CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY FOR THE FISCAL YEARS ENDED DECEMBER 31, 2014 AND 2013

FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL POSITION AND REVENUES

CONTENTS

20.1 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1 Consolidated statements of financial position

In millions of euros	Note	December 31, 2014	December 31, 2013 restated [(a)]
Non-current assets			
Intangible assets, net	10	4,276.0	4,314.0
Goodwill	9	3,261.9	3,094.9
Property, plant and equipment net	11	8,009.1	7,750.0
Available-for-sale securities	13	163.7	365.5
Loans and receivables carried at amortized cost	13	722.7	681.2
Derivative financial instruments	13	194.1	200.2
Investments in joint ventures	12.1	527.9	491.8
Investments in associates	12.2	745.6	506.4
Other assets		299.8	303.0
Deferred tax assets	7	790.7	726.1
TOTAL NON-CURRENT ASSETS		**18,991.5**	**18,433.1**
Current assets			
Loans and receivables carried at amortized cost	13	119.7	354.7
Derivative financial instruments	13	7.6	11.6
Trade and other receivables	13	3,790.1	3,618.6
Inventories		262.2	269.6
Other assets		1,372.4	1,250.3
Financial assets measured at fair value through income	13	62.5	91.6
Cash and cash equivalents	13	2,248.8	2,391.4
TOTAL CURRENT ASSETS		**7,863.3**	**7,987.8**
TOTAL ASSETS		**26,854.8**	**26,420.9**
Shareholders' equity, Group share		5,477.9	4,951.6
Non-controlling interests	16	1,518.5	1,998.9
TOTAL SHAREHOLDERS' EQUITY		**6,996.4**	**6,950.5**
Non-current liabilities			
Provisions	17	1,511.4	1,318.7
Long-term borrowings	13	7,721.6	7,041.0
Derivative financial instruments	13	65.6	46.2
Other financial liabilities	13	4.7	3.4
Other liabilities		896.9	876.0
Deferred tax liabilities	7	572.5	542.5
TOTAL NON-CURRENT LIABILITIES		**10,772.7**	**9,827.8**
Current liabilities			
Provisions	17	483.3	450.4
Short-term borrowings	13	1,926.7	2,784.0
Derivative financial instruments	13	42.3	8.1
Trade and other payables	13	2,871.2	2,724.1
Other liabilities		3,762.2	3,676.0
TOTAL CURRENT LIABILITIES		**9,085.7**	**9,642.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,854.8**	**26,420.9**

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

(a) The standards relating to consolidation methods (IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised) mentioned in Note 1.2.3 apply to the financial years beginning as from January 1, 2014. As a result, the financial statements presented for the comparable financial year 2013 have been restated.

20.1.2 Consolidated income statements

In millions of euros	Note	December 31, 2014	December 31, 2013 restated [(a)]
Revenues	4.1	14,324.1	14,322.9
Purchases		(2,833.1)	(2,862.7)
Personnel costs		(3,656.4)	(3,641.0)
Depreciation, amortization and provisions		(1,097.7)	(950.3)
Other operating expenses		(5,953.6)	(5,971.4)
Other operating income		227.9	250.9
CURRENT OPERATING INCOME	**4**	**1,011.2**	**1,148.4**
Mark-to-market on operating financial instruments		(0.6)	0.1
Impairment on property, plant and equipment, intangible and financial assets		(105.2)	12.9
Restructuring costs		(58.0)	(74.4)
Scope effects		82.4	27.4
Other gains and losses on disposals and non-recurring items		0.2	16.0
INCOME FROM OPERATING ACTIVITIES	**5**	**930.0**	**1,130.4**
Share in net income of equity-accounted companies considered as core business		243.5	74.8
of which: share in net income (loss) of joint ventures [(b)]	12.1	*167.4*	*39.0*
of which: share in net income (loss) of associates [(c)]	12.2	*76.1*	*35.8*
INCOME FROM OPERATING ACTIVITIES after share in net income of equity-accounted companies considered as core business		**1,173.5**	**1,205.2**
Financial expenses		(516.6)	(506.9)
Financial income		110.9	102.9
Net financial income (loss)	**6**	**(405.7)**	**(404.0)**
Income tax expense	7	(173.1)	(189.4)
Share in net income of other equity-accounted companies	12.1	5.8	12.1
NET INCOME		**600.5**	**623.9**
of which: Group share		417.2	352.2
Non-controlling interests		183.3	271.7
Net Income (Group share) per share (in euros)	**8**	**0.71**	**0.65**
Net diluted income (Group share) per share (en euros)	**8**	**0.69**	**0.64**

(a) Data at December 31, 2013 has been changed for comparability purposes to reflect the application of standards (IFRS 10, IFRS 11, IFRS 12 et IAS 28 revised) mentioned in Note 1.2.3.

(b) The change is primarily explained by the sale of the indirect interest held in Companhia de Electricidade de Macau (CEM) by the Group. Please refer to Note 2.5.

(c) The change is primarily explained by the accounting under the equity method of the Group participation in Acea since April 1, 2014. Refer to Note 2.2.

20.1.3 Consolidated statements of comprehensive income

In millions of euros	December 31, 2014	December 31, 2014 of which Group share	December 31, 2014 of which non controlling interests	December 31, 2013 restated [(a)]	December 31, 2013 restated - of which Group share [(a)]	December 31, 2013 restated - of which non controlling interests [(a)]
Net income	**600.5**	**417.2**	**183.3**	**623.9**	**352.2**	**271.7**
Available-for-sale securities	(68.2)	(68.4) [(c)]	0.2	60.2	60.2 [(b)]	-
Net investment hedges	(80.3)	(80.3)	-	91.2	86.0	5.2
Cash flow hedges (excluding commodities)	(12.1)	(8.4)	(3.7)	21.9	17.0	4.9
Commodity cash-flow hedges	(6.9)	(6.9)	-	(3.0)	(2.6)	(0.4)
Deferred taxes on items above	2.8	2.1	0.7	(30.1)	(29.2)	(0.9)
Share of joint ventures in reclassifiable items, net of taxes	96.6	96.6	-	48.4	48.4	-
Share of associates in reclassifiable items, net of taxes	(12.9)	(12.9) [(c)]	-	27.0	27.0	-
Translation adjustments	147.5	163.7 [(d)]	(16.2)	(362.2)	(168.4) [(e)]	(193.8)
Total reclassifiable items	**66.5**	**85.5**	**(19.0)**	**(146.6)**	**38.4**	**(185.0)**
Actuarial gains and losses	(179.8)	(174.9)	(4.9)	87.4	84.5	2.9
Deferred taxes on actuarial gains and losses	43.3	41.9	1.4	(31.9)	(31.2)	(0.7)
Share of joint ventures in non-reclassifiable items, net of taxes	6.3	6.3	-	0.9	0.9	-
Share of associates in non-reclassifiable items, net of taxes	(0.4)	(0.4)	-	-	-	-
Total non-reclassifiable items	**(130.6)**	**(127.1)**	**(3.5)**	**56.4**	**54.2**	**2.2**
COMPREHENSIVE INCOME	**536.4**	**375.6**	**160.8**	**533.7**	**444.8**	**88.9**

(a) Data at December 31, 2013 has been changed for comparability purposes to reflect the application of standards (IFRS 10, IFRS 11, IFRS 12 and IAS 28 revised) mentioned in Note 1.2.3.
(b) Change due primarily to the increase in stock price of Acea shares.
(c) These changes are primarily explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates (See Note 2.2).
(d) This change is primarily explained by the appreciation of the British pound and the Australian dollar.
(e) The variation was mainly due to the depreciation of the British pound and the Australian dollar.

20.1.4 Statements of changes in consolidated shareholders' equity

In millions of euros	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2012 published		**510,233,829**	**2,040.9**	**4,147.2**	**(2,091.9)**	**(117.1)**	**150.0**	**(10.0)**	**744.8**	**4,863.9**	**1,995.3**	**6,859.2**
IFRS 10, 11, 12 and IAS 28 revised restatements [a]	1.2.3				(11.4)					(11.4)	41.1	29.7
Shareholders' equity at January 1st, 2013 restated		**510,233,829**	**2,040.9**	**4,147.2**	**(2,103.3)**	**(117.1)**	**150.0**	**(10.0)**	**744.8**	**4,852.5**	**2,036.4**	**6,888.9**
Net income					352.2					352.2	271.7	623.9
Other comprehensive income items					54.2	240.6	(202.2)			92.6	(182.8)	(90.2)
Comprehensive income					**406.4**	**240.6**	**(202.2)**			**444.8**	**88.9**	**533.7**
Share-based payment					24.5					24.5		24.5
Dividends distributed in cash				(8.9)	(321.4)					(330.3)	(214.8)	(545.1)
Interests of undated deeply subordinated notes issue (net of tax)					(23.7)					(23.7)		(23.7)
Purchase/sale of treasury shares					(8.3)			(3.6)		(11.9)		(11.9)
Capital increase/reduction										-	3.2	3.2
Transactions between shareholders					(6.5)					(6.5)	58.7	52.2
Business combinations					(0.5)					(0.5)	26.1	25.6
IAS 19 revised Impacts					(1.6)					(1.6)	(0.1)	(1.7)
Other changes					4.3					4.3	0.5	4.8
Shareholders' equity at December 31, 2013 restated		**510,233,829**	**2,040.9**	**4,138.3**	**(2,030.1)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,951.6**	**1,998.9**	**6,950.5**
Shareholders' equity at December 31, 2013 published		**510,233,829**	**2,040.9**	**4,138.3**	**(2,018.7)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,963.0**	**1,946.6**	**6,909.6**
IFRS 10, 11, 12 and IAS 28 revised restatements [a]	1.2.3				(11.4)					(11.4)	52.3	40.9
Shareholders' equity at January 1st, 2014 restated		**510,233,829**	**2,040.9**	**4,138.3**	**(2,030.1)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,951.6**	**1,998.9**	**6,950.5**
Net income					417.2					417.2	183.3	600.5
Other comprehensive income items					(127.1)	(134.5)	220.0			(41.6)	(22.5)	(64.1)
Comprehensive income					**290.1**	**(134.5)**	**220.0**			**375.6**	**160.8**	**536.4**
Employee share issues [b]	2.3	8,943,094	35.8	63.6	3.2					102.6		102.6
Capital reduction by cancellation of shares [b]	15.1	(943,094)	(3.8)	(6.5)						(10.3)		(10.3)
Share-based payment					14.2					14.2		14.2
Dividends distributed in cash					(329.3) [c]					(329.3)	(205.2)	(534.5)
Partial redemption of undated deeply subordinated note issues 2010 (including redemption premium)	2.6				(12.4)				(300.0)	(312.4)		(312.4)
Issue of new undated deeply subordinated note	2.6								500.0	500.0		500.0
Issuance fees of new undated deeply subordinated note									(6.5)	(6.5)		(6.5)
Interests of undated deeply subordinated notes issue					(32.5)					(32.5)		(32.5)
Purchase/sale of treasury shares					(1.9)			(23.4)		(25.3)		(25.3)
Capital increase [d]	2.8	22,000,000	88.0	222.0	8.8					318.8	7.1	325.9
Equity component of OCEANE bonds	13.3.1				35.2					35.2		35.2
Transactions between shareholders [e]					(92.7)	3.6	(8.1)			(97.2)	(443.4) [e]	(540.6)
Business combinations [f]	2.5				(8.5)					(8.5)		(8.5)
Other changes					1.9					1.9	0.3	2.2
Shareholders' equity at December 31, 2014		**540,233,829**	**2,160.9**	**4,417.4**	**(2,154.0)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,477.9**	**1,518.5**	**6,996.4**

(a) The decrease in "Shareholders' equity, Group share" comes from the €11.4 million impairment of portions of goodwill reclassified on January 1, 2013 on the "Investments in joint ventures" lines in the statement of financial position, following the application of IFRS 11 and IAS 28 revised.

(b) Following the share issue reserved for employees, "Sharing 2014", the share capital was increased by 8,943,094 shares, amounting to €102.6 million, net of fees. As part of this transaction, 943,094 shares were cancelled, in the amount of -€10.3 million.

(c) The Annual Shareholders' Meeting of May 22, 2014 approved the distribution of a dividend of €0.65 per share for fiscal year 2013, for a total dividend distribution of €329.3 million.

(d) Share issue for La Caixa in consideration for the contribution to SUEZ ENVIRONNEMENT COMPANY of its indirect interest in Agbar.

(e) It mainly concerns the acquisition from La Caixa of its indirect interest in Agbar. See Note 2.8.

(f) It concerns the reclassification to reserves of actuarial losses on pension obligations following the sale of the interest in CEM.

