energy recovery from sewage sludge.

Degrémont, in a consortium with the Brazilian construction company Odebrecht, signed a contract with the Health Ministry of Panama for the design, construction and 4-year operation of an urban wastewater treatment plant for the capital city. The €170 million contract represents €80 million in revenues for Degrémont.

SUEZ ENVIRONNEMENT, through its subsidiaries Degrémont and Ondeo Industrial Solutions (OIS), signed a contract with the EGESA-TKK consortium, which is heading up construction of the twelfth Petrobras refinery in northeast Brazil, to design and build a treatment and recycling plant for residual process water from the new facility. The contract represents cumulative revenues of €97 million, of which €49 million for Degrémont.

Through its subsidiary Sino French Water, and working closely with Chongqing Water Group and Changshou Chemical Industrial Park Development and Construction Company Ltd., the Group was awarded a new 30-year concession contract (with a possible 20-year extension) for the treatment of industrial wastewater from the Chongqing Changshou industrial and chemical park.

SITA UK, SUEZ ENVIRONNEMENT's British subsidiary and a specialist in waste management, was selected as preferred bidder by the county of Suffolk for a 25-year Private Finance Initiative (PFI) contract to manage the county's household waste. The contract has a total estimated value of £1 billion. It involves the construction and operation of an energy recovery plant with a capacity of 269,000 tons per year and the production of electricity for the equivalent of 30,000 homes. SITA UK will invest £180 million for the construction of this plant.

SITA UK renewed its waste treatment contract with Aberdeenshire. The 15-year contract (with a possible 5-year extension) represents cumulative revenues of £200 million.

2.1.4 Acquisitions

In the first half of 2010, SUEZ ENVIRONNEMENT increased its stake in ACEA and crossed the 5% threshold for ownership of this listed Italian group. ACEA is owned at 51% by the city of Rome and operates in the water and energy sectors.

2.1.5 Successful IPO for Chongqing Water Group

In late March 2010, following a capital increase, the shares of Chongqing Water Group (CWG) were listed on the Shanghai stock market. SUEZ ENVIRONNEMENT, through its subsidiary Suyu (held at 50%) did not take part in this transaction, and thus saw its interest diluted. Suyu's stake in CWG therefore declined from 15% to 13.4%.

2.1.6 Bonds

On June 24, 2010, under the EMTN program implemented in March 2009, SUEZ ENVIRONNEMENT COMPANY issued a €500 million tranche with a 4.125% coupon, maturing on June 24, 2022.

2.2 SIGNIFICANT EVENTS IN THE FIRST HALF OF 2009

2.2.1 Bonds

As part of its policy regarding financing, diversification and extension of the maturity of its debt, SUEZ ENVIRONNEMENT COMPANY carried out a series of bond issues under the Euro Medium Term Notes (EMTN) program implemented in March 2009. A total of €2.35 billion was issued over the first half-year of 2009. Further information on these issues is provided in Note 7.3.4 of the 2009 interim financial report.

2.2.2 Acquisitions

Through its subsidiary Sino French Water Development (SFWD), SUEZ ENVIRONNEMENT participated in the set-up of a new water supply joint venture in Tianjin, China. Tianjin Sino French Jieyuan Water Co. is a joint venture 52% and 48% owned respectively by SFWD and Tianjin Water Works Group. This company will operate the water treatment plant in Jieyuan, which supplies water to 1 million inhabitants, i.e. one third of Tianjin's urban population.

Through its subsidiary SITA Sverige, SUEZ ENVIRONNEMENT invested in shares in Allren i Sverige AB, which is active in the waste collection, sorting and recycling businesses.

2.2.3 Disposal

The Group sold its entire stake in the Wasteman group, specialized in waste collection and treatment in South Africa.

2.2.4 Consolidation of Nuove Acque and Acque Toscane

The Italian companies Nuove Acque and Acque Toscane were included in the scope of consolidation at June 30, 2009. Nuove Acque manages water and wastewater services in 37 towns in the Arezzo area (Tuscany, Italy), serving 350,000 inhabitants. Acque Toscane manages water distribution for the cities of Montecatini Terme, Ponte Buggianese and Fiesole (Florence region), serving a population of approximately 50,000 inhabitants.

2.2.5 Commissioning of the EVI incinerator

The EVI incineration plant located in the international industrial park Europapark, in Emlichheim-Coevorden on the border of Germany and the Netherlands, was commissioned on April 2, 2009. With a total capacity of 365,000 tons, this incinerator internalizes the treatment of waste flows collected in the Benelux-Germany region.

2.2.6 Moving out of SUEZ ENVIRONNEMENT head office and French subsidiaries headquarters

SUEZ ENVIRONNEMENT Group decided to bring together its teams from the SUEZ ENVIRONNEMENT headquarters and those from its subsidiaries Lyonnaise des Eaux, SITA France, Degrémont and OIS. The move to a single site in La Défense (Paris) will be finalized by the end of 2010.

NOTE 3 Operating segments information

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

The Group is divided into 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 have been organized into the following operating segments:

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

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

3.2 KEY INDICATORS BY OPERATING SEGMENT

REVENUES

	June 30, 2010			June 30, 2009		
(in millions of euros)	Non-group	Group	Total	Non-group	Group	Total
Water Europe	2,015.6	6.1	2,021.7	1,926.7	4.1	1,930.8
Waste Europe	2,864.9	12.6	2,877.5	2,599.0	17.8	2,616.8
International	1,706.9	17.5	1,724.4	1,338.0	16.3	1,354.3
Other	9.1	25.2	34.3	8.4	19.0	27.4
Intercompany eliminations	-	(61.4)	(61.4)	-	(57.2)	(57.2)
TOTAL REVENUES	**6,596.5**	**-**	**6,596.5**	**5,872.1**	**-**	**5,872.1**

EBITDA

(in millions of euros)	June 30, 2010	June 30, 2009
Water Europe	443.2	419.9
Waste Europe	403.1	368.3
International	245.5	196.8
Other	(49.5)	(34.4)
TOTAL EBITDA	**1,042.3**	**950.6**

CURRENT OPERATING INCOME

(in millions of euros)	June 30, 2010	June 30, 2009
Water Europe	196.6	209.5
Waste Europe	155.8	132.2
International	141.0	110.8
Other	(56.7)	(59.1)
TOTAL CURRENT OPERATING INCOME	**436.7**	**393.4**

DEPRECIATION

(in millions of euros)	June 30, 2010	June 30, 2009
Water Europe	(144.4)	(115.5)
Waste Europe	(222.9)	(223.9)
International	(74.7)	(66.3)
Other	(1.2)	(1.0)
TOTAL DEPRECIATION	**(443.2)**	**(406.7)**

IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND FINANCIAL ASSETS

(in millions of euros)	June 30, 2010	June 30, 2009
Water Europe	(27.3)	(1.1)
Waste Europe	(33.6)	(7.3)
International	(7.2)	0.8
Other	(2.7)	(0.1)
TOTAL IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND FINANCIAL ASSETS	**(70.8)**	**(7.7)**

CAPITAL EMPLOYED

(in millions of euros)	June 30, 2010	December 31, 2009
Water Europe	5,741.6	3,423.8
Waste Europe	4,269.9	4,370.6
International	3,243.5	2,788.3
Other	22.9	(51.1)
TOTAL CAPITAL EMPLOYED	**13,277.9**	**10,531.6**

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND FINANCIAL ASSETS

(in millions of euros)	June 30, 2010	June 30, 2009
Water Europe	(826.3)	(182.8)
Waste Europe	(212.5)	(245.4)
International	(102.5)	(141.9)
Other	(4.0)	(92.3)
TOTAL INVESTMENTS	**(1,145.3)**	**(662.4)**

3.3 KEY INDICATORS BY GEOGRAPHICAL AREA

The indicators below are broken down:

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

	Revenues		Capital employed	
(in millions of euros	**June 30, 2010**	**June 30, 2009**	**June 30, 2010**	**December 31, 2009**
France	2,876.8	2,624.7	2,523.4	2,381.2
Europe	2,419.3	2,288.0	7,481.8	5,552.3
International	1,300.4	959.4	3,272.7	2,598.1
TOTAL	**6,596.5**	**5,872.1**	**13,277.9**	**10,531.6**

3.4 RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

(in millions of euros)	**June 30, 2010**	**June 30, 2009**
Current operating income	**436.7**	**393.4**
(-) Depreciation, amortization and provisions	477.2	419.7
(-) Share-based payments (IFRS 2)	9.9	28.2
(-) Disbursements under concession contracts	118.5	109.3
EBITDA	**1,042.3**	**950.6**

3.5 RECONCILIATION OF CAPITAL EMPLOYED WITH THE STATEMENTS OF FINANCIAL POSITIONS

(in millions of euros)	**June 30, 2010**	**December 31, 2009**
(+) Property, plant and equipment and intangible assets	11,101.0	8,723.7
(+) Goodwill (net)	3,709.8	3,069.6
(+) Available-for-sale securities (excluding marketable securities)	459.3	445.2
(+) Investments in associates	327.1	322.9
(+) Trade and related receivables	4,177.1	3,701.4
(+) Inventories	287.5	270.4
(+) Loans and receivables related to investments	798.4	605.0
(+) Other current and non-current assets	1,053.8	944.8
(-) Provisions and actuarial gains/losses on pension plans	(1,534.9)	(1,297.6)
(-) Trade and related payables	(4,148.3)	(3,741.4)
(-) Other current and non-current liabilities	(2,952.9)	(2,512.3)
(-) Other financial liabilities	-	-
CAPITAL EMPLOYED	**13,277.9**	**10,531.6**

NOTE 4 Income statement

4.1 CURRENT OPERATING INCOME

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

4.2 INCOME FROM OPERATING ACTIVITIES

(in millions of euros)	June 30, 2010	June 30, 2009
Current operating income	**436.7**	**393.4**
Marked-to-market on operating financial instruments	1.0	2.1
Impairment on property, plant and equipment, intangible and financial assets	(70.8)	(7.7)
Restructuring costs	(50.2)	(26.5)
Changes in scope of consolidation	364.7	1.1
Other disposal gains or losses and non-recurring items	(5.7)	1.0
INCOME FROM OPERATING ACTIVITIES	**675.7**	**363.4**

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

(in millions of euros)	June 30, 2010	June 30, 2009
Impairments		
Goodwill	(4.8)	(0.7)
Property, plant and equipment and other intangible assets	(55.7)	(5.8)
Financial assets	(21.4)	(9.2)
Total impairments	**(81.9)**	**(15.7)**
Impairment reversals:		
Property, plant and equipment and other intangible assets	0.2	6.9
Financial assets	10.9	1.1
Total impairment reversals	**11.1**	**8.0**
TOTAL	**(70.8)**	**(7.7)**

In addition to the systematic annual impairment tests on goodwill and non-amortizable intangible assets performed in the second half of the fiscal year, tests are occasionally performed on 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, 2010, as at June 30, 2009, 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

At June 30, 2010, this amount mainly recognizes the accounting consequences on the value of the assets of (i) the difficulties encountered in the recycling of plastics and tires sector (Waste Europe), and (ii) those related to the long-lasting under-profitability of non-core activities in the Water sector in Europe. This amount also includes the impact of a fire in a sorting center in Germany.

4.2.2 Restructuring costs

At June 30, 2010, this amount mainly includes the costs related to the restructuring plan decided by Agbar and its subsidiaries. The impact in contribution of this plan on income from operating activities is €34.2 million.

At June 30, 2009, this amount mainly included the costs linked to adapting to the slowdown in business, primarily in the Waste Europe sector, as well as costs arising from the transfer of SITA France, OIS, Degrémont, Lyonnaise des Eaux and SUEZ ENVIRONNEMENT to a single location at La Défense (Paris).

4.2.3 Changes in scope of consolidation

At June 30, 2010, in application of the revised IFRS 3, this item includes:

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

The two transactions are detailed in Note 2 – Significant Events. In both cases, the direct acquisition costs related to these transactions are included in this item.

At June 30, 2010, this item also includes an amount of €81 million corresponding to a gain on the disposal of shares in Société des Eaux de Marseille and Société des Eaux d'Arles, which were sold to Veolia-Eau by Lyonnaise des Eaux as part of the process to unwind previously jointly-held companies. See Note 2 – Significant Events.

4.3 FINANCIAL INCOME/LOSS

	June 30, 2010			June 30, 2009		
(in millions of euros)	**Expenses**	**Income**	**Total**	**Expenses**	**Income**	**Total**
Cost of net debt	**(218.8)**	**31.0**	**(187.8)**	**(149.4)**	**16.8**	**(132.6)**
Interest expense on gross debt	(184.7)	-	(184.7)	(149.4)	-	(149.4)
Exchange gain/(loss) on financial debt and hedges	-	22.0	22.0	-	1.9	1.9
Income/(expense) from hedges on borrowings	(34.1)	-	(34.1)	-	1.6	1.6
Income/(expense) on cash and cash equivalents and on financial assets at fair value through income	-	8.0	8.0	-	13.3	13.3
Capitalized borrowing costs [(a)]	-	1.0	1.0	-	-	-
Other financial income and expenses	**(27.1)**	**26.8**	**(0.3)**	**(25.6)**	**43.1**	**17.5**
FINANCIAL INCOME/(LOSS)	**(245.9)**	**57.8**	**(188.1)**	**(175.0)**	**60.0**	**(115.0)**

(a) Capitalized costs of borrowings have been reclassified since December 31, 2009 from "Other financial income and expenses" to "Cost of net debt" and are henceforth deducted from financial expenses. The data at June 30, 2009 have been restated to allow for comparison.