20.1.5 Consolidated statements of cash flows

In millions of euros	Note	December 31, 2014	December 31, 2013 restated [(a)]
Net income		**600.5**	**623.9**
- Share in net income (loss) of joint ventures	12.1	(173.2)	(51.1)
- Share in net income (loss) of associates	12.2	(76.1)	(35.8)
+ Dividends received from joint ventures and associates		280.1	84.8
- Net depreciation, amortization and provisions		1,121.7	898.7
- Scope effects, other gains and losses on disposal and non-recurring items		(84.7)	(41.0)
- Other items with no cash impact		13.2	24.2
- Income tax expense	7	173.1	189.4
- Financial income	6	405.7	404.0
Cash flows from operations before financial income/(expense) and income tax		**2,260.3**	**2,097.1**
+ Tax paid		(163.1)	(212.8)
Change in working capital requirements		**(124.1)**	**(104.1)**
Cash flows from operating activities		**1,973.1**	**1,780.2**
Investments in property, plant and equipment and intangible assets	3.4.3	(1,076.6)	(1,091.8)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(73.3)	(18.3)
Acquisitions of interests in associates and joint-ventures	3.4.3	(105.6)	(4.0)
Acquisitions of available-for-sale securities	3.4.3	(15.4)	(13.6)
Disposals of property, plant and equipment and intangible assets		47.2	125.0
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		62.1	16.5
Disposals of interests in associates and joint ventures		17.5	47.5
Disposals of available-for-sale securities		47.4	5.8
Interest received on non-current financial assets		13.0	9.4
Dividends received on non-current financial assets		29.3	32.1
Change in loans and receivables issued by the Company and others [(b)]		194.1	(36.6)
Cash flows from investing activities		**(860.3)**	**(928.0)**
Dividends paid [(c)]		(581.4)	(557.5)
Repayment of borrowings [(d)]	13	(1,379.5)	(1,249.9)
Change in financial assets at fair value through income		27.8	(64.3)
Financial interest paid		(362.8)	(350.6)
Financial interest received on cash and cash equivalents		33.9	36.2
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(28.9)	57.2
Increase in financial debt	13	944.2	1,620.7
Capital increase/ reduction [(e)]		109.7	5.9
Partial redemption of Undated deeply subordinated note		(312.4)	-
Issue of Undated deeply Subordinated Notes net of costs	15.6	493.5	-
Issue of OCEANE (equity component)	15.7	35.2	-
Purchase/sale of treasury shares		(35.5)	(11.6)
Change in share of interests in controlled entities [(f)]	3.4.3	(221.4)	0.6
Cash flows from financing activities		**(1,277.6)**	**(513.3)**
Impact of changes in exchange rates and other		22.1	(76.7)
TOTAL CASH FLOWS FOR THE PERIOD		**(142.7)**	**262.2**
OPENING CASH AND CASH EQUIVALENTS		**2,391.5**	**2,129.2**
CLOSING CASH AND CASH EQUIVALENTS	**13**	**2,248.8**	**2,391.4**

(a) Data at December 31, 2013 has been changed for comparability purposes to reflect the application of standards mentioned in Note 1.2.3.

(b) The change is primarily explained by the assignment of a financial receivable (IFRIC12) relating to the commissioning of an incinerator in France.

(c) Including withholding tax and interests of undated deeply subordinated notes issue

(d) Including the redemption of the €770 million nominal residual amount of a bond issued by SUEZ ENVIRONNEMENT COMPANY in April 2009.

(e) In 2014, this flow of €109.7 million mainly included:

€102.6 million (SUEZ ENVIRONNEMENT COMPANY share issue for the worldwide employee shareholding plan called "SHARING", net of issuance fees of €2.2 million (see Note 15).

(f) The change is due mainly to the acquisition of 24.14% of Agbar, financed namely by a cash payment of €300.6 million (including acquisition costs), and by Agbar's sale of 15% of the Aigües de Barcelona contract for €50.6 million (see Note 2.8).

20.1.6 Notes to the consolidated financial statements

Contents

Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA, the Parent Company of the Group, is a French société anonyme subject to the provisions of Book II of the French Commercial Code, as well as to all other legal provisions applying to French commercial corporations. It was incorporated in November 2000. The Group's headquarter is in the CB21 tower – 16, place de l'Iris – 92040 Paris-La Défense – France.

The Group is a major international player in the water and waste industries. It came about as the result of the SUEZ Group's 2008 regrouping of all its subsidiaries and holdings in the environment sector, within SUEZ ENVIRONNEMENT COMPANY, as part of the merger between Gaz de France and SUEZ. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris market (Compartiment A) and Euronext Brussels market since July 22, 2008.

On February 24, 2015, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2014.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two fiscal years ended December 31, 2013 and 2014, and was prepared in accordance with European Regulation (EC) 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2014 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union[1].

The accounting standards applied in preparing the financial statements at December 31, 2014 are consistent with those applied in preparing the financial statements of December 31, 2013, with the exception of the items mentioned below in paragraph 1.2.1.

1.2.1 Standards, amendments, interpretations and recommendations applied for annual periods beginning on January 1, 2014

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

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities.
- Amendment to IAS 28 – Investments in Associates and Joint Ventures.
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities.
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting.

Moreover, the Group has decided to apply the recommendation number 2013-01 of the French Accounting Standards Authority (ANC) issued on April 4, 2013 regarding disclosure of the share in net income of equity-accounted companies in the consolidated income statement.

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

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

- “share in net income of equity-accounted companies considered as core business” disclosed after the line “Income from operating activities”, which includes the share in net income of companies accounted for by the equity method when those entities’ operations are such that they directly contribute to the Group’s core operations (i.e. water and waste businesses); and

- “share in net income of other equity-accounted companies”, which remains disclosed before the line “Net income” and includes the share in net income of other associates and joint venture which do not directly contribute to the Group’s core operations.

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

Interpretation adopted by the European Union and applicable in 2015

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

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

The impacts associated with the application of IFRIC 21 are not significant in the Group's annual accounts.

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

- IFRS 9 – Financial Instruments [(1)].

- IFRS14 – Regulatory Deferral Accounts [(1)]. This standard will have no impact on the Group’s accounts since it is intended to first-time adopters of IFRS.

- IFRS 15 – Revenue from Contracts with Customers [(1)].

- Amendments IAS 16 and IAS 38 – Clarification of the principle for the basis of depreciation and amortization [(1)].

- Amendments IFRS 11 – Accounting treatment for the acquisition of an interest in a joint operation [(1)].

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

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

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

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

IFRS 10 – “Consolidated Financial Statements”

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

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

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

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

The analyses carried out by the Group did not identify any significant impacts resulting from the first-time application of this standard. These impacts are presented in full with those related to the application of IFRS 11 in paragraphs 1.2.3.1 to 1.2.3.4 hereafter.

IFRS 11 – "Joint Arrangements"

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

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

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

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

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

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

IFRS 12 – "Disclosure of Interests in Other Entities"

IFRS 12 is a standard requiring disclosure about an entity's interests in subsidiaries, joint arrangements, associates and/or non-consolidated structured entities (see Notes 12 and 16).

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

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

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

In millions of euros	**December 31, 2013 published**	First-time application of consolidation standards	**December 31, 2013 restated**
Non-current assets			
Intangible assets, net	4,517.5	(203.5)	4,314.0
Goodwill	3,184.3	(89.4)	3,094.9
Property, plant and equipment net	7,832.5	(82.5)	7,750.0
Available-for-sale securities	498.1	(132.6)	365.5
Loans and receivables carried at amortized cost	787.6	(106.4)	681.2
Derivative financial instruments	200.2	-	200.2
Investments in joint ventures	-	491.8	491.8
Investments in associates	497.1	9.3	506.4
Other assets	303.0	-	303.0
Deferred tax assets	730.1	(4.0)	726.1
TOTAL NON-CURRENT ASSETS	**18,550.4**	**(117.3)**	**18,433.1**
Current assets			
Loans and receivables carried at amortized cost	353.8	0.9	354.7
Derivative financial instruments	11.6	-	11.6
Trade and other receivables	3,628.5	(9.9)	3,618.6
Inventories	286.4	(16.8)	269.6
Other assets	1,279.6	(29.3)	1,250.3
Financial assets measured at fair value through income	91.6	-	91.6
Cash and cash equivalents	2,506.0	(114.6)	2,391.4
TOTAL CURRENT ASSETS	**8,157.5**	**(169.7)**	**7,987.8**
TOTAL ASSETS	**26,707.9**	**(287.0)**	**26,420.9**
Shareholders' equity, Group share	4,963.0	(11.4)	4,951.6
Non-controlling interests	1,946.6	52.3	1,998.9
TOTAL SHAREHOLDERS' EQUITY	**6,909.6**	**40.9**	**6,950.5**
Non-current liabilities			
Provisions	1,339.8	(21.1)	1,318.7
Long-term borrowings	7,228.9	(187.9)	7,041.0
Derivative financial instruments	46.2	-	46.2
Other financial liabilities	3.6	(0.2)	3.4
Other liabilities	876.2	(0.2)	876.0
Deferred tax liabilities	568.5	(26.0)	542.5
TOTAL NON-CURRENT LIABILITIES	**10,063.2**	**(235.4)**	**9,827.8**
Current liabilities			
Provisions	461.0	(10.6)	450.4
Short-term borrowings	2,769.7	14.3	2,784.0
Derivative financial instruments	6.9	1.2	8.1
Trade and other payables	2,770.1	(46.0)	2,724.1
Other liabilities	3,727.4	(51.4)	3,676.0
TOTAL CURRENT LIABILITIES	**9,735.1**	**(92.5)**	**9,642.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**26,707.9**	**(287.0)**	**26,420.9**

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

The various items from the Group's consolidated income statement presented in the table below correspond to the income statement as henceforth reported, following first-time application of the new standards on consolidation and application of the recommendation of the French Accounting Standards Authority (ANC) issued on April 4, 2013 regarding the presentation of the share in net income of equity-accounted companies in the consolidated income statement (see Note 1.2.1).

In millions of euros	**December 31, 2013 published**	First-time application of consolidation standards [(a)]	**December 31, 2013 restated**
Revenues	14,643.8	(320.9)	14,322.9
Purchases	(2,976.6)	113.9	(2,862.7)
Personnel costs	(3,708.1)	67.1	(3,641.0)
Depreciation, amortization and provisions	(974.4)	24.1	(950.3)
Other operating expenses	(6,072.8)	101.4	(5,971.4)
Other operating income	272.0	(21.1)	250.9
CURRENT OPERATING INCOME	**1,183.9**	**(35.5)**	**1,148.4**
Mark-to-market on operating financial instruments	0.1	-	0.1
Impairment on property, plant and equipment, intangible and financial assets	12.7	0.2	12.9
Restructuring costs	(74.4)	-	(74.4)
Scope effects	40.4	(13.0)	27.4
Other gains and losses on disposals and non-recurring items	16.0	-	16.0
INCOME FROM OPERATING ACTIVITIES	**1,178.7**	**(48.3)**	**1,130.4**
Share in net income of equity-accounted companies considered as core business	-	74.8	74.8
of which: share in net income (loss) of joint ventures	-	*39.0*	*39.0*
of which: share in net income (loss) of associates	-	*35.8*	*35.8*
INCOME FROM OPERATING ACTIVITIES after share in net income of the equity-accounted companies considered as core business	**1,178.7**	**26.5**	**1,205.2**
Financial expenses	(515.2)	8.3	(506.9)
Financial income	113.0	(10.1)	102.9
Net financial income (loss)	**(402.2)**	**(1.8)**	**(404.0)**
Income tax expense	(205.4)	16.0	(189.4)
Share in net income of other equity-accounted companies	31.0	(18.9)	12.1
NET INCOME	**602.1**	**21.8**	**623.9**
of which: Group share	352.2	0.0	352.2
Non-controlling interests	249.9	21.8	271.7
Net income (Group share) per share (in euros)	**0.65**	**-**	**0.65**

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

1.2.3.3 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON COMPARATIVE COMPREHENSIVE INCOME AT DECEMBER 31, 2013:

In millions of euros	**December 31, 2013 published**	First-time application of consolidation standards	**December 31, 2013 restated**
Net income	602.1	21.8	623.9
Other reclassifiable items	(138.4)	(8.2)	(146.6)
Other non-reclassifiable items	56.4	-	56.4
COMPREHENSIVE INCOME	**520.1**	**13.6**	**533.7**

1.2.3.4 IMPACTS RELATED TO THE FIRST-TIME APPLICATION OF THESE NEW STANDARDS ON COMPARATIVE CONSOLIDATED STATEMENT OF CASH FLOWS AT DECEMBER 31, 2013:

In millions of euros	**December 31, 2013 published**	First-time application of consolidation standards	**December 31, 2013 restated**
Cash flows from operating activities	1,823.8	(43.6)	1,780.2
Cash flows from investing activities	(987.4)	59.4	(928.0)
Cash flows from financing activities	(497.9)	(15.4)	(513.3)
Impact of changes in exchange rates and other	(79.8)	3.1	(76.7)
OPENING CASH AND CASH EQUIVALENTS	**2,247.3**	**(118.1)**	**2,129.2**
CLOSING CASH AND CASH EQUIVALENTS	**2,506.0**	**(114.6)**	**2,391.4**

1.2.4 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the consolidated financial statements are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves at January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.3 Measurement basis for preparation of the consolidated financial statements

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.4 Use of judgment and estimates

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

1.4.1 Estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions to determine the value of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, as well as 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 key estimates used by the Group in preparing the Consolidated Financial Statements relate mainly to:

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Notes 1.5.4.1 and 1.5.7);
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits (see Note 1.5.15);
- capital renewal and replacement liabilities (see Note 1.5.6);
- financial instruments (see Note 1.5.10);
- unmetered revenues (see Note 1.5.16);
- margin at termination relating to construction contracts (see Note 1.5.13);
- the measurement of capitalized tax-loss carry-forwards.

1.4.1.1 MEASUREMENT OF THE FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED IN A BUSINESS COMBINATION

The fair value of the assets acquired and liabilities assumed is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows as well as the discount rate to apply. The values used reflect management's best estimates.

1.4.1.2 RECOVERABLE AMOUNT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The recoverable amount of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets and the discount rate to apply. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses already booked.

1.4.1.3 ESTIMATES OF PROVISIONS

Parameters with a significant influence on the amount of provisions include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of expenditure. These parameters are based on information and estimates deemed to be appropriate by the Group at the current time.

To the Group's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Furthermore, the Group is not aware of any developments that are likely to have a material impact on the provisions booked.

1.4.1.4 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Pension obligations are measured on the basis of actuarial calculations. The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any change in these assumptions may have a material impact on the resulting calculations.

1.4.1.5 CAPITAL RENEWAL AND REPLACEMENT LIABILITIES

This item includes concession operators' liabilities for renewing and replacing equipment and for restoring sites. The liabilities are determined by estimating the cost of renewing or replacing equipment and restoring the sites under concession (as defined by IFRIC 12), discounted each year at rates linked to inflation. The related expense is calculated on a contract-by-contract basis with probable capital renewal and site restoration costs allocated over the life of each contract.

1.4.1.6 FINANCIAL INSTRUMENTS

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a material impact on the resulting calculations.

1.4.1.7 REVENUES

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that allow it to estimate revenues with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the resulting revenues can be considered as not material.

1.4.1.8 MARGIN AT TERMINATION RELATING TO CONSTRUCTION CONTRACTS

The determination of total expected revenue and costs at termination involves significant estimates related to technical solutions, duration of project and contractual issues.

Management reassesses those estimates for the preparation of consolidated financial statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed.

1.4.1.9 MEASUREMENT OF CAPITALIZED TAX LOSS CARRY-FORWARDS

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. The likelihood of future taxable profits is estimated taking into account the existence of temporary taxable differences from the same tax entity and is passed on to the same deadlines towards the tax authority as well as the estimates of future taxable profits. Estimates of taxable profit and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

1.4.2 Judgment

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

This particularly applies in relation to the recognition of concession arrangements, the classification of agreements that contain a lease, and the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

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

1.5 Accounting policies

1.5.1 Scope and methods of consolidation

The consolidation methods used by the Group are the following:

- subsidiaries (over which the Group exercises exclusive control) are fully consolidated;
- joint operations over which the Group exercises joint control are consolidated in proportion to the direct rights to the assets and direct obligations for the liabilities of the entity.
- the equity method is used for
    - joint ventures over which the Group exercises a joint control but has only rights to the net assets of the entity.
    - associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognizes its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates". The accounting policies applied by these companies comply with IFRS and are consistent with the accounting policies of the Group.

The Group analyses what type of control exists on a case-by-case basis, taking into account the situations illustrated in IFRS 10, IFRS 11 and IAS 28 revised.

All intercompany balances and transactions are eliminated in the Consolidated Financial Statements.

A list of the main fully consolidated companies together with the main investments accounted for by the equity method, is presented in Note 28 – List of the main consolidated companies at December 31, 2014 and 2013.

1.5.2 Foreign currency translation methods

1.5.2.1 PRESENTATION CURRENCY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's Consolidated Financial Statements are presented in euros (€).

1.5.2.2 FUNCTIONAL CURRENCY

Functional currency is the currency of the primary economic environment in which an entity operates. In most cases, the functional currency corresponds to the local currency. However, certain entities may have a different functional currency from the local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

1.5.2.3 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the income statement for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical cost applicable at the date of the transaction.

1.5.2.4 TRANSLATION OF THE FINANCIAL STATEMENTS OF CONSOLIDATED COMPANIES WITH A FUNCTIONAL CURRENCY OTHER THAN THE EURO

The statement of financial position is translated into euros at year-end exchange rates. Income statement and statement of cash flow items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of consolidated companies are recorded under "Cumulative translation adjustment" as Other Comprehensive Income.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are classified as assets and liabilities of those foreign entities. Therefore, they are denominated in the functional currencies of the entities and translated at the year-end exchange rate.

1.5.3 Business combinations

Business combinations accomplished before January 1, 2010 have been recognized in accordance with IFRS 3 prior to the revision effective January 1, 2010. In accordance with IFRS 3 revised, these business combinations have not been restated.

Since January 1, 2010, the Group applies the purchase method as defined in IFRS 3 revised, which consists of recognizing at the acquisition date the identifiable assets acquired and liabilities assumed at their fair values, including any non-controlling interests in the acquired company. Non-controlling interests are measured either at fair value or at proportionate interest in the net identifiable assets. The Group determines on a case-by-case basis which measurement option is to be used to recognize non controlling interests.

1.5.4 Intangible assets

Intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses.

1.5.4.1 GOODWILL

A. Recognition of goodwill

The application of IFRS 3 revised on January 1, 2010 requires the Group to identify business combinations carried out before or after that date.

Business combinations carried out before January 1, 2010

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognized at the acquisition date (except if the business combination is achieved in stages).

For a business combination achieved in stages – i.e. where the Group acquires a subsidiary through successive share purchases – the amount of goodwill is determined separately for each exchange transaction based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction.

Business combinations carried out after January 1, 2010

Goodwill is measured as being the amount by which the total of:

i. the consideration transferred;

ii. the amount of any non-controlling interest in the acquired company; and

iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company,

exceeds the accounting net balance of identifiable assets acquired and liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to associates is recorded under "Investments in associates".

B. Measurement of goodwill

Goodwill is not amortized but is tested for impairment each year, or more frequently when an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs), which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in Note 1.5.7 "Impairment of property, plant and equipment and intangible assets".

Impairment losses in relation to goodwill cannot be reversed and are shown under "Impairment" in the income statement.

Impairment losses on goodwill relating to associates are reported under "Share in net income of associates".

1.5.4.2 OTHER INTANGIBLE ASSETS

A. Development costs

Research costs are expensed as incurred.

Development costs are capitalized when the asset recognition criteria set out in IAS 38 are met. Capitalized development costs are amortized over the useful life of the intangible asset recognized. In view of the Group's activities, capitalized development costs are not material.

B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts;
- customer portfolios acquired on business combinations;
- surface and underground water drawing rights, which are not amortized as they are granted indefinitely;
- concession assets;
- exclusive rights to distribute drinking water in a defined geographic area in perpetuity;
- sofwares.

Intangible assets are amortized on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. If this cannot be reliably calculated, the straight-line method is used, as a function of the useful lives presented in the table below (in years).

	Useful life	
In years	**Minimum**	**Maximum**
Concession rights	10	50
Customer portfolios	10	25
Other intangible assets	1	40

Some intangible assets (water rights, etc.) with an indefinite useful life are not amortized but are subject to an annual impairment test.

1.5.5 Property, plant and equipment

1.5.5.1 PROPERTY, PLANT AND EQUIPMENT – INITIAL MEASUREMENT AND SUBSEQUENT MEASUREMENT

Items of property, plant and equipment are recognized at their historical cost of acquisition, production or entry to the Group, less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of these items is not revalued as the Group has elected not to apply the allowed alternative method, which consists of regularly revaluing one or more categories of property, plant and equipment.

Investment subsidies are deducted from the gross value of the assets concerned under the heading they were received.

In accordance with IAS 16, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has a present legal or constructive obligation to dismantle the item or restore the site. In counterpart, a provision is recorded for the same amount.

Property, plant and equipment acquired under finance leases are carried in the consolidated statement of financial position at the lower of the market value and the present value of the related minimum lease payments. The corresponding liability is recognized under financial debt. These assets are also depreciated using the methods and useful lives set out below.

The Group applies IAS 23 revised, which consists in capitalizing borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

1.5.5.2 DEPRECIATION

In accordance with the components approach, the Group uses different depreciation terms for each significant component of a sole tangible asset when one of these significant components has a different useful life from that of the main tangible asset to which it relates.

Depreciation is calculated on a straight-line basis over normal useful lives.

The range of useful lives is due to the diversity of the assets and contractual terms in each category. The shortest periods relate to smaller equipment and furniture, while the longest useful lives concern network infrastructure.

Standard useful lives are as follows:

In years	**Main depreciation periods**
Constructions [(a)]	3 to 100
Plant and equipment	2 to 70
Transport equipment	3 to 14
(a) Including fittings	

With respect to the assets accounted for as counterpart for the site restoration provisions, they are amortized according to the method set forth in Note 17.4.

1.5.6 Concessions arrangements

SIC 29 interpretation – Services Concession agreements – Disclosures – relates to concession contracts that should be disclosed in the Notes to the financial statements, while IFRIC 12 relates to the accounting treatment of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, entrusted to the concession operator, together with specific capital renewal and replacement obligations;
- the grantor is contractually obliged to provide these services to the public (this criterion must be met for the arrangement to qualify as a concession);
- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor;
- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period.

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. The requirement is met when the following two conditions are satisfied:

- the grantor controls or regulates what services the operator must provide with the infrastructure and determines to whom it must provide them, and at what price; and
- the grantor controls the infrastructure, i.e. retains the right to take back the infrastructure at the end of the concession.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the nature of the compensation to be received. Thus:

- the "financial asset model" is applied when the operator has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of warranties given by the grantor for amounts receivable from the users of the public service (e.g. *via* a contractually guaranteed internal rate of return) and the grantor has the primary responsibility to pay the operator;
- in other cases, the "intangible asset model" is applied: the operator is entitled to bill the users of the public service and the users have primary responsibility to pay for the concession services.

In cases where the users actually pay the Group, but the local authority guarantees the amounts that will be paid for the duration of the contract (e.g., *via* a guaranteed internal rate of return), the financial asset model should be used to account for the concession infrastructure, since the local authority is, in substance, primarily responsible for payment. In practice, the financial asset model is used to account for BOT (Build, Operate and Transfer) contracts entered into with local authorities for public services such as wastewater treatment and household waste incineration).

However, where the local authority pays the Group but merely acts as an intermediary fee collector and does not guarantee the amounts receivable ("pass through arrangement"), the intangible asset model should be used to account for the concession since the users are, in substance, primarily responsible for payment.

"Primary responsibility" means that while the identity of the payer of the services is not an essential criterion, the person ultimately responsible for payment should be identified.

Pursuant to these principles:

- Property, plant and equipment received at no cost from the grantor as infrastructure, access to which the operator is granted for the purposes of the service agreement, may not be transferred and, as these will be returned to the grantor at no cost at the end of the contract, they are not recorded in the statement of financial position. In particular, infrastructure entrusted during the term of the contract by the grantor to the operator for servicing and maintenance is not recognized in the statement of financial position;
- Infrastructure undertaken by the operator is recognized as follows:
    - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the acquisition cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,
    - under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,
    - when the grantor has a payment obligation for only part of the investment, the cost is recognized in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model").

Renewal costs consist of obligations under concession arrangements with potentially different terms and conditions (obligation to restore the site, renewal plan, tracking account, etc.).

Renewal costs are recognized as either (i) intangible or financial assets depending on the applicable model, when the costs are expected to generate future economic benefits (i.e. they bring about an improvement); or (ii) expenses, where no such benefits are expected to be generated (i.e. the infrastructure is restored to its original condition).

Costs incurred to restore the asset to its original condition are recognized as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realization.

The costs are calculated on a case-by-case basis based on the obligations associated with each arrangement.

1.5.7 Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on intangible assets and on property, plant and equipment whenever there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortized are tested for impairment annually.

Impairment indicators

This impairment test is only carried out for property, plant and equipment and intangible assets for the defined useful lives when they are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- external sources of information:
    - significant changes in the economic, technological, political or market environment in which the entity operates or to which the asset is dedicated,
    - fall in demand;
- internal sources of information:
    - evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule,
    - worse-than-expected performance.

Impairment

Items of property, plant and equipment or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount – and possibly the useful life – of the asset concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are, where appropriate, grouped into cash-generating units (CGUs) and the carrying amount of each unit is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed inflation.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to the estimated market value less costs of disposal. When negotiations are ongoing, this is determined based on the best estimate of their outcome as of the reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

1.5.8 Leases

The Group holds assets for its various activities under lease contracts.

These leases are analyzed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not comply with the definition of a finance lease are classified as operating leases.

The following main factors are considered by the Group to assess whether or not a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lease transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term covers the major part of the estimated economic life of the asset; and (iv) the asset is of a highly specialized nature. A comparison is also made between the present value of the minimum lease payments and the fair value of the asset concerned.

1.5.8.1 ACCOUNTING FOR FINANCE LEASES

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognized under borrowings. At inception of the lease, finance leases are recorded at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

1.5.8.2 ACCOUNTING FOR OPERATING LEASES

Payments made under operating leases are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

1.5.8.3 ACCOUNTING FOR ARRANGEMENTS THAT CONTAIN A LEASE

IFRIC 4 deals with the identification of services and take-or-pay sales or purchase contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a financial receivable should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

This interpretation applies to some contracts with industrial or public customers relating to assets financed by the Group.

1.5.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

1.5.10 Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

1.5.10.1 FINANCIAL ASSETS

Financial assets comprise available-for-sale securities, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income including derivative financial instruments. Financial assets are broken down into current and non-current assets in the statement of financial position.

A. Available-for-sale securities

Available-for-sale securities include the Group’s investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below). These items are measured by using a weighted average cost formula.

On initial recognition, they are measured at fair value which generally corresponds to the acquisition cost plus transaction costs.

At each reporting date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the closing date. Unlisted securities are measured using valuation models based primarily on the most recent market transactions, discounted dividends or cash flow and net asset value.

Changes in fair value are recognized directly in "Other Comprehensive Income", except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, loss is recognized in income under “Impairment”. Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income (refer to Note 13.1.1.2).

B. Loans and receivables carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits as well as trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each reporting date, they are measured at amortized cost using the effective interest rate method.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. The amounts owed by customers under construction contracts are included in this item.