The change in cost of net debt over the period results mainly from the costs linked to SUEZ ENVIRONNEMENT COMPANY's issue in 2009 and at the end of June 2010 of several bond tranches under its EMTN program, for a grand total of €3.5 billion. These costs have been partially offset by income from the placement of these issues.

The changes in "Exchange gain/(loss) on financial debt" and "Gains and losses from hedges on borrowings" are directly related to changes in exchange rates in the first half of 2010 as compared to the first half of 2009.

4.4 INCOME TAX

(in millions of euros)	June 30, 2010	June 30, 2009
Net income (a)	442.3	228.2
Total income tax expense recognized in income statement (b)	(58.3)	(40.9)
Share in net income from associates (c)	13.0	20.7
Income before tax and share in net income from associates (a) - (b) - (c) = (d)	**487.6**	**248.4**
Effective tax rate -(b)/(d)	**12.0%**	**16.5%**

At June 30, 2010, the Group's effective tax rate is 12.0%, compared to 16.5% at June 30, 2009.

The low effective tax rate at June 30, 2010 results mainly from the impact of taxation at a reduced rate or non-taxation of the capital gains generated from the takeover of Agbar in Spain and the unwinding of joint investments in the water sector with Veolia-Eau in France. Once these items are adjusted for, the effective tax rate at June 30, 2010 is 36%.

The effective tax rate at June 30, 2009 was largely the result of impacts related to the first-time recognition of deferred tax assets on non-deductible reserves and other temporary differences by the companies belonging to the French tax consolidation group headed by SUEZ ENVIRONNEMENT COMPANY. Restated for these impacts, the effective tax rate was 32% at June 30, 2009.

Moreover, all deferred tax assets on tax losses carried forward continue to be recognized consistently with 2008 and 2009.

NOTE 5 Goodwill and property, plant and equipment, and intangible assets

(in millions of euros)	Goodwill	Intangible assets	Property, plant and equipment
A. GROSS VALUE AT DECEMBER 31, 2009	**3,261.6**	**4,351.0**	**13,197.0**
Acquisitions	-	135.1	386.7
Disposals	-	(4.6)	(98.0)
Changes in scope of consolidation	376.6	964.9	2,719.9
Translation adjustments	196.9	97.4	577.1
Other	(29.3)	(15.7)	(58.5)
At June 30, 2010	**3,805.8**	**5,528.1**	**16,724.2**
B. DEPRECIATION AND IMPAIRMENT LOSSES AT DECEMBER 31, 2009	**(192.1)**	**(2,115.2)**	**(6,709.1)**
Depreciation and impairment losses	(4.8)	(120.2)	(378.8)
Disposals	-	5.5	86.0
Changes in scope of consolidation	114.9	(361.2)	(1,366.6)
Translation adjustments	(13.6)	(39.1)	(185.7)
Other	(0.4)	1.0	32.1
At June 30, 2010	**(96.0)**	**(2,629.2)**	**(8,522.1)**
C. CARRYING AMOUNT = A + B AT DECEMBER 31, 2009	**3,069.5**	**2,235.8**	**6,487.9**
At June 30, 2010	**3,709.8**	**2,898.9**	**8,202.1**

Changes in goodwill recorded under "Changes in scope of consolidation" mainly reflect the acquisition of a controlling interest in Agbar by SUEZ ENVIRONNEMENT, as described in Note 2 "Significant Events" (additional goodwill of €227 million raising provisional goodwill to €857 million), as well as a change related to the unwinding of companies formerly held jointly by Lyonnaise des Eaux and Veolia-Eau (€227 million). These amounts are provisional given that the accounting of these two business combinations will be finalized in the second half of 2010.

Concerning Agbar, and in light of the residual interest of Criteria and of individual shareholders, the Group opted to measure the non-controlling interest at its proportionate interest in the identifiable net assets of Agbar.

Net changes in the scope of consolidation had an impact on property, plant and equipment and intangible assets of €1,957 million. These changes are related to the above-mentioned transactions, the Agbar takeover (€1,881million) and the unwinding of previously jointly held companies (€62 million).

With respect to total goodwill, as we did not identify any indicator of impairment on the first half of 2010, no significant impairment was recognized at June 30, 2010.

The main translation adjustments recorded in relation to the gross value of property, plant and equipment concern the US dollar (€315 million), the pound sterling (€108 million), the Chilean peso (€62 million), and the Australian dollar (€44 million).

NOTE 6 Interests in joint ventures

Joint ventures contributed as follows to the Group's condensed consolidated interim financial statements:

(in millions of euros)	Percentage of consolidation	Current assets	Non-current assets	Current liabilities	Non-current liabilities
At June 30, 2010					
Agbar Group	100.0	NA	NA	NA	NA
TOTAL		**NA**	**NA**	**NA**	**NA**
At December 31, 2009					
Agbar Group	51.0	951.2	2,873.9	942.3	1,026.3
TOTAL		**951.2**	**2,873.9**	**942.3**	**1,026.3**

In 2009, the entire Agbar Group was consolidated at 51% in SUEZ ENVIRONNEMENT COMPANY's consolidated financial statements.

The Agbar Group has been fully consolidated since SUEZ ENVIRONNEMENT obtained exclusive control of it. The transaction is detailed in Note 2 "Significant Events".

NOTE 7 Provisions

(in millions of euros)	December 31, 2009	Allo-wances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Discoun-ting [a]	Translation adjust-ments [b]	Other	June 30, 2010
Pensions and other employee benefit obligations	442.8	13.7	(13.7)	-	10.8	8.7	26.3	8.4	497.0
Sector-related risks	105.0	10.1	(5.1)	-	13.6	-	0.2	(2.2)	121.6
Warranties	41.4	2.8	(2.0)	-	-	-	3.4	0.4	46.0
Tax risks, other disputes and claims	132.7	13.2	(2.6)	(0.1)	37.0	-	0.6	-	180.8
Site restoration	490.5	13.7	(10.1)	-	1.1	8.2	12.7	3.4	519.5
Restructuring costs	34.6	34.9	(8.1)	(0.1)	23.0	-	0.1	0.2	84.6
Other contingencies	142.0	27.3	(20.9)	-	20.3	0.2	4.7	(3.1)	170.5
TOTAL PROVISIONS	**1,389.0**	**115.7**	**(62.5)**	**(0.2)**	**105.8**	**17.1**	**48.0**	**7.1**	**1,620.0**

(a) The amount presented in respect of pensions and other employee benefit obligations relates to the interest cost on pension obligations, net of the expected return on plan assets.
(b) The Group reported €48 million in translation gains in the six months to June 30, 2010, generated mainly by its US, UK and Swedish subsidiaries.