C. Financial assets measured at fair value through income

These financial assets meet the qualification or designation criteria set out in IAS 39.

This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents (see Note 1.5.11). The financial assets are measured at fair value at the reporting date and changes in fair value are recorded in the consolidated income statement.

1.5.10.2 FINANCIAL LIABILITIES

Financial liabilities include borrowings, trade and other payables, derivative financial instruments, and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the reporting date;
- financial liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date;
- financial liabilities held primarily for trading purposes;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item;
- all derivative financial instruments not qualifying as hedges.

A. Measurement of borrowings and other financial liabilities

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate method.

On initial recognition, any issue premiums/discounts, redemption premiums/discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

As regards structured debt instruments that do not have an equity component, the Group may be required to separate an "embedded" derivative instrument from its host contract. The conditions under which these instruments must be separated are detailed below. When an embedded derivative is separated from its host contract, the initial carrying amount of the structured instrument is broken down into an embedded derivative component, corresponding to the fair value of the embedded derivative, and a financial liability component, corresponding to the difference between the amount of the issue and the fair value of the embedded derivative. The separation of components upon initial recognition does not give rise to any gains or losses. Subsequently, the debt is recorded at amortized cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value taken to income.

B. Call options on non-controlling interests granted before January 1st, 2010

Other financial liabilities primarily include put options on non-controlling interests granted by the Group. As no specific guidance is provided by IFRS and in view of the AMF (French Financial Market Authority) recommendations for year-end 2009, the Group has adopted the following accounting treatment for these commitments:

- when the put option is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill;
- at each reporting date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to non-controlling interests result in an increase in goodwill;
- in the income statement, non-controlling interests are allocated their share in income. In the statement of financial position, the share in income allocated to non-controlling interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

1.5.10.3 DERIVATIVES AND HEDGE ACCOUNTING

The Group uses financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates and commodity prices. Use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

Definition and scope of derivative financial instruments

Derivative financial instruments are contracts whose value changes in response to the change in one or more observable variables that do not require any material initial net investment and that are settled at a future date.

Derivative instruments therefore include swaps, options and futures, as well as forward commitments to purchase or sell listed and unlisted securities.

Embedded derivatives

An embedded derivative is a component of an agreement known as a host contract, which meets the definition of a derivative instrument and whose economic characteristics are not closely related to those of its host contract.

At Group level, the main contracts likely to contain embedded derivatives are those containing clauses or options that can affect the price, volume or maturity of the contract. In particular, these are contracts to buy or sell non-financial assets whose price may be adjusted in accordance with fluctuations of an index, a pricing provision, foreign currency prices, or the price of an asset other than the asset underlying the contract.

Embedded derivatives are separately recognized in the following cases:

- if the host contract is not a financial instrument already recognized at fair value with any fair value adjustment shown in income;
- if when separated from the host contract, the component still meets the definition of a derivative product (existence of an underlying instrument, absence of initial and future settlement);
- if the characteristics of the identified derivative are not closely related to those of the host contract. The determination of "closely related" is carried out on the date that the contract is signed.

When an embedded derivative is separated from its host contract, it is recognized at fair value in the statement of financial position and variations in fair value are recognized in income (if the embedded derivative is not documented in a hedge relationship).

Derivative hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability, such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognized firm commitment denominated in a foreign currency.

The gain or loss from re-measuring the hedging instrument at fair value is recognized in income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in income even if the hedged item is in a category in respect of which changes in fair value are recognized through "Other Comprehensive Income", or if it is normally recognized at amortized cost in the absence of hedging. These two adjustments are presented net in the income statement, with the net effect corresponding to the ineffective portion of the hedge.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group’s consolidated income. The hedged cash flows may be attributable to a particular risk associated with a recognized financial or non-financial asset or a highly probable forecast transaction.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in shareholders’ equity are reclassified to the income statement, under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income/expense for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains separately recognized in shareholders’ equity until the forecast transaction occurs. However, if a forecast transaction is no longer highly probable, the cumulative gain or loss on the hedging instrument is recognized in income.

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in Other Comprehensive Income are transferred to the consolidated income statement when the investment is sold or liquidated.

Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparts are considered eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used by the Group.

Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been – or are no longer – documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under "Mark-to-Market on commodity contracts other than trading instruments", in current operating income for derivative instruments with non-financial assets as the underlying, and in financial income or expenses for currency, interest rate and equity derivatives.

Derivative expiring in less than 12 months are recognized in the consolidated statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Measurement of fair value

The fair value of listed instruments on an active market is determined based on the market price. In this case, these instruments are presented at **Level 1** of the fair value measurement.

The fair value of non-listed financial instruments for which there is observable market data is determined by using valuation techniques such as the valuation models applied for options, or by using the discounted cash flows method. The counterparty risk is taken into account when valuing derivative contracts.

The models used to value these instruments include assumptions based on market data in accordance with IFRS 13:

- the fair value of interest rate swaps is calculated based on discounted future cash flows;
- the fair value of forward exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the differential of future cash flows (the difference between the forward price of the contract and the recalculated forward price based on new market conditions applied to the nominal amount);
- the fair value of currency or interest rate options is determined using valuation techniques for options;
- commodity derivatives are valued as a function of market quotes based on discounted future cash flows (firm contracts: commodity swaps or commodity forwards), and option valuation models (optional contracts) for which it may be necessary to observe market price volatility. For contracts with maturity exceeding the depth of transactions for which prices are observable, or that are particularly complex, valuations may be based on internal assumptions;
- for complex contracts entered into with independent financial institutions, the Group uses valuations carried out by counterparties, on an exceptional basis.

These instruments are presented in **Level 2** of the fair value measurement hierarchy, unless their valuation depends significantly on non-observable parameters. In this case, they are presented at **Level 3** of the fair value measurement hierarchy. These largely involve derivative financial instruments with maturities exceeding the observable horizon for the forward prices of the underlying asset, or for which certain parameters, such as underlying volatility, are not observable.

1.5.11 Cash and cash equivalents

These items include cash equivalents as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under "Short-term borrowings".

1.5.12 Treasury shares

Treasury shares are recognized at cost and deducted from equity. Gains and losses on disposal of treasury shares are directly recorded in equity and do not therefore impact income for the period.

1.5.13 Construction contracts

The engineering operations carried out by Degrémont and OIS fall within the scope of IAS 11 – Construction Contracts.

In accordance with IAS 11, the Group applies the percentage of completion method as described in section 1.5.16 ("Revenues") to determine the contract revenue and costs to be recorded in the consolidated income statement for each period.

When it is probable that total contract costs will exceed total contract revenue, the expected loss at termination is recognized as an expense immediately.

Partial payments received under construction contracts before the corresponding work has been carried out are recorded on the liabilities side of the statement of financial position as advances received from customers. The costs incurred plus any recognized profit less any recognized losses and progress billings are then determined. If this amount is positive, it is recognized as an asset under "Amount due from customers under construction contracts" within "Trade and other receivables". If the amount is negative, it is recognized as a liability under "Amount due to customers under construction contracts" within "Trade and other payables".

1.5.14 Share-based payments

Under IFRS 2, the Group is required to recognize an expense (personnel costs) corresponding to benefits granted to employees in the form of share-based payments, in consideration for services provided. These services are valued at the fair value of the instruments awarded.

This payment may take the form of instruments paid in shares or in cash.

EQUITY-SETTLED INSTRUMENTS

1.5.14.1 STOCK OPTION PLANS

Options granted to Group employees are measured at the grant date using a binomial pricing model for options with no performance conditions, or a Monte Carlo pricing model for those with external performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period and offset against equity.

1.5.14.2 ALLOTMENT OF BONUS SHARES

The fair value of bonus share plans is estimated based on the share price on the allotment date, taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group's performance. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For performance shares that are allotted on a discretionary basis and include external performance conditions, a Monte Carlo model is used.

1.5.14.3 EMPLOYEE SHARE PURCHASE PLANS

Employee share purchase plans enable employees to subscribe to Company shares at a lower-than-market price. The fair value of the instruments awarded under employee share purchase plans is estimated on the allotment date based on the value of this discount awarded to employees and non-transferability period applicable to the share subscribed. As it is treated as a service rendered, the cost is recognized in full and offset against equity.

CASH-SETTLED INSTRUMENTS

In specific cases where local legislation prohibits employee share purchase plans, share appreciation rights (SAR) are granted instead. When these instruments are settled in cash, their fair value is recognized in expenses over the vesting period, with an offsetting entry recorded in employee-related liabilities. Changes in the fair value of the liability are taken to income for each fiscal year.

The long term incentive plan, which will result in a cash payment to the beneficiary, is valued at its fair value and an expense is recognized on a straight-line basis over the term of the plan.

1.5.15 Provisions

1.5.15.1 PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS AND OTHER LONG-TERM BENEFITS

Depending on the laws and practices in force in the countries where SUEZ ENVIRONNEMENT COMPANY operates, Group companies have obligations in terms of pensions, early retirement payments, retirement bonuses and other benefit plans. Such obligations generally apply to all of the employees within the companies concerned.

The Group's obligations in relation to pensions and other employee benefits are recognized and measured in accordance with IAS 19 revised. Accordingly:

- the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by

reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

Provisions are recorded when commitments under these plans less the unrecognized past service cost exceed the fair value of plan assets. When the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other current assets" or "Other non-current assets".

As regards post-employment benefit obligations, the Group recognizes actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments directly to Other Comprehensive Income (equity) items. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

The net interest expense (income) in respect of pensions is presented as a "financial result".

1.5.15.2 OTHER PROVISIONS

The Group records a provision where it has a present obligation (legal or constructive), the settlement of which is expected to result in an outflow of resources embodying economic benefits with no corresponding consideration in return.

A provision for restructuring costs is recorded when the general criteria for setting up a provision are met, i.e., when the Group has a detailed formal plan relating to the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions, excluding the provisions for post-employment benefit obligations, are provisions for site restoration costs (relating to the waste services business). The discount rate (or rates) used reflect current market measurements of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the reversal of discounting adjustments to long term provisions are recorded under other financial income and expenses.

A provision is recognized when the Group has a present legal or constructive obligation to restore a site. The counterpart for this provision is included in the carrying amount of the asset concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the site restoration date or the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The impacts of unwinding the discount are recognized in expenses for the fiscal year.

1.5.16 Revenues

Group revenues (as defined by IAS 18) are mainly generated from the following:

- Water services;
- Waste services;
- Engineering and construction contracts and other services.

Revenues on sales of goods are recognized on delivery (i.e., when the significant risks and rewards of ownership are transferred to the buyer), or as a function of the progress of the contract, in the case of provisions of services and construction contracts, when the price is fixed or determinable and receivables are likely to be recoverable.

Revenues are measured at the fair value of the consideration received or receivable. Where deferred payment has a material impact on the measurement of the fair value of this consideration, this is taken into account by discounting future receipts.

1.5.16.1 WATER SERVICES

Revenues generated by water distribution are recognized based on volumes delivered to customers, either specifically metered and invoiced or estimated based on the output of the supply networks.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice, or is sent in a separate invoice to the local municipality or industrial client.

Commission fees received from the grantors of concessions are recorded as revenues.

1.5.16.2 WASTE SERVICES

Revenues arising from waste collection are generally based on the tonnage collected and the service provided by the operator.

Revenues from other forms of treatment (principally sorting and incineration) are recognized based on volumes processed by the operator and the incidental revenues generated by recycling and reuse, such as the sale of paper, cardboard, glass, metals and plastics for sorting centers, and the sale of electricity and heat for incinerators.

1.5.16.3 ENGINEERING, CONSTRUCTION CONTRACTS AND SERVICES RENDERED

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.5.13). Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the contract, or on the physical progress of the contract based on factors such as contractually defined stages.

Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.5.17 Current operating income (COI)

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (in accordance with CNC Recommendation 2009-R03 in the financial statements of companies applying IFRS). Current operating income is a sub-total which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, these elements relate to the marked-to-market (MtM) value of trading instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- MtM of trading instruments: This corresponds to changes in the fair value (marked-to-market) of financial instruments relating to commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions;
- impairment of assets: this includes impairment losses on goodwill, intangible and tangible assets, investments in associates and available-for-sale securities;
- restructuring costs: These relate to costs of a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;
- scope effects.
- This line includes:
    - direct costs related to acquisitions of controlling interests,
    - in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interest at acquisition-date fair value,
    - subsequent changes in the fair value of contingent consideration,
    - gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests;
- other gains and losses on disposals and non-recurring items: This includes mainly capital gains and losses on disposals of non-current assets and available-for-sale securities.

1.5.18 Statement of cash flows

The Group consolidated statement of cash flows is prepared based on net income, using the indirect method.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs.

Impairment losses on current assets are identified as definitive losses, and therefore any change in current assets is shown net of impairment.

Cash flows related to payment of taxes are treated separately.

1.5.19 Income tax expense

The Group computes taxes in accordance with the prevailing tax legislation in the countries where income is taxable.

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the book values of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the reporting date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of the companies included within the consolidated tax group and the net position of each fiscal entity is recorded on the statement of financial position under assets or liabilities, as appropriate.

Deferred taxes are reviewed at each reporting date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

1.5.20 Earnings per share

Net income per share is calculated by dividing the adjusted net income Group share for the fiscal year attributable to ordinary shares by the weighted average number of shares outstanding during the fiscal year. The adjusted net income Group share takes into account the cost of the coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY. The average number of shares outstanding during the fiscal year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the course of the year.

For the calculation of diluted earnings per share, the weighted average number of shares and earnings per share are adjusted to take into account the impact of the conversion or exercise of any dilutive potential ordinary shares (OCEANE convertible bonds mainly).

Note 2 Major transactions in 2014

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

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

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

The bonds do not bear any interest. They were issued at par on February 27, 2014, the date of the settlement/delivery of the bonds and are redeemable on February 27, 2020 either at par by a cash payment, or through a delivery of new and/or existing shares and, if applicable, an amount in cash, at the discretion of SUEZ ENVIRONNEMENT COMPANY. The bonds will entitle holders to the allotment of new and/or existing SUEZ ENVIRONNEMENT COMPANY shares at the rate of one share per bond, subject to any subsequent adjustments. The bonds may be early-redeemed at the initiative of SUEZ ENVIRONNEMENT COMPANY, under certain conditions. (See Note 13.3.1)

2.2 Increased interest in Acea (Italy)

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

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

Given SUEZ ENVIRONNEMENT’s reinforced position in the governance of Acea, the shares held have been accounted for by the equity method since April 1, 2014. (See Note 12.2)

2.3 Capital increase reserved for Group employees - SHARING 2014 plan

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

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

22% of the Group employees have subscribed to more than 8.9 million shares.

This second SHARING plan helped to significantly increase the employees' participation in the Company's share capital. At December 31, 2014 this participation is 3.46%.

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

2.4 Long-term incentive plan

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

If the performance conditions are 100% met, the maximum amount payable at the end of the three-year period will be €15 million. (See Note 23.5)

2.5 SUEZ ENVIRONNEMENT sells its indirect interest in Companhia de Electricidade de Macau (CEM)

SUEZ ENVIRONNEMENT and its partner NWS Holdings Limited (New World), via their Sino-French Holdings (Hong Kong) Limited joint venture, entered into an agreement to sell 90% of their interest in Companhia de Electricidade de Macau ("CEM") to Nam Kwong Development (H.K.) Limited, a wholly-owned subsidiary of Nam Kwong (Group) Company Limited ("Nam Kwong"). The transaction amounted to USD 612 million for the share held by SFH.

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

The disposal generated a profit after tax of €129.6 million for the Group.

2.6 New issue and redemption of outstanding undated deeply subordinated notes

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

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

Following these two transactions, the Group's outstanding hybrid bonds amounted to €950 million on December 31, 2014. (See Note 13.3.2).

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

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

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

The Company counts 125 employees and achieves annual revenues of €50 million.

2.8 Acquisition from La Caixa of its indirect interest in Agbar

In accordance with the framework agreement signed on July 17, 2014 SUEZ ENVIRONNEMENT COMPANY acquired the remaining indirect 24.14% interest in Agbar, held by its historical partner, La Caixa, in exchange for the issuance of new SUEZ ENVIRONNEMENT COMPANY shares and a cash payment.

The Board of Directors of SUEZ ENVIRONNEMENT COMPANY, meeting on September 17, 2014, confirmed the valuation of the 24.14% of Agbar based on the report of the independent auditors to the contribution and authorized the consideration for this contribution in the form of a reserved share issue and a cash payment of €298.6 million.

This transaction is the first step of the framework agreement signed with La Caixa on July 17, which allows La Caixa to become the second-largest shareholder of SUEZ ENVIRONNEMENT COMPANY as part of a long-term partnership between the two groups.

In consideration for its contribution, La Caixa received 22 million new shares, representing 4.1% of the share capital of SUEZ ENVIRONNEMENT COMPANY. La Caixa also expressed its intention to increase its interest in the short term, for up to 7% of SUEZ ENVIRONNEMENT COMPANY.

The two other transactions provided for in the framework agreement were also finalized on October 31 and November 13, 2014, respectively:

- acquisition by La Caixa from SUEZ ENVIRONNEMENT, of a 14.5% stake in Aguas de Valencia.

- acquisition by La Caixa from Agbar of a 15% stake in the company managing the concession contract to supply drinking water and wastewater treatment in the metropolitan area of Barcelona (Aigües de Barcelona). Following this transaction, Agbar maintains the control of that company.

Note 3 Operating segments information

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

The Group uses four operating segments:

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

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

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

3.1 Operating segments

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

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

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

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

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

3.2 Key indicators by operating segment

Revenues

In millions of euros	December 31, 2014			December 31, 2013 restated		
	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,476.5	39.6	4,516.1	4,374.4	34.3	4,408.7
Waste Europe	6,323.5	43.7	6,367.2	6,469.4	36.0	6,505.4
International	3,422.2	25.2	3,447.4	3,380.4	29.5	3,409.9
Other	101.9	105.5	207.4	98.7	89.4	188.1
Intercompany eliminations		(214.0)	(214.0)		(189.2)	(189.2)
TOTAL REVENUES	**14,324.1**	**-**	**14,324.1**	**14,322.9**	**-**	**14,322.9**

EBITDA

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	1,245.0	1,227.5
Waste Europe	743.0	790.3
International	728.1	559.8
Other	(72.5)	(43.4)
TOTAL EBITDA	**2,643.6**	**2,534.2**

EBIT

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	574.0	566.8
Waste Europe	264.8	300.3
International	519.7	427.8
Other	(103.8)	(71.7)
TOTAL EBIT	**1,254.7**	**1,223.2**

Depreciation and amortization

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	(433.1)	(426.6)
Waste Europe	(448.8)	(468.4)
International	(175.0)	(166.3)
Other	(10.3)	(7.7)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,067.2)**	**(1,069.0)**

Capital employed

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	6,666.2	6,723.4
Waste Europe	4,092.9	4,284.2
International	3,562.2	3,106.2
Other	(37.6)	(89.9)
TOTAL CAPITAL EMPLOYED	**14,283.7**	**14,023.9**

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

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	(448.3)	(424.4)
Waste Europe	(375.9)	(427.4)
International	(353.9)	(247.5)
Other	(314.2)	(27.8)
TOTAL INVESTMENTS	**(1,492.3)**	**(1,127.1)**

Reconciliation with the cash flow statement is made in paragraph 3.4.3.

3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

	Revenues		Capital Employed	
In millions of euros	December 31, 2014	December 31, 2013 restated	December 31, 2014	December 31, 2013 restated
France	5,187.0	5,230.8	2,280.9	2,551.5
Europe	5,142.7	5,064.4	8,179.4	8,171.4
International	3,994.4	4,027.7	3,823.4	3,301.0
TOTAL	**14,324.1**	**14,322.9**	**14,283.7**	**14,023.9**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

In millions of euros	December 31, 2014	December 31, 2013 restated
CURRENT OPERATING INCOME	**1,011.2**	**1,148.4**
(+) Share in net income of equity-accounted companies considered as core business	243.5	74.8
EBIT	**1,254.7**	**1,223.2**
(-) Net depreciation, amortization and provisions	1,097.7	950.3
(-) Share-based payments [(a)]	13.3	24.2
(-) Disbursements under concession contracts	277.9	336.5
EBITDA	**2,643.6**	**2,534.2**

(a) The impact of Share Appreciation Rights is disclosed after hedging by warrants.
Moreover, this amount does not include long term incentive plans granted in the form of cash bonuses.

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

In millions of euros	December 31, 2014	December 31, 2013 restated
(+) Tangible and intangible assets, net	12,285.1	12,064.0
(+) Goodwill, net	3,261.9	3,094.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	163.7	297.5
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	840.0	1,035.0
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	421.3	436.3
(+) Investments in associates (excluding Other comprehensive income net of taxes)	747.7	507.2
(+) Trade and other receivables	3,790.1	3,618.6
(+) Inventories	262.2	269.6
(+) Other current and non-current assets	1,672.0	1,553.3
(-) Provisions and actuarial losses/gains on pensions plans	(1,625.9)	(1,573.0)
(-) Trade and other payables	(2,871.2)	(2,724.1)
(-) Other current and non-current liabilities	(4,658.5)	(4,552.0)
(-) Other financial liabilities	(4.7)	(3.4)
CAPITAL EMPLOYED	**14,283.7**	**14,023.9**

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

In millions of euros	December 31, 2014	December 31, 2013 restated
Investments in property, plant and equipment and intangible assets	(1,076.6)	(1,091.8)
Takeover of subsidiaries net of cash and cash equivalents acquired	(73.3)	(18.3)
Acquisitions of interests in associates and joint-ventures	(105.6)	(4.0)
Acquisitions of available-for-sale securities	(15.4)	(13.6)
Change in share of interests in controlled entities	(221.4)	0.6
TOTAL INVESTMENTS	**(1,492.3)**	**(1,127.1)**

Note 4 Current operating income

In millions of euros	December 31, 2014	December 31, 2013 restated
Revenues	14,324.1	14,322.9
Purchases	(2,833.1)	(2,862.7)
Personnel costs	(3,656.4)	(3,641.0)
Depreciation, amortization and provisions	(1,097.7)	(950.3)
Other operating income and expenses	(5,725.7)	(5,720.5)
CURRENT OPERATING INCOME	**1,011.2**	**1,148.4**

4.1 Revenues

The following table shows Group revenues per category:

In millions of euros	December 31, 2014	December 31, 2013 restated
Sale, transport and distribution of electricity	406.5	328.4
Water and waste	12,680.9	12,745.6
Engineering and construction contracts and other services	1,236.7	1,248.9
TOTAL	**14,324.1**	**14,322.9**

4.2 Personnel costs

In millions of euros	December 31, 2014	December 31, 2013 restated
Short-term benefits	(3,556.1)	(3,515.8)
Share or cash-based payments [(a)]	(16.9)	(24.2)
Post-employment benefit obligations and other long-term benefits	(83.4)	(101.0)
TOTAL	**(3,656.4)**	**(3,641.0)**

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

Short-term benefits correspond to salaries and expenses recognized for the period. The amount of these short-term benefits is reduced by the impact of CICE (tax credit for competitiveness and employment) in France for an amount of €39.6 million in 2014 for the companies included in the French tax consolidation group versus €26.3 million in 2013.

Share-based payments are broken down in Note 23. This amount includes the impact of Long-term incentive plan.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 18. This amount corresponds to defined-benefit plan expenses (see Note 18.2.3) and to defined-contribution plan expenses (see Note 18.3).

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals:

In millions of euros	December 31, 2014	December 31, 2013 restated
Depreciation and amortization	(1,067.2)	(1,069.0)
Depreciation of inventories, trade receivables and other assets	(34.5)	(14.9)
Net change in provisions	4.0	133.6
TOTAL	**(1,097.7)**	**(950.3)**

The depreciation breakdown is €685.9 million for property, plant and equipment and €381.3 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

In millions of euros	December 31, 2014	December 31, 2013 restated
Other operating income	**227.9**	**250.9**
Other operating expenses	**(5,953.6)**	**(5,971.4)**
Sub-contracting	(1,905.3)	(1,918.0)
Taxes excluding corporate income tax	(691.0)	(650.1)
Other expenses	(3,357.3)	(3,403.3)
TOTAL	**(5,725.7)**	**(5,720.5)**

“Other expenses” mainly include the following types of costs: rental expenses, external personnel, professional fees and compensation of intermediaries.

Note 5 Income from operating activities

In millions of euros	December 31, 2014	December 31, 2013 restated
CURRENT OPERATING INCOME	**1,011.2**	**1,148.4**
MtM on operating financial instruments	(0.6)	0.1
Impairment on property, plant and equipment, intangible and financial assets	(105.2)	12.9
Restructuring costs	(58.0)	(74.4)
Scope effects	82.4	27.4
Other gains and losses on disposals and non-recurring items	0.2	16.0
INCOME FROM OPERATING ACTIVITIES	**930.0**	**1,130.4**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a loss of €0.6 million at December 31, 2014, versus a gain of €0.1 million in 2013 resulting primarily from the following factors:

- to optimize their margins, certain Group entities implement economic hedging strategies through forward contracts traded on the wholesale markets, aimed at reducing the sensitivity of the Group's margins to commodity price fluctuations. However, to the extent that these strategies hedge net exposure to the price risk of the entities in question, they are not eligible for the recognition of hedging in accordance with the provisions of IAS 39 – Financial instruments – recognition and measurement. Consequently, all changes in the fair value of the forward contracts concerned must be reflected in the income statement;
- gains and losses are recorded in the income statement in respect of the ineffective portion of future cash flow hedging strategies on non-financial assets (cash flow hedge).

5.2 Impairments of property, plant and equipment, intangible assets and financial assets

In millions of euros	December 31, 2014	December 31, 2013 restated
Impairments		
Goodwill	-	(1.0)
Property, plant and equipment and other intangible assets	(70.3)	(28.6)
Financial assets	(42.2)	(3.3)
Total	**(112.5)**	**(32.9)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	3.9	3.0
Financial assets	3.4	42.8
Total	**7.3**	**45.8**
TOTAL	**(105.2)**	**12.9**

5.2.1 Impairments of goodwill

No impairment on goodwill was recognized in 2014, pursuant to the procedure described in Note 9.3.

5.2.2 Impairments of property, plant and equipment and intangible assets excluding goodwill

In 2014, this item mainly recognized impairment of property, plant and equipment in the Water Europe and Waste Europe operating segments.

5.2.3 Impairments of financial assets

In 2014, as for 2013, the evolution in this item is connected mainly with the evolution of financial receivables relating to an International concession contract.

5.3 Restructuring costs

At December 31, 2014, this item mainly includes the costs of adaptation plans related to the business slowdown in the Waste Europe segment and at Degrémont. At December 31, 2013, this item also included the latest impacts of the Group's exit from Hungary.