The "Other" column includes mainly actuarial gains and losses for pensions and other employee benefits generated in 2010 and recognized in reserves.

The macroeconomic assumptions used to measure pension obligation and other long-term benefits as at June 30, 2010 were established while taking into consideration market developments. Changes compared to December 31, 2009 mainly concern commitments in the eurozone, with an inflation rate of 2% and a discount rate of 3.9%.

The Group has noted the proposed pension reform in France, which aims to gradually raise the retirement age, now set at 60, to 62 in 2018. The impacts of this reform are being analyzed.

The discounting impacts on pensions and other employee benefit obligations relates to the interest cost on pension obligations, net of the expected return on plan assets.

The increase in total provisions for risks and contingencies at June 30, 2010 compared to December 31, 2009 stems mainly from:

- the allowance of a restructuring provision for Agbar (see Note 4.2.2 "Restructuring costs");
- the change in the consolidation method for Agbar (see Note 2 "Significant events") for €109 million.

The allowances, reversals and changes presented above and resulting from discounting impacts are presented as follows in the income statement at June 30, 2010:

(in millions of euros)	Net (Reversals)/ Allowances
Income from operating activities	45.0
Other financial income and expenses	17.1
Income tax expense	8.0
TOTAL	**70.1**

NOTE 8 Financial instruments

8.1 FINANCIAL ASSETS

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

	June 30, 2010			December 31, 2009		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	**463.5**	**-**	**463.5**	**447.8**	**-**	**447.8**
Loans and receivables carried at amortized cost	**709.6**	**5,322.1**	**6,031.7**	**521.6**	**4,729.5**	**5,251.1**
• Loans and receivables carried at amortized cost (excluding trade and other receivables)	578.7	222.1	800.8	400.3	204.6	604.9
• Trade and other receivables	-	4,177.1	4,177.1	-	3,701.4	3,701.4
• Other assets	130.9	922.9	1,053.8	121.3	823.5	944.8
Financial assets measured at fair value through income	**110.6**	**505.4**	**616.0**	**44.8**	**1,152.8**	**1,197.6**
• Derivative financial instruments (incl. commodity derivatives)	110.6	14.3	124.9	44.8	11.7	56.5
• Financial assets at fair value through income (excluding derivatives)	-	491.1	491.1	-	1,141.1	1,141.1
Cash and cash equivalents	**-**	**2,776.6**	**2,776.6**	**-**	**2,711.7**	**2,711.7**
TOTAL	**1,283.7**	**8,604.1**	**9,887.8**	**1,014.2**	**8,594.0**	**9,608.2**

Since December 31, 2009, the decrease in cash and cash equivalents and financial assets at fair value through income items is due to reimbursements of borrowings due in the first half of 2010, for a total of €664.5 million.

Available-for-sale securities

Movements during the period are broken down as follows:

(in millions of euros)	
At 31 December 2009	**447.8**
Acquisitions	30.7
Net book value of disposals	(3.5)
Impairment	(3.9)
Changes in fair value recorded in shareholders' equity	6.6
Changes in scope of consolidation, exchange rates and other	(14.2)
At June 30, 2010	**463.5**

Available-for-sale securities held by the Group totaled €463.5 million at June 30, 2010, consisting of €168.9 million in listed securities and €294.6 million in unlisted securities.

The Group analyzed the value of the various available-for-sale securities to determine, on a case-by-case basis and according to all available information (including the current market context), whether there was a need to recognize impairment losses.

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

A 10% decline in market prices for the listed securities would have an impact of approximately €16.9 million on equity.

The main investment in unlisted securities concerns Aguas de Valencia, which was valued based on a multi-criteria analysis (DCF, multiples).

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

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

	Dividends	Remeasurement			Profit/(loss) on disposals
(in millions of euros)		Change in fair value	Impact of exchange rates	Impairment loss	
Shareholders' equity	-	6.6	-	-	-
Income statement	6.7	-	-	(3.9)	(1.1)
TOTAL AS OF JUNE 30, 2010	**6.7**	**6.6**	**-**	**(3.9)**	**(1.1)**
Shareholders' equity	-	(45.3)	-	-	-
Income statement	33.9	-	-	(0.1)	34.2
TOTAL AS OF DECEMBER 31, 2009	**33.9**	**(45.3)**	-	**(0.1)**	**34.2**

8.2 FINANCIAL LIABILITIES

The various financial liabilities at June 30, 2010 are as follows:

	June 30, 2010			December 31, 2009		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,369.2	3,137.1	11,506.3	6,400.0	3,680.2	10,080.2
Derivative financial instruments	114.6	61.4	176.0	62.5	57.1	119.6
Trade and other payables	-	4,148.3	4,148.3	-	3,741.4	3,741.4
TOTAL	**8,483.8**	**7,346.8**	**15,830.6**	**6,462.5**	**7,478.7**	**13,941.2**

8.3 NET DEBT

8.3.1 Analysis by type of debt

	June 30, 2010			December 31, 2009		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,395.7	2,970.7	11,366.4	6,423.3	3,556.2	9,979.5
Impact of measurement at amortized cost	(26.5)	87.9	61.4	(23.3)	121.7	98.4
Impact of fair-value hedge [(a)]	-	78.5	78.5	-	2.3	2.3
Borrowings and debt	**8,369.2**	**3,137.1**	**11,506.3**	**6,400.0**	**3,680.2**	**10,080.2**
Derivatives hedging borrowings under liabilities [(b)]	88.6	49.9	138.5	49.5	35.6	85.1
Gross debt	**8,457.8**	**3,187.0**	**11,644.8**	**6,449.5**	**3,715.8**	**10,165.3**
Financial assets at fair value through income	-	(491.1)	(491.1)	-	(1,141.1)	(1,141.1)
Cash and cash equivalents	-	(2,776.6)	(2,776.6)	-	(2,711.7)	(2,711.7)
Derivatives hedging borrowings under assets [(b)]	(85.6)	-	(85.6)	(31.0)	-	(31.0)
Net cash	**(85.6)**	**(3,267.7)**	**(3,353.3)**	**(31.0)**	**(3,852.8)**	**(3,883.8)**
Net debt	**8,372.2**	**(80.7)**	**8,291.5**	**6,418.5**	**(137.0)**	**6,281.5**
Outstanding borrowings	8,395.7	2,970.7	11,366.4	6,423.3	3,556.2	9,979.5
Financial assets at fair value through income	-	(491.1)	(491.1)	-	(1,141.1)	(1,141.1)
Cash and cash equivalents	-	(2,776.6)	(2,776.6)	-	(2,711.7)	(2,711.7)
Net debt excluding amortized cost and impact of derivative financial instruments	**8,395.7**	**(297.0)**	**8,098.7**	**6,423.3**	**(296.6)**	**6,126.7**

(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 irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges.