5.4 Scope effects

At December 31, 2014, this item mainly includes a revaluation gain for €64.5 million due to the assesment at fair value of Acea securities already held at January 1, 2014 following the gain of significant influence occurred in 2014 (refer to Notes 2.2 and 12.2), and previously recognised as available-for-sale shares.

Under the terms of IAS 28 "Investments in associates", participation previously owned in Acea was recorded at its fair value at the date of the gain of significant influence (see Note 12).

In 2013, this item mainly included a gain recognized on Sita France's disposal of its shares in companies of the Nicollin Group.

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

In millions of euros	December 31, 2014	December 31, 2013 restated
Disposals of property, plant and equipment and intangible assets	5.5	13.2
Disposals of shares	(5.3)	2.8
Total	**0.2**	**16.0**

In 2014 and in 2013, this item shows only insignificant individual amounts.

Note 6 Net financial income/loss

In millions of euros	December 31, 2014			December 31, 2013 restated		
	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(432.8)	58.0	(374.8)	(423.8)	57.4	(366.4)
Other financial income and expenses	(83.8)	52.9	(30.9)	(83.1)	45.5	(37.6)
Financial income/(loss)	**(516.6)**	**110.9**	**(405.7)**	**(506.9)**	**102.9**	**(404.0)**

6.1 Cost of net debt

This item primarily includes interest expenses related to gross borrowings (calculated using the effective interest rate – EIR), gains and losses arising from foreign currency and interest rate hedging transactions on gross borrowings, as well as interest income on cash investments and changes in the fair value of financial assets measured at fair value through income.

In millions of euros	December 31, 2014			December 31, 2013 restated		
	Expenses	Income	Total	Expenses	Income	Total
Interest expense on gross borrowings	(351.5)	-	(351.5)	(376.9)	-	(376.9)
Exchange gain/(loss) on borrowings and hedges	(49.6)	-	(49.6)	(22.1)		(22.1)
Unrealized income/(expense) from economic hedges on borrowings	(0.1)	-	(0.1)	(1.0)	-	(1.0)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	34.1	34.1	-	36.7	36.7
Capitalized borrowing costs	-	12.6	12.6	-	10.2	10.2
Financial income (expense) relating to a financial debt or receivable restructuring	(31.6)	11.3	(20.3)	(23.8)	10.5	(13.3)
Cost of net debt	**(432.8)**	**58.0**	**(374.8)**	**(423.8)**	**57.4**	**(366.4)**

The cost of net debt remains stable between December 31, 2013 and December 31, 2014, as the fall in interest rates affecting the interest expense on gross borrowings was offset by foreign exchange losses on the Group's financial debt in Chile.

6.2 Other financial income and expenses

In millions of euros	December 31, 2014			December 31, 2013 restated		
	Expenses	Income	Total	Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(20.9)	-	(20.9)	(22.1)	-	(22.1)
Unwinding of discounting adjustment to long term provisions (except post employment)	(45.5)	-	(45.5)	(43.3)	-	(43.3)
Change in fair value of derivatives not included in net debt	-	0.5	0.5	(5.7)	-	(5.7)
Income from available-for-sale securities	-	24.5	24.5	-	16.1	16.1
Other	(17.4)	27.9	10.5	(12.0)	29.4	17.4
Other Financial Income and Expenses	**(83.8)**	**52.9**	**(30.9)**	**(83.1)**	**45.5**	**(37.6)**

Note 7 Income tax

7.1 Income tax expense in the income statement

7.1.1 Breakdown of income tax expense in the income statement

Income tax expense for the fiscal year amounted to €173.1 million (compared to €189.4 million in 2013) and breaks down as follows:

In millions of euros	**December 31, 2014**	**December 31, 2013 restated**
Current income tax	(157.9)	(219.5)
Deferred taxes	(15.2)	30.1
Total income tax expense recognized in income	**(173.1)**	**(189.4)**

7.1.2 Theoretical income tax expense and actual income tax expense

The reconciliation between the Group's theoretical income tax expense and actual income tax expense is shown in the following table:

In millions of euros	December 31, 2014	December 31, 2013 restated
Net income	**600.5**	**623.9**
- Share in net income of associates and joint ventures	249.3	86.9
- Income tax expense	(173.1)	(189.4)
Income before income tax and share in net income of associates and joint ventures (A)	**524.3**	**726.4**
Of which French companies	*(2.2)*	*32.5*
Of which companies outside France	*526.5*	*693.9*
Statutory income tax rate of SUEZ ENVIRONNEMENT COMPANY (B) [(a)]	38.00%	38.00%
Theoretical income tax expense (C) = (A) x (B)	**(199.2)**	**(276.0)**
Difference between the normal tax rate applicable to SUEZ ENVIRONNEMENT COMPANY and the normal tax rate applicable in jurisdictions in France and outside France [(b)]	63.4	79.9
Permanent differences [(c)]	(24.7)	(4.8)
Income taxed at a reduced rate or tax-exempt [(d)]	5.8	11.8
Additional tax expense [(e)]	(68.4)	(54.8)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences [(f)]	(32.4)	(27.0)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences [(g)]	17.5	47.1
Impact of changes in tax rates [(h)]	(16.7)	3.0
Tax savings and credits [(i)]	40.3	23.4
Other [(j)]	41.3	8.0
Actual income tax expense	**(173.1)**	**(189.4)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)	**33.0%**	**26.1%**

(a) In 2013, the overall corporate tax rate in France was increased to 38.00% for companies with revenues over €250 million. Under current law, this rate will remain in place until 2015.

(b) It mainly reflects the impact of the rate difference in 2014 between Chile (21%) and France. The corporate tax rate in Chile in 2013 was 20%.

(c) It includes the impact of the limitation on the deductibility of financial expenses to 75% in France in 2014, and the impact of the non-deductibility of expenses related to share-based payments. Moreover, this item also includes the impact of the non-taxation of the revaluation gain on Acea securities.

(d) In 2013, this included the impact of taxation at the reduced rate of gains on the disposal of investments in Nicollin and SMN at Sita France.

(e) Additional taxes in 2014 are mainly attributable to the application in France of the 3% contribution on dividends paid out, to withholding taxes on dividends received, and the effect of residual tax on transfers of shareholdings within the Group.

(f) In 2014, this item includes an impact of -€6.9 million from the capping of deferred tax assets within the French tax consolidation group (see 7.3.2).

(g) In 2014, the recognition of deferred tax within the Australian tax consolidation group amounts to €4.4 million (compared with €11 million in 2013).

(h) In 2014, this mainly includes the impact of the revaluation of deferred tax liabilities at Agbar following the gradual increase in the tax rate of its subsidiary Aguas Andinas in Chile (from 20% in 2013 to 21 % in 2014, and to 27% in 2018), partially offset by the reduced tax rate in Spain.

(i) It mainly includes the impact of the tax credit for Competitiveness and Employment (CICE) and tax credit for Corporate Sponsorship in France.

(j) In 2014, this mainly includes the favorable impact of tax adjustments from prior years at Agbar and the tax savings generated by the tax consolidation group in France.

The increase of the effective tax rate at December 31, 2014, compared to 2013, is mainly due to:

- the revaluation of deferred tax positions following the gradual rise in the tax rate in Chile;
- gains taxed at a reduced rate on disposals of interests in Nicollin and SMN at Sita France in 2013, with very few equivalents in 2014.
- the impact of the cap on deferred tax assets within the French tax consolidation group in 2014.

These factors are partly offset by:

- the tax refund of €12 million for Agbar in respect of prior years.

The low effective tax rate at December 31, 2014, as in 2013, can be explained by the Group's presence in countries with more favorable tax rates such as Chile and the United Kingdom.

7.1.3 Analysis by type of temporary difference in deferred tax income/expenses on the income statement

In millions of euros	December 31, 2014	December 31, 2013 restated
Deferred tax assets		
Loss carryforwards and tax credit	2.3	(5.4)
Pension obligations	(2.3)	0.4
Concessions arrangements	4.9	(2.4)
Non-deductible provisions	(9.3)	7.6
Differences between the carrying amount of PPE and their tax bases	38.2	4.0
Measurement of financial instruments at fair value (IAS 32/39)	(2.0)	23.7
Other	3.4	(11.4)
TOTAL	**35.2**	**16.5**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(31.1)	30.3
Concessions arrangements	(15.5)	(9.1)
Tax-driven provisions	(1.1)	1.0
Measurement of assets and liabilities at fair value (IAS 32/39)	(4.3)	(0.2)
Other	1.6	(8.4)
Total	**(50.4)**	**13.6**
Net Deferred Taxes	**(15.2)**	**30.1**

In 2014, the amounts reported in liabilities under "Differences between the carrying amount of PPE and their tax bases" include:

- the depreciation of revalued assets as part of allocating the business combination costs related to the takeovers of Agbar and former joint companies (Lyonnaise Des Eaux France), as in previous years;
- the recognition of a deferred tax liability at United Water through the application of the new tax law that allows a retroactive tax deduction for certain investments within the scope of regulated activities while their amortization is over a longer period;
- the revaluation of deferred tax liabilities due to tax rate changes in Chile and Spain;

In 2014, the amounts reported in assets under "Differences between the carrying amount of PPE and their tax bases" correspond to the flows of deferred tax assets on temporary differences arising from the tax values of depreciable assets exceeding their carrying amount.

7.2 Deferred tax income and expense recognized in "other comprehensive income"

Deferred tax income and expense recognized in "Other comprehensive income" break down as follows:

In millions of euros	December 31, 2014	December 31, 2013 restated
Available-for-sale securities	(0.1)	-
Actuarial gains and losses	43.3	(31.9)
Net investment hedges	1.4	(24.3)
Cash flow hedges	1.5	(5.8)
Total excluding share of associates and joint ventures	**46.1**	**(62.0)**
Share of associates	7.9	(22.2)
Share of joint ventures	(15.5)	(19.1)
TOTAL	**38.5**	**(103.3)**

The impact in 2014 is primarily due to the tax effect of:

- actuarial losses on pension obligations and other long-term benefits in the International business for €43.3 million;
- the remeasurement at fair value of non-consolidated securities held in Chongqing Water Group in China, which generates most of the tax effect of joint ventures.

The impact in 2013 came from the tax effect of:

- the remeasurement at fair value of non-consolidated securities held in Chongqing Water Group in China;
- actuarial gains on pension obligations and other long-term benefits.

7.3 Deferred taxes in the statement of financial position

7.3.1 Change in deferred taxes

Movements in deferred taxes recorded in the statement of financial position, after netting off the deferred tax assets and liabilities by tax entity, are broken down as follows:

In millions of euros	Assets	Liabilities	Net Balances
At December 31, 2013 restated	**726.1**	**(542.5)**	**183.6**
From income statement	35.0	(50.2)	(15.2)
From other comprehensive income	40.7	5.4	46.1
Scope effects	11.0	(7.3)	3.7
Translation adjustments	34.7	(35.1)	(0.4)
Other impacts	(5.4)	5.8	0.4
Deferred tax netting off by tax entity	(51.4)	51.4	-
At December 31, 2014	**790.7**	**(572.5)**	**218.2**

7.3.2 Analysis of the net deferred tax position recognized on the statement of financial position (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

In millions of euros	December 31, 2014	December 31, 2013 restated
Deferred tax assets		
Loss carry-forwards and tax credit	400.1	387.0
Pension obligations	232.7	206.2
Concessions arrangements	102.1	96.4
Non-deductible provisions	188.3	187.6
Differences between the carrying amount of PPE and their tax bases	113.3	129.3
Measurement of financial instruments at fair value (IAS 32/39)	16.9	10.6
Other	248.8	168.9
Total	**1,302.2**	**1,186.0**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(896.1)	(860.8)
Concessions arrangements	(37.8)	(23.9)
Tax-driven provisions	(10.8)	(10.1)
Measurement of assets and liabilities at fair value (IAS 32/39)	(30.7)	(2.1)
Other	(108.6)	(105.5)
Total	**(1,084.0)**	**(1,002.4)**
Net Deferred Taxes	**218.2**	**183.6**

The deferred tax assets recognized on loss carry-forwards amounted to €400.1 million as of December 31, 2014 versus €387 million as of December 31, 2013 (restated accounts).

In 2014, the Group generated net deferred tax assets within the French tax consolidation group. The vast majority of these assets were recognized in "Other comprehensive income" because they are related to net investment hedges and actuarial losses on pension obligations. These assets are capped for an amount of €55 million euros, including €6.9 million through income. The total amount of net deferred tax assets within the French tax consolidation group, including all temporary differences, remained stable after capping in 2014 compared to December 31, 2013, and amounted to €308 million.

Management considers that the French tax consolidation group will be able to use up its deferred tax assets on loss carry-forwards over the 7-year medium-term plan (approximately 60% of them) or beyond.

7.4 Unrecognized deferred taxes

7.4.1 Deductible temporary differences not recognized

TEMPORARY DIFFERENCES ON LOSSES CARRIED FORWARD

As of December 31, 2014, unused tax losses carried forward and not recognized in the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €159.2 million for ordinary tax loss carry-forwards, versus €133.7 million as of December 31, 2013 (restated accounts).

OTHER TEMPORARY DIFFERENCES NOT RECOGNIZED

The amount of deferred tax assets on other unrecognized temporary differences amounted to €69.4 million as of December 31, 2014, compared to €40.4 million as of December 31, 2013 (restated accounts).