8.3.2 Change in net debt

Over the first half of 2010, net debt increased by €2,010.0 million, mainly due to:

- dividends paid to SUEZ ENVIRONNEMENT COMPANY's shareholders, generating a €317.4 million increase in net debt;
- changes in the scope of consolidation over the first half of 2010, resulting in a €1,244.6 million increase in net debt. This includes €62.3 million related to the unwinding of previously jointly held companies in Lyonnaise des Eaux France (impact of change in the method of consolidation) and €1,168.2 million to Agbar (impact of change in the method of consolidation);
- the exchange rate impact contributed to an increase in net debt of €265.1 million.

8.3.3 Bond issues

In the first half of 2010, under its EMTN program, SUEZ ENVIRONNEMENT COMPANY issued €500 million in 12-year bonds paying a coupon of 4.125% and maturing on June 24, 2022.

Under the Group's risk management policy, bond issues made in 2009 and 2010 are hedged to limit the Group's exposure to fluctuations in interest rates and exchange rates. The sensitivity of the debt (including interest rate and foreign exchange derivative financial instruments) to interest rate risk and currency risk is presented in Note 9 "Management of risks arising from financial instruments".

8.3.4 Debt/Equity Ratio

(in millions of euros)	June 30, 2010	December 31, 2009
Net debt	8,291.5	6,281.5
Total equity	5,230.0	4,418.1
Net debt/Equity Ratio	158.5%	142.2%

8.4 DERIVATIVE FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL ASSETS

	June 30, 2010			December 31, 2009		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	85.6	-	85.6	31.0	-	31.0
Commodity instruments	-	4.7	4.7	-	4.1	4.1
Derivatives hedging other items	25.0	9.6	34.6	13.8	7.6	21.4
TOTAL	**110.6**	**14.3**	**124.9**	**44.8**	**11.7**	**56.5**

DERIVATIVE FINANCIAL LIABILITIES

	June 30, 2010			December 31, 2009		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	88.6	49.9	138.5	49.5	35.6	85.1
Commodity instruments	-	6.0	6.0	-	16.7	16.7
Derivatives hedging other items	26.0	5.5	31.5	13.0	4.8	17.8
TOTAL	**114.6**	**61.4**	**176.0**	**62.5**	**57.1**	**119.6**

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

NOTE 9 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to credit, liquidity and market risks. The risk management policy is described in Note 14 to the consolidated financial statements at December 31, 2009.

9.1 COUNTERPARTY RISK

Through its operational and financial activities, the Group is exposed to the risk of default of its counterparties (customers, suppliers, intermediaries, banks) should they be unable to honor their contractual commitments.

9.1.1 Operating activities

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

(in millions of euros)	Non-impaired assets but past due at the closing date				Impaired assets	Non-impaired and not past-due assets	
Trade and other receivables	**0-6 months**	**6-12 months**	**Over 1 year**	**Total**	**Total**	**Total**	**Total**
At June 30, 2010	162.2	23.3	24.0	209.5	269.2	3,967.9	4,446.6
At December 31, 2009	149.7	22.2	44.1	216.0	201.2	3,485.5	3,902.7

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

9.1.2 Financial activities

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

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

(in millions of euros)	Non-impaired assets but past due at the closing date				Impaired assets	Non-impaired and not past-due assets	
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**0-6 months**	**6-12 months**	**Over 1 year**	**Total**	**Total**	**Total**	**Total**
At June 30, 2010	-	-	0.1	0.1	226.6	798.1	1,024.8
At December 31, 2009	8.6	0.1	0.1	8.8	214.6	597.4	820.8

Outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment, change in fair value and amortized cost. Changes in loans and receivables carried at amortized cost are presented in Note 8.1.

Counterparty risk arising from investing activities

The Group is exposed to counterparty risk on the investment of its cash surpluses (excluding loans to non-consolidated companies) and through its use of derivative financial instruments. For financial instruments, this risk corresponds to the positive fair value.

At June 30, 2010, the Group's total available cash (consisting of cash and cash equivalents and financial assets at fair value through income) stood at €3,267.7 million.

Only cash and cash equivalents, amounting to €2,776.6 million, is subject to counterparty risk. For this item, the breakdown of counterparties by credit rating is as follows:

	June 30, 2010			December 31, 2009		
Counterparty risk arising from investing activities	**Investment Grade (a)**	**Unrated (b)**	**Non Investment Grade (b)**	**Investment Grade (a)**	**Unrated (b)**	**Non Investment Grade (b)**
% of exposure to counterparties	92%	8%	0%	89%	11%	0%

(a) Counterparties with a minimum rating of BBB- from Standard & Poor's or Baa3 from Moody's.
(b) The bulk of these two exposures is held by consolidated companies in which the Group has a non-controlling interest or by Group companies operating in emerging markets where cash cannot be centralized and is therefore placed locally.

Furthermore, at June 30, 2010 no single counterparty outside the GDF SUEZ Group accounted for more than 20% of cash investments (weighted percentage of the estimated risk of each investment according to type, currency and maturity), compared to 17.5% at December 31, 2009.

Counterparty risk arising from other assets

Other assets, including tax receivables and other receivables, are neither past due nor impaired. Moreover, the Group does not consider itself exposed to a counterparty risk on these assets.

9.2 LIQUIDITY RISK

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

Liquidity depends on the continued availability of cash and cash equivalents and confirmed credit facilities. The Group has confirmed credit facilities that are appropriate for the scale of its operations and for the timing of its contractual debt repayments. At June 30, 2010, these confirmed credit facilities totaled €3,460 million, including €2,336 million in available and undrawn lines of credit. The significant increase in available and undrawn lines of credit is related to the February 2010 signing of a five-year, multilateral financing agreement totaling €1,500 million.

53% of total credit lines and 78% of undrawn facilities are centralized. None of these facilities contains a default clause linked to covenants or minimum credit ratings.

At June 30, 2010, bank loans represented 27.6% of the Group's gross debt (excluding bank overdrafts, amortized costs and the impact of derivatives). Financing through the capital markets (use of securitization for 2.3% and of bond borrowings for 44.7%) represented 47.0% of gross debt.

At June 30, 2010, cash, composed of cash and cash equivalents and qualifying financial assets designated at fair value through income, net of bank overdrafts, totaled €2,707.9 million.

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

At June 30, 2010 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Debt with GDF SUEZ	1,977.3	1,292.3	6.0	6.0	507.5	33.8	131.7
Bond or bank borrowings	9,389.1	1,539.5	282.7	1,097.0	418.5	1,715.2	4,336.2
TOTAL	**11,366.4**	**2,831.8**	**288.7**	**1,103.0**	**926.0**	**1,749.0**	**4,467.9**

Moreover, at June 30, 2010, undiscounted contractual payments on outstanding borrowings are broken down as follows by maturity and type:

At June 30, 2010 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Bond issues	4,831.5	63.3	25.4	95.2	48.2	1,417.7	3,181.7
Draw-downs on credit facilities	1,112.8	720.8	79.0	233.6	12.2	-	67.2
Borrowings under finance leases	588.5	31.3	53.4	157.2	138.5	127.3	80.8
Other bank borrowings	1,867.1	64.9	107.1	360.5	212.7	166.9	955.0
Other borrowings	2,005.3	990.3	23.8	256.5	514.4	37.1	183.2
Overdrafts and current accounts	961.2	961.2	-	-	-	-	-
Outstanding borrowings	**11,366.4**	**2,831.8**	**288.7**	**1,103.0**	**926.0**	**1,749.0**	**4,467.9**
Financial assets at fair value through income	(491.1)	(491.1)	-	-	-	-	-
Cash and cash equivalents	(2,776.6)	(2,776.6)	-	-	-	-	-
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**8,098.7**	**(435.9)**	**288.7**	**1,103.0**	**926.0**	**1,749.0**	**4,467.9**

At December 31, 2009 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Outstanding borrowings	**9,979.5**	**3,556.2**	**189.4**	**694.8**	**686.6**	**1,541.2**	**3,311.3**
Financial assets at fair value through income and cash and cash equivalents	(3,852.8)	(3,852.8)	-	-	-	-	-
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**6,126.7**	**(296.6)**	**189.4**	**694.8**	**686.6**	**1,541.2**	**3,311.3**

Undiscounted contractual interest payments on outstanding borrowings by date of maturity are as follows:

At June 30, 2010 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Undiscounted contractual cash flow interest payments on outstanding borrowings	3,684.5	180.1	384.2	387.8	376.8	327.5	2,028.0

At December 31, 2009 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Undiscounted contractual cash flow interest payments on outstanding borrowings	2,698.2	342.6	301.9	295.9	281.2	240.9	1,235.7

Undiscounted contractual payments on outstanding derivatives (excluding commodities instruments) recognized as liabilities and assets broke down as follows by maturity (net amounts):

At June 30, 2010 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Derivatives (excluding commodities)	85.6	29.1	18.4	19.1	10.4	3.8	4.8

At December 31, 2009 *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Derivatives (excluding commodities)	6.1	(2.7)	(2.2)	3.0	2.9	1.9	3.2

Maturities of confirmed undrawn credit facilities are as follows:

Confirmed undrawn credit facilities *(in millions of euros)*	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
At June 30, 2010	2,335.7	214.2	70.1	236.7	43.1	140.0	1,631.6

	Total	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
At December 31, 2009	1,053.7	285.8	120.4	473.7	80.3	60.0	33.5

At June 30, 2010, no single counterparty accounted for more than 11% of the Group’s confirmed undrawn credit lines.

9.3 MARKET RISKS

Sensitivity analysis: foreign currency and interest rate instruments

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

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

Impact on income:

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the reporting currency of the companies carrying the liabilities on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform change of + or - 10% in the value of the euro against all other foreign currencies would have an impact of + or - €3.6 million on income.

Impact on equity:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform change of + or - 10% in the value of the euro against all other foreign currencies would have an impact of + or - €154.0 million on equity. This impact is offset by the opposite effect on the net investment in the hedged currency.

With respect to interest rate risk, the sensitivity calculation consists in evaluating the impact of a + or - 1% change in interest rates compared with closing interest rates.

Impact on income:

A uniform 1% rise in short-term interest rates (for all currencies) on the nominal amount of the floating-rate net debt and the floating-rate component of derivatives, as well as a 1% increase in all the yield curves on the fair value of derivatives which are not classified as hedges, would have a negative impact of - €6.3 million on net interest expense.

Impact on equity:

A uniform 1% increase in interest rates across the yield curves (identical for all currencies) on the fair value of derivatives classified as hedges would have an impact of + or - €31.8 million on equity.

9.4 MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS LINKED TO COMMODITIES

The fair value of derivative instruments linked to commodities is presented in the table below:

	June 30, 2010				December 31, 2009			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	4.7	-	6.0	-	4.1	-	16.7	-
TOTAL	**4.7**	**-**	**6.0**	**-**	**4.1**	**-**	**16.7**	**-**

Commodity trading derivatives mainly include hedges on diesel fuel and electricity.

NOTE 10 Share-based payments

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

(in millions of euros)	Expense of the period June 30, 2010	Expense of the period June 30, 2009
Stock option plans	(7.0)	(7.0)
Share Appreciation Rights [(a)]	(0.3)	0.3
Bonus/performance share award plans	(2.2)	(18.5)
Exceptional bonus [(b)]	(1.4)	(1.3)
TOTAL	**(10.9)**	**(26.5)**

(a) Issued in the context of capital increases reserved for employees in certain countries, excluding warrants.
(b) The exceptional bonus is included in EBITDA.

All transactions prior to 2010 are described in Note 23 to the consolidated financial statements at December 31, 2009.

10.1 CAPITAL INCREASES RESERVED FOR EMPLOYEES

Share Appreciation Rights (SARs) were awarded under capital increases carried out by the former SUEZ Group in 2005 and 2007. The accounting impact of these cash-settled instruments consists in recognizing a debt against the employee payable over the vesting period, with the corresponding adjustment recorded in income. At June 30, 2010, the fair value of the liability related to these awards in 2005 and 2007 amounted to €5.3 million. The impact of the SARs on the consolidated income statement, including coverage by warrants, is an expense of €0.7 million (expense of €0.3 million excluding coverage by warrants).

10.2 BONUS SHARES AND PERFORMANCE SHARES

10.2.1 Plans vesting in 2010

Bonus and performance share plans established by the former SUEZ Group reached their vesting date in the first half of 2010. These plans were subject to conditions of continuous service and the company's internal performance. As the latter condition was not met, the volume of shares awarded to employees was reduced in accordance with the plans' rules. Under IFRS 2, this change in the number of shares resulted in a €12.5 million reversal of previously recognized expenses in the income statement for the first half of 2010.