7.4.2 Unrecognized deferred tax liabilities on taxable temporary differences relating to investments in subsidiaries

No significant deferred tax liability has been recognized on temporary differences when the Group is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 8 Earnings per share

	December 31, 2014	December 31, 2013 restated
Numerator (in millions of euros)		
Net income, Group share	**417.2**	**352.2**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in september 2010	(32.5)	(23.7)
(+) expenses related to the partial redemption of the undated deeply subordinated notes	(15.5)	-
Adjusted Net Income, Group Share	**369.2**	**328.5**
Denominator (in millions)		
Weighted average number of outstanding shares	**518.2**	**509.1**
Earnings per share (in euros)		
Net income Group share per share	**0.71**	**0.65**
Net diluted income Group share per share	**0.69**	**0.64**

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

- the SUEZ ENVIRONNEMENT COMPANY bonus share plans ;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense after tax of €3.4 million.

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

Note 9 Goodwill

9.1 Movements in the carrying amount of goodwill

In millions of euros	Gross amount	Impairment Losses	Carrying amount
At December 31, 2012	**3,361.5**	**(104.6)**	**3,256.9**
IFRS 10, 11 and 12 restatements (see Note 1.2.3)	(91.0)	-	(91.0)
At January 1, 2013 restated	**3,270.5**	**(104.6)**	**3,165.9**
Scope effects	15.6	1.2	16.8
Impairment losses	-	(1.0)	(1.0)
Translation adjustments	(93.6)	6.8	(86.8)
Other	(0.4)	0.4	-
At December 31, 2013 restated	**3,192.1**	**(97.2)**	**3,094.9**
Scope effects	49.6	-	49.6
Impairment losses	-	-	-
Translation adjustments	119.3	(1.9)	117.4
Other	-	-	-
At December 31, 2014	**3,361.0**	**(99.1)**	**3,261.9**

In 2014, the net change in goodwill came to +€167.0 million. This is mainly the result of:

- the takover of Process Group by Degrémont, described in Note 2.7, for +€42.5 million ;
- translation adjustments (mainly related to fluctuations in the US dollar, the pound sterling, and Hong Kong dollar for €117,4 million).

In 2013, the net change in goodwill came to -€71,0 million. This was mainly the result of:

- the takover of Aguas de Sabadell by Agbar for +€9,5 million ;
- translation adjustments (mainly related to fluctuations in the Australian dollar, the pound sterling, and the US dollar for -€86.8 million).

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

In millions of euros	Operating segment	December 31, 2014	December 31, 2013 restated
Material CGUs			
Agbar	Water Europe	537.9	513.8
Sita France	Waste Europe	531.6	530.7
Sita News	Waste Europe	505.2	505.2
United Water	International	430.7	379.2
Sita UK	Waste Europe	399.3	373.0
Lyonnaise des Eaux	Water Europe	306.2	309.2
Sita Waste Services	International	181.3	159.8
Sita Australia	International	160.2	152.7
Other CGUs (individual goodwill of less than €150 million or about 5% of total amount)		209.4	171.2
TOTAL		**3,261.9**	**3,094.9**

9.3 Impairment test

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out based on actual results at the end of June, on the last forecast of the year taking into account the upcoming events in the second half of the year, and on the medium-term plan (MTP) over five years for the rest of the business plan.

The recoverable value of goodwill CGUs is calculated by applying various methods, primarily the discounted cash flow (DCF) method, which is based on the following:

- cash flow projections prepared over the duration of the medium-term plan approved by the Group's Board of Directors. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in pricing regulations and future market outlooks;
- a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 1.5% and 3% depending on the activity, to normalized free cash flow [(1)](used specifically in impairment tests) in the final year of the projections;
- a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2014 range from 5.1% to 7.0%.

When this method is used, the measurement of the recoverable value of goodwill CGU is based on three scenarios (low, medium and high), distinguished by a change in key assumptions: the discount rate and the long term growth rate of normalized free cash flow. The medium scenario is preferred.

Valuations thus obtained are systematically compared with valuations obtained using the market multiples method or the stock exchange capitalization method, when applicable.

Based on events reasonably foreseeable at this time, the Group believes there is no reason to find material impairment on the goodwill shown in the statement of financial position, and that any changes affecting the key assumptions described below should not result in excess book value over recoverable amounts.

Main assumptions used for material goodwill

The following table describes the method and discount rate used in examining the recoverable amount of material goodwill CGUs:

Cash-generating units	Measurement method	Discount rates
Sita France	DCF + confirmation by multiple *(*)*	5.6%
Sita News	DCF + confirmation by multiple *(*)*	5.8%
United Water - regulated activity	multiples *(*)* + DCF	5.2%
Agbar	DCF + confirmation by multiple *(*)*	6.3%
Sita UK	DCF + confirmation by multiple *(*)*	6.1%
Lyonnaise des Eaux	DCF + confirmation by multiple *(*)*	5.1%
Sita Waste Services	DCF + confirmation by multiple *(*)*	6.9%
Sita Australia	DCF + confirmation by multiple *(*)*	7.0%

(*) Valuation multiples of comparable entities: market value of transactions.

9.4 Sensitivity to interest rate and operational assumptions

A change of 50 basis points upward or downward in the discount rate or growth rate of normalized free cash flow does not affect the recoverable amounts of goodwill CGUs, which remain higher than their book values.

The table below shows the sensitivity of the measurements of recoverable value exceeding book value, in response to changes in discount rates and growth rates:

[(1)] The "normalized" free cash flow used in impairment tests is different from free cash flow in the following aspects: no financial interest, use of a normalized tax rate, taking into account all investment flows (maintenance capital expenditures and financial disposals, already committed development capital expenditures and financial acquisitions).

Impact in % on excess of recoverable value over book value	Discount rates		Growth rate of "normalized" Free Cash Flow	
	- 50 pb	+ 50 pb	- 50 pb	+ 50 pb
Sita France	35%	-27%	-23%	31%
Sita News	43%	-33%	-29%	37%
United Water - regulated activity	148%	-93%	-28%	45%
Agbar	58%	-46%	-39%	50%
Sita UK	47%	-36%	-31%	40%
Lyonnaise des Eaux	29%	-21%	-19%	26%
Sita Waste Services	25%	-21%	-17%	21%
Sita Australia	21%	-14%	-13%	16%

Moreover, we have ensured that, in 2014, a reasonable decrease (equal to or less than 5%) of both cash flows during the medium-term plan and of the terminal value does not call into question the goodwill values of the different significant CGUs.

9.5 Segment information

The carrying amount of goodwill can be analyzed by operating segment as follows:

In millions of euros	December 31, 2014	December 31, 2013 restated
Water Europe	853.9	832.9
Waste Europe	1,567.1	1,546.7
International	838.2	712.8
Other	2.7	2.5
Total	**3,261.9**	**3,094.9**

The segment breakdown above is based on the operating segment of the acquired entity (and not on that of the acquirer).

Note 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

In millions of euros	Softwares	Intangible rights arising on concession contracts	Other	Total
A. Gross amount at December 31, 2012	**463.8**	**4,204.3**	**1,668.3**	**6,336.4**
IFRS 10, 11 and 12 restatements	(0.4)	(465.4)	42.1	(423.7)
At January 1, 2013 restated	**463.4**	**3,738.9**	**1,710.4**	**5,912.7**
Acquisitions	43.5	197.3	68.7	309.5
Disposals	(6.3)	(63.5) (a)	(6.9)	(76.7)
Translation adjustments	(6.6)	(3.8)	(45.4)	(55.8)
Changes in scope of consolidation	6.5	135.1 (b)	6.0	147.6
Other	8.5	1,223.3 (e)	(610.6)	621.2
At December 31, 2013 restated	**509.0**	**5,227.3**	**1,122.2**	**6,858.5**
Acquisitions	37.1	189.8	93.1	320.0
Disposals	(12.0)	(60.8) (a)	(9.7)	(82.5)
Translation adjustments	(0.1)	22.3	31.8	54.0
Changes in scope of consolidation	0.1	(44.4) (c)	5.2	(39.1)
Other	100.4 (f)	50.0 (d)	(87.2) (f)	63.2
At December 31, 2014	**634.5**	**5,384.2**	**1,155.4**	**7,174.1**
B. Accumulated depreciation and impairment at December 31, 2012	**(303.9)**	**(1,621.2)**	**(350.5)**	**(2,275.6)**
IFRS 10, 11 and 12 restatements	0.1	234.5	(28.6)	206.0
At January 1, 2013 restated	**(303.8)**	**(1,386.7)**	**(379.1)**	**(2,069.6)**
Depreciation	(52.6)	(222.7)	(62.1)	(337.4)
Impairment losses	-	0.8	(0.5)	0.3
Disposals	3.5	55.8 (a)	6.2	65.5
Translation adjustments	3.9	1.2	10.0	15.1
Changes in scope of consolidation	(4.7)	(95.2) (b)	(2.4)	(102.3)
Other	2.0	(155.7) (e)	37.6	(116.1)
At December 31, 2013 restated	**(351.7)**	**(1,802.5)**	**(390.3)**	**(2,544.5)**
Depreciation	(55.1)	(266.6)	(59.6)	(381.3)
Impairment losses	(5.6)	(5.9)	(25.7)	(37.2)
Disposals	9.4	59.7 (a)	9.5	78.6
Translation adjustments	(0.1)	(4.5)	(9.9)	(14.5)
Changes in scope of consolidation	-	15.0 (c)	(0.1)	14.9
Other	(0.3)	(3.7)	(10.1)	(14.1)
At December 31, 2014	**(403.4)**	**(2,008.5)**	**(486.2)**	**(2,898.1)**
C. Carrying Amount				
At January 1, 2013 restated	**159.6**	**2,352.2**	**1,331.3**	**3,843.1**
At December 31, 2013 restated	**157.3**	**3,424.8**	**731.9**	**4,314.0**
At December 31, 2014	**231.1**	**3,375.7**	**669.2**	**4,276.0**

(a) "Disposals" reflect the derecognition at the end of the concession contract of intangible assets that are in the scope of IFRIC 12.

(b) Changes in the scope of consolidation in 2013 are mainly due to the takeovers of the Mina Pública group and Aguas de Sabadell by Agbar.

(c) Changes in the scope of consolidation in 2014 are mainly due to the disposal of SADET by Lyonnaise des Eaux and to the achievement of the PPA that led to reassess the value of Aguas de Sabadell's intangible assets linked to concession contracts .

(d) The line "Other" of Intangible rights arising on concession contracts in 2014 corresponds mainly to the revaluation of Lydec concession rights following the contract renegociation.

(e) Impact related to the reclassification of assets linked to the Barcelona new water distribution and wastewater contract. For more detail refer to the 2013 Reference Document, chapter 20, Note 2.8 and Note 10.

(f) These are primarily reclassifications of intangible assets in progress related to various ongoing software development projects within the Group.

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Note 22) in the drinking water distribution, wastewater treatment, and waste management businesses. Infrastructure rights granted to the Group as concession operator, falling within the scope of application of IFRIC 12, and corresponding to the intangible model, are recognized under this category. These include the rights to charge users recognized under the intangible asset model in IFRIC 12.

10.1.2 Non-depreciable intangible assets

Non-depreciable intangible assets, mainly composed of water rights, amounted to €120 million as of December 31, 2014, versus €124 million as of December 31, 2013, and were included in the column "Other".

No significant impairment was posted in this asset category in 2014.

10.2 Information on research and development expenses

Research and development activities relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection and service quality.

Research and development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of €74 million, unchanged from 2013.

Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material.