10.2.2 Awards in 2010

Given the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, the Board of Directors of GDF SUEZ awarded 9,660 performance shares to the Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY. This plan is subject to the following conditions:

- continuous service until March 14, 2012;
- non-transferability of shares until March 14, 2014;
- the company's internal performance, linked to the GDF SUEZ Group's EBITDA in 2011 (for half of the shares awarded);
- the company's external performance, linked to the performance of the GDF SUEZ share against that of the Eurostoxx Utilities Index during the vesting period (for the other half of the shares awarded).

The fair value of these performance shares was calculated by applying the method described in Note 1 to the consolidated financial statements at December 31, 2009. Under IFRS 2, the external performance condition – calculated using the Monte Carlo method – is included in determining the instrument's fair value. The fair value per share amounted to €23.7 for shares subject to the internal performance condition and €13.4 for shares subject to the external performance condition.

10.3 SUEZ EXCEPTIONAL BONUS

In November 2006, the SUEZ Group introduced a temporary exceptional bonus award scheme aimed at rewarding employee loyalty and involving employees more closely in the Group's success. The scheme provided for the payment of an exceptional bonus equal to the value of four SUEZ shares at June 1, 2010, plus the amount of gross dividends for the period 2005-2009 (including any potential extraordinary dividends) paid on or before May 31, 2010. Since SUEZ's merger with Gaz de France, the calculation is based on a basket of one GDF SUEZ share and one SUEZ ENVIRONNEMENT COMPANY share. The plan vested on June 1, 2010.

At June 1, 2010, the final value of the bonus was set at €141.60. The accounting impact of this cash-settled instrument, consisted in recognizing an employee payable over the vesting period, with the corresponding counterpart recorded in income. An expense of €1.4 million was recognized over the period. Payment is underway and is due to be completed by September 1, 2010.

NOTE 11 Related party transactions

The aim of this note is to describe material transactions between (i) the Group and its shareholders (or representatives), and (ii) the Group and the companies which it does not exclusively control (joint ventures or associates).

11.1 TRANSACTIONS WITH GDF SUEZ AND RELATED ENTITIES

Only material transactions are described below.

(in millions of euros)	June 30, 2010	December 31, 2009	June 30, 2009
TRANSACTIONS WITH GDF SUEZ:			
Purchases/sales of goods and services	(7.9)	(19.9)	(7.6)
Non-financial payables	6.0	15.2	8.9
Non-financial receivables	1.1	1.3	1.6
Receivables carried at amortized cost [a]	29.5	30.3	33.8
TRANSACTIONS WITH COMPANIES RELATED TO GDF SUEZ:			
Purchases/sales of goods and services	(9.5)	(36.2)	(22.4)
Financial income	16.1	16.4	4.3
Financial expenses	(33.4)	(75.4)	(41.3)
Non-financial receivables	28.4	30.8	30.6
Financial receivables	12.8	10.9	8.5
Non-financial payables	2.8	5.1	2.4
Outstanding borrowings excluding financial instruments	1,977.3	1,939.2	2,070.5
Commodity instruments	6.0	16.7	32.9
Accrued interest	19.8	(21.6)	24.9
Net cash	446.3	661.5	184.2

(a) Please refer to Note 2.2.1 from Chapter 20 of the 2009 Reference Document – Synthetic Argentinean agreement

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

In 2009 SUEZ ENVIRONNEMENT COMPANY issued several tranches of bonds under its EMTN program, which allowed SUEZ ENVIRONNEMENT COMPANY to carry out placements related to these issues. Some of these placements were made with GDF SUEZ Finance, which explains the increase in net cash of €262 million between June 2009 and June 2010.

The decreases in operating expenses and commodity derivatives are related to hedges on diesel fuel, contracted with Electrabel, a subsidiary of GDF SUEZ. The change in these two items is directly related to changes in oil prices over the period and the number of hedges purchased in 2010, which is less than in 2009.

11.2 TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions with joint ventures and associates mainly consist in exchanges of technical services within the Degrémont group, especially concerning the Melbourne contract.

In addition, the Group also granted a loan of €153.4 million to SFWD (of which €16 million granted during the first half of 2010). SFWD is a company proportionately consolidated at 50%. The "non-Group" share of €76.7 million is recognized as an asset in the Group's consolidated statement of financial position.

NOTE 12 Legal and arbitration proceedings

12.1 COMPETITION AND INDUSTRY CONCENTRATION

Inspections conducted by the European Commission

In April 2010, the European Commission carried out inspections on the premises of various French companies active in the water and wastewater sector to assess their participation in practices contrary to articles 101 and 102 of the Treaty on the Functioning of the European Union. Within this context, inspections were conducted at the Group's headquarters and at the premises of its subsidiary Lyonnaise des Eaux.

During the inspection at the premises of Lyonnaise des Eaux, a seal affixed to a door was accidentally dislodged.

On May 21, in application of Section VI of EC Regulation No. 1/2003, the Commission decided to initiate proceedings related to this accident against SUEZ ENVIRONNEMENT.

Under these proceedings, SUEZ ENVIRONNEMENT was completely open in providing the Commission with all information relating to this unfortunate incident.

SUEZ ENVIRONNEMENT intends to present its case and exercise its rights in this matter, and the company filed an appeal on June 22, 2010.

12.2 LITIGATIONS AND ARBITRATIONS

In the normal course of its business, the Group is involved with a certain amount of litigations and arbitrations with third parties or with the tax administrations of certain countries. Provisions are recorded for these litigations and arbitrations when (i) a legal, contractual, or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of that outflow of resources can be estimated in a sufficiently reliable manner. At June 30, 2010, provisions recorded in respect of the above amounted to €181 million (excluding Argentine litigation).

12.2.1 Litigations and arbitrations with third parties

Société des Eaux du Nord

Negotiations have been underway since 2008 between the *Communauté Urbaine de Lille Métropole* (LMCU – Lille Metropolitan Urban Community) and Société des Eaux du Nord (SEN) in the context of the five-year review of the management contract for drinking water distribution. The main focus of these negotiations concerns amendments signed in 1996 and 1998, which the local authorities are now reviewing.

LMCU and SEN are in disagreement over the execution of these amendments. In late 2009, LMCU and SEN decided together – as provided for under the contract – to refer the matter to an independent arbitration committee. This committee, presided by Michel Camdessus, former Managing Director of the International Monetary Fund, reported its findings on March 30, 2010.

On June 25, 2010, the Community Council voted to adopt a decision which provides for an unilateral change of the agreement, based on the terms of the addendum rejected by SEN and the issuance of a command of payment for €115 million to SEN, which was issued on July 29, 2010. SEN deems that this decision and this command of payment are without legal basis and diverge significantly from the arbitration committee's findings.

SEN has decided to bring this dispute before the Administrative Court for resolution.

Litigations in Argentina

In Argentina, tariffs under delegation of public services contracts were frozen by a Public Emergency and Exchange Regime Reform Law (Emergency Act) in January 2002, preventing the application of contractual provisions to index rates in the event of a depreciation of the Argentine peso against the US dollar.

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

These ICSID arbitration proceedings are aimed 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 Argentine government following the adoption of the above-mentioned Emergency Act. The ICSID found that it had jurisdiction to decide both cases in 2006. Hearings took place for both arbitration proceedings in 2007, and the rulings are expected during the second half of 2010. At the same time as the ICSID proceedings, the concession holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

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

At the same time, Aguas Argentinas filed a request for a *"Concurso Preventivo"* (a similar mechanism to bankruptcy in France). Within the framework of these bankruptcy proceedings, a composition proposal involving the novation of the company's admissible liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liability is currently being settled. The proposal provides for an initial payment of 20% (the equivalent of about US$40 million) upon ratification and a second payment of 20% if compensation is paid by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in this initial payment and paid US$6.1 million and US$3.8 million respectively upon ratification.

For the record, SUEZ and SUEZ ENVIRONNEMENT agreed – prior to the merger between SUEZ and Gaz de France and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange – upon the economic transfer, in SUEZ ENVIRONNEMENT's favor, of the rights and obligations linked to the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

The Group considers that the provisions recognized in the accounts relating to these disputes are adequate.

Novergie

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

Criminal complaints and action for damages parallel to prosecution were filed in March 2002 against, among others, the president of SIMIGEDA, the Préfet of Savoie and Novergie Centre Est for poisoning, endangering the life of others, and non intentional assault and battery, with respect to dioxin pollution allegedly caused by the incineration plant. In the first half of 2009, the Court of Cassation confirmed the decision of the criminal investigation unit of the Lyon Appeals Court that rejected a private prosecution.

Novergie Centre Est was indicted on December 22, 2005 on the counts of endangering the life of others and violating administrative regulations.

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

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

The date of referral to the Criminal Court is not yet known.

United Water (New York)

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

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

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

The claim for punitive damages was dismissed on December 21, 2009 and on February 11, 2010 following an appeal by the residents. A new appeal has been filed by the plaintiffs.

The claim has been declared to the insurance companies.

SITA Australia

In November 2008, the residents of Brookland Greens Estate located in the suburbs of the city of Casey, state of Victoria, Australia, filed a class action suit with the Supreme Court of Victoria against the city of Casey.

Biogas (a mix of methane and carbon dioxide) produced by the Stevensons Road landfill, which belongs to the city, has allegedly migrated through the soil, threatening the residences built in the vicinity.

The plaintiffs are claiming a loss in the value of their homes and request that the competent authorities determine the amount of damages.

In April 2009, the city of Casey called on SITA Australia to guarantee the services provided by SITA Australia between 2003 and 2007 pertaining to the landfill closure and post-closure.

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

SITA Australia as well as other parties have been sued directly by the plaintiffs on November 15, 2009.

A mediation organised between the parties in May 2010 brought to light that the wall could not totally contain the biogas migration. A new mediation session is planned in September 2010 in order to progress towards a technical solution that would protect the plaintiffs' interests.

The claim has been declared to the insurance companies.

12.2.2 Tax litigation

Sociedad General de Aguas de Barcelona

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

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

The company challenged these notices in court for each of the audited periods, countered by the tax authorities. The company alleges that the tax authorities' arguments are not grounded.

In May 2007, with regard to the 1995 to 1998 fiscal years, the administrative court reduced the amount of the claim to €21 million and cancelled the penalties. However, Agbar appealed this judgment on the remaining part of the reassessment and the Administrative Court of Appeal has already handed down separate decisions for the 1998 and 1995 fiscal years. Both decisions were appealed to the Supreme Court, first by Agbar for 1998 and then by the Spanish government for 1995. The Court of Appeal is still examining the case for the 1996 and 1997 fiscal years.

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

In June 2009, Agbar commenced legal proceedings in the administrative court to challenge the reassessments made for the 2002 to 2004 fiscal years.

Lyonnaise des Eaux and its subsidiaries

With respect to the calculation of business tax *("taxe professionnelle")*, Lyonnaise des Eaux France and its subsidiaries are in discussions with the French tax authorities. These discussions relate to the valuation method used for real estate assets and for equipment and other assets relating to the delegations of public services financed by the relevant delegated entity and/or local public entities. In this context, notices of claims for reassessment have been received by Lyonnaise des Eaux, Eau du Sud Parisien, Eau & Force, Société des Eaux du Nord, SERAM, and Stéphanoise des Eaux.

NOTE 13 Subsequent events

PLAN LINK 2010

Given the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, as part of a new employee shareholding plan, Group employees will have the opportunity in the second half of 2010 to participate in a GDF SUEZ capital increase reserved for employees.

The share subscription price has been set at €19.78.

LITIGATIONS IN ARGENTINA

The ICSID [1], the World Bank's independent arbitration body, has confirmed, on July 30, 2010, the Republic of Argentina's liability in the litigation concerning the termination of the water and wastewater concession contracts for the city of Buenos Aires and the state of Santa Fe, which had pitted GDF SUEZ, SUEZ ENVIRONNEMENT and Agbar against Argentina.

This ruling will be followed in the coming months by a final determination of the compensation owed to GDF SUEZ and the Group for the incurred losses.

(1) ICSID: International Centre for Settlement of Investment Disputes.

6 DECLARATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris, August 4, 2010

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2010 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 2010.

Jean-Louis Chaussade

Chief Executive Officer

SUEZ ENVIRONNEMENT COMPANY

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STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

From January 1, to June 30, 2010

To the Shareholders,

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

- our review of the accompanying condensed half-yearly consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY, for the period from January 1, to June 30, 2010; and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors, and have been drawn up under circumstances, described in Note 1.4 to the condensed half-yearly consolidated financial statements and in the interim management report, of financial and economic crisis characterized by some difficulty in forecasting the economic outlook which already existed on December 31, 2009. 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 in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Without qualifying the conclusion expressed above, we draw your attention to the following matters set out in notes to the condensed half-yearly consolidated financial statements:

- Note 1.1, "Basis of presentation", which specifies that the condensed half-yearly consolidated financial statements have been presented according to the "pooling of interest" accounting method, including for the comparative financial period from January 1 to June 30, 2009;
- Note 1.3.1, "IFRS standards, IFRIC amendments and interpretations whose application is mandatory in 2010", which outlines the impact of new standards and interpretations whose application is mandatory, in particular the revised standards IFRS 3 "Business combinations" and IAS 27 "Consolidated and separate financial statements".

2. SPECIFIC VERIFICATION

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, August 4, 2010

The statutory auditors

French original signed by

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

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