Note 11 Property, plant and equipment

11.1 Movements in the carrying amount of property, plant and equipment

In millions of euros	Lands	Constructions	Plant and equipment	Transport equipment	Capitalized dismanting and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
At December 31, 2012	**1,916.8**	**3,412.4**	**7,305.6**	**1,528.1**	**543.3**	**635.1**	**417.7**	**15,759.0**
IFRS 10 and 11 restatements	(8.1)	(12.9)	(70.2)	(28.3)		(40.6)	(2.7)	(162.8)
At January 1, 2013 restated	**1,908.7**	**3,399.5**	**7,235.4**	**1,499.8**	**543.3**	**594.5**	**415.0**	**15,596.2**
Acquisitions	36.6	43.0	164.4	66.7	-	374.2	27.8	712.7
Disposals	(23.6)	(44.8)	(155.0)	(122.4)	(0.9)	-	(15.3)	(362.0)
Translation adjustments	(99.6)	(175.3)	(396.1)	(26.0)	(11.4)	(27.0)	(11.6)	(747.0)
Changes in scope of consolidation	16.9	24.9	(22.5)	0.1	-	0.9	3.6	23.9
Other	(33.3)	(16.5)	(118.3)	24.9	8.1	(332.6)	0.8	(466.9)
At December 31, 2013 restated	**1,805.7**	**3,230.8**	**6,707.9**	**1,443.1**	**539.1**	**610.0**	**420.3**	**14,756.9**
Acquisitions	29.8	60.6	209.5	47.1	-	426.9	21.7	795.6
Disposals	(22.0)	(46.2)	(182.2)	(81.5)	-	-	(12.1)	(344.0)
Translation adjustments	37.6	9.7	232.2	5.7	7.3	12.3	19.5	324.3
Changes in scope of consolidation	(14.3)	(3.4)	10.7	3.7	-	0.5	0.7	(2.1)
Other	7.3	43.9	279.7	51.3	(12.7)	(395.1)	2.7	(22.9)
At December 31, 2014	**1,844.1**	**3,295.4**	**7,257.8**	**1,469.4**	**533.7**	**654.6**	**452.8**	**15,507.8**
B. Accumulated depreciation and impairment								
At December 31, 2012	**(855.5)**	**(1,180.3)**	**(3,017.2)**	**(1,024.2)**	**(539.7)**	**(3.4)**	**(256.7)**	**(6,877.0)**
IFRS 10 and 11 restatements	1.9	6.5	50.3	19.1			2.1	79.9
At January 1, 2013 restated	**(853.6)**	**(1,173.8)**	**(2,966.9)**	**(1,005.1)**	**(539.7)**	**(3.4)**	**(254.6)**	**(6,797.1)**
Depreciation	(70.8)	(134.8)	(341.6)	(122.7)	(0.2)	-	(61.5)	(731.6)
Impairment losses	(9.1)	(2.3)	(5.1)	(10.5)	-	(0.1)	(1.8)	(28.9)
Disposals	0.2	23.0	123.8	109.6	0.9	-	14.0	271.5
Translation adjustments	35.0	30.3	148.2	14.6	11.4	0.1	6.8	246.4
Changes in scope of consolidation	0.0	(7.2)	3.8	(0.4)	-	-	(3.2)	(7.0)
Other	11.3	0.8	9.6	4.4	(8.1)	0.3	21.5	39.8
At December 31, 2013 restated	**(887.0)**	**(1,264.0)**	**(3,028.2)**	**(1,010.1)**	**(535.7)**	**(3.1)**	**(278.8)**	**(7,006.9)**
Depreciation	(56.1)	(132.1)	(327.1)	(116.0)	(0.2)	-	(54.4)	(685.9)
Impairment losses	(14.3)	(1.1)	(6.4)	(0.7)	-	(10.1)	(0.6)	(33.2)
Disposals	17.8	34.9	165.7	76.9	-	0.1	11.1	306.5
Translation adjustments	(30.9)	(8.4)	(67.4)	(3.3)	(7.3)	(0.9)	(11.2)	(129.4)
Changes in scope of consolidation	11.6	0.7	(1.3)	(0.9)	-	-	(0.5)	9.6
Other	22.5	-	(9.0)	(3.1)	12.7	-	17.5	40.6
At December 31, 2014	**(936.4)**	**(1,370.0)**	**(3,273.7)**	**(1,057.2)**	**(530.5)**	**(14.0)**	**(316.9)**	**(7,498.7)**
C. Carrying Amount								
At January 1, 2013 restated	1,055.1	2,225.7	4,268.5	494.7	3.6	591.1	160.4	8,799.1
At December 31, 2013 restated	918.7	1,966.8	3,679.7	433.0	3.4	606.9	141.5	7,750.0
At December 31, 2014	**907.7**	**1,925.4**	**3,984.1**	**412.2**	**3.2**	**640.6**	**135.9**	**8,009.1**

In 2014, the main changes are as follows:

- Changes in the scope of consolidation had a net impact on property, plant and equipment of +€7.5 million. They relate mainly to the inclusion of Metalimpex Tanger and Enersico in Sita France scope of consolidation, to the remeasurement at fair value of fixed assets following the achievement of the PPA of Aguas de Sabadell, and to the sale of Ressources Management UK Ltd ;
- The lines “Other” include in particular the recognition of new assets relating to finance leases in accordance with IAS 17 and have no impact on cash flow ;
- At December 31, 2014, the main translation adjustments on the carrying amount of property, plant and equipment concern the Chilean peso (-€71 million), the US dollar (+€229 million) and the pound sterling (+€28 million).

In 2013, the main changes were as follows:

- Changes in the scope of consolidation had a net impact on property, plant and equipment of +€16.9 million. They related mainly to the takeovers of Aguas de Sabadell and Mina Pública by Agbar, and to the sale of United Water Arkansas ;
- Disposals included the sale of property with a carrying amount of €46 million by Société des Eaux du Nord to the Urban Community of Lille ;
- At December 31, 2013, the main translation adjustments on the carrying amount of property, plant and equipment concerned the Chilean peso (-€339 million), the US dollar (-€75 million) and the Australian dollar (-€65 million).
- "Other" mainly included the reclassification of assets related to the Barcelona water distribution contract (Agbar), under IFRIC 12: from "Property, plant and equipment" to "Intangible rights arising on concession contracts".

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to €125 million at December 31, 2014 against €124 million at December 31, 2013.

11.3 Contractual commitments for the acquisition of property, plant and equipment

In the course of ordinary operations, some Group companies also entered into commitments to invest in technical facilities, with a corresponding commitment by related third parties to deliver these facilities.

The Group's contractual commitments for property, plant and equipment amounted to €303 million at December 31, 2014, against €321 million at December 31, 2013. This change is mainly due to the €40 million reduction in Sita UK's commitments for property, plant and equipment due to the completion of the construction works of Suffolk and Blue Print projects.

Note 12 Investments in joint ventures and associates

12.1 Investments in joint ventures

In millions of euros	Carrying amount of investments in joint ventures: December 31, 2014	Carrying amount of investments in joint ventures: December 31, 2013 restated	Share in net income/ (loss) of joint ventures: December 31, 2014	Share in net income/ (loss) of joint ventures: December 31, 2013 restated
SFH group	251.3	273.4	152.2	27.2
Suyu	216.6	152.4	10.8	10.4
Other	60.0	66.0	10.2	13.5
TOTAL	**527.9**	**491.8**	**173.2**	**51.1**

In millions of euros	December 31, 2014	December 31, 2013 restated
Net income	173.2	51.1
Other comprehensive income (OCI)	102.9	49.3
Comprehensive income	**276.1**	**100.4**

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

At December 31, 2014, the SFH group's net income primarily includes the capital gain on the disposal of CEM - Companhia de Electricidade de Macau (see Note 2.5).

The summarized financial information at 100% of the SFH Group are presented below.

Summarized Statement of financial position at 100%

In millions of euros	December 31, 2014	December 31, 2013
Non-current assets	710.7	903.8
Current assets	307.2	311.6
of which Cash and cash equivalents	*184.0*	*173.5*
Total assets	**1,017.9**	**1,215.4**
Shareholders' equity, Group share	502.7	546.8
Non-controlling interests	13.1	50.1
Total shareholders' equity	**515.8**	**596.9**
Non-current liabilities	295.0	300.7
Current liabilities	207.1	317.8
Total shareholders' equity and liabilities	**1,017.9**	**1,215.4**

Summarized Income Statement at 100%

In millions of euros	December 31, 2014	December 31, 2013
Revenues	422.7	574.5
Current operating income	75.0	86.9
Net income - group share [(a)]	304.5	54.4
Net income - non-controlling interests	3.3	6.2
Net income	307.8	60.7
Other comprehensive income (OCI)	82.8	(9.8)
Comprehensive income	**390.6**	**51.0**

(a) of which the net disposal gain on Companhia de Electricidade de Macau (CEM) for an amount of €129.6 million.

Dividends at 100%

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

Furthermore, SFH paid an interim dividend of €388.8 million in 2014 due to the gain on the disposal of shares held in Companhia de Electricidade de Macau (CEM).

12.2 Investments in associates

	Carrying amount of investments in associates		Share in net income/ (loss) of associates	
In millions of euros	December 31, 2014	December 31, 2013 restated	December 31, 2014	December 31, 2013 restated
In Agbar group	295.4	289.6	24.7	26.3
In Acea group	225.9	-	14.1	-
In Degrémont group	126.0	122.6	24.9	2.4
In the company Brnenske Vodarny A Kanalizace	32.8	32.2	1.7	1.8
In Sita UK group	11.6	4.4	3.5	(0.5)
In Sita Belgium group	25.0	34.4	3.3	5.3
In United Water group	8.2	6.5	(0.2)	(0.1)
In Sita France group	3.7	2.5	(3.6)	(0.5)
Other	17.0	14.2	7.7	1.1
TOTAL	**745.6**	**506.4**	**76.1**	**35.8**

In millions of euros	December 31, 2014	December 31, 2013 restated
Net income	76.1	35.8
Other comprehensive income (OCI) [(a)]	(13.3)	27.0
Comprehensive income	**62.8**	**62.8**

(a) This change is mainly due to the consolidation of Acea by the equity method following the acquisition of additional shares in 2014. These were initially recognized in Available for sale securities in 2013 (See Note 2).

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

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

The book value of Acea in the statement of financial position as of December 31, 2014 is €225.9 million. Its market value is €237.7 million.

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

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

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

Summarized Statement of financial position at 100%

In millions of euros	September 30, 2014 [(a)]	December 31, 2013
Non-current assets	4,248.7	4,159.2
Current assets	2,395.6	2,265.1
of which Cash and cash equivalents	*527.4*	*563.1*
Total assets	**6,644.4**	**6,424.3**
Shareholders' equity, Group share	1,388.4	1,322.6
Non-controlling interests	72.8	84.2
Total shareholders' equity	**1,461.2**	**1,406.8**
Non-current liabilities	3,524.2	2,929.7
Current liabilities	1,658.9	2,087.8
Total shareholders' equity and liabilities	**6,644.4**	**6,424.3**

(a) The consolidated financial statements of Acea group at December 31, 2014 are not available at the date of publication of the Group's 2014 consolidated financial statements.
In compliance with IAS 28 " Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2014 corresponds to the latest available information.

Summarized Income Statement at 100% – of the first nine months

In millions of euros	September 30, 2014 [(a)]	September 30, 2013
Revenues	2,280.7	2,410.3
Gross operating profit	504.9	484.4
Operating profit /(loss)	274.5	269.0
Net income - group share	112.8	104.5
Net income - non-controlling interests	4.9	9.0
Net income	117.7	113.5
Other comprehensive income (OCI)	(14.0)	7.4
Comprehensive income	**103.7**	**120.9**

(a) The consolidated financial statements of Acea group at December 31, 2014 are not available at the date of publication of the Group's 2014 consolidated financial statements.
In compliance with IAS 28 " Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2014 corresponds to the latest available information.

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

Dividends (at 100%)

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

Note 13 Financial instruments

13.1 Financial assets

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

	December 31, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	163.7	-	163.7	365.5	-	365.5
Loans and receivables carried at amortized cost	722.7	3,909.8	4,632.5	681.2	3,973.3	4,654.5
Loans and receivables carried at amortized cost (excluding trade and other receivables)	722.7	119.7	842.4	681.2	354.7	1,035.9
Trade and other receivables	-	3,790.1	3,790.1	-	3,618.6	3,618.6
Financial assets measured at fair value	194.1	70.1	264.2	200.2	103.2	303.4
Derivative financial instruments	194.1	7.6	201.7	200.2	11.6	211.8
Financial assets measured at fair value through income	-	62.5	62.5	-	91.6	91.6
Cash and cash equivalents	-	2,248.8	2,248.8	-	2,391.4	2,391.4
TOTAL	**1,080.5**	**6,228.7**	**7,309.2**	**1,246.9**	**6,467.9**	**7,714.8**

13.1.1 Available-for-sale securities

In millions of euros		
AT DECEMBER 31, 2013 restated	365.5	
Acquisitions	15.4	
Net book value of disposals	(52.5)	(a)
Changes in fair value posted to equity as other comprehensive income	(4.7)	(b)
Changes in fair value posted to income statement	(18.2)	
Changes in scope, exchange rates and other	(141.8)	(c)
AT DECEMBER 31, 2014	**163.7**	

(a) Primarily from the sale of 14.5% of Aguas de Valencia shares (see Note 2.8).

(b) The change in fair value is shown excluding the impact of Acea (see scope effects).

(c) Primarily from the equity accounting of Acea amounting to -€145.5 million.

The value of available-for-sale securities held by the Group amounts to €163.7 million as of December 31, 2014, which is divided between €15.1 million for listed securities and €148.6 million for unlisted securities (versus €166.1 million and €199.4 million respectively in 2013 restated).

13.1.1.1 GAINS AND LOSSES POSTED TO EQUITY AND INCOME FROM AVAILABLE-FOR-SALE SECURITIES

Gains and losses posted to equity and income from available-for-sale securities are as follows:

In millions of euros	Dividends	Post acquisition remeasurement: Change in fair value	Impact of exchange rates	Impairment	Profit (loss) on disposals
Shareholders' equity [(a)]		(4.7)	-		
Net income	24.5	-		(18.2)	(2.2)
TOTAL AT DECEMBER 31, 2014	**24.5**	**(4.7)**	**-**	**(18.2)**	**(2.2)**
Shareholders' equity [(a)(b)]		60.2	-		
Net income	16.1	-		(1.5)	2.8
TOTAL AT DECEMBER 31, 2013 restated	**16.1**	**60.2**	**-**	**(1.5)**	**2.8**

(a) Excluding tax impact

(b) Change in fair value on Shareholders' equity at December 31, 2013 have been restated to present data excluding entities consolidated under equity method.

13.1.1.2 ANALYSIS OF AVAILABLE-FOR-SALE SECURITIES AS PART OF IMPAIRMENT TESTS

The Group examines the value of the various available-for-sale securities on a case-by-case basis and taking the market context into consideration, to determine whether it is necessary to recognize impairments.

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

The main listed securities items relate to shares in Electrica Puntilla in Agbar and Eyath in SUEZ ENVIRONNEMENT SAS.

At December 31, 2014, the fair-value adjustment of Eyath shares led to a remeasurement of -€5.2 million recorded in equity under "Other comprehensive income items".

13.1.2 Loans and receivables carried at amortized cost

In millions of euros	December 31, 2014: Non-current	Current	Total	December 31, 2013 restated: Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**722.7**	**119.7**	**842.4**	**681.2**	**354.7**	**1,035.9**
Loans granted to affiliated companies [(a)]	195.6	44.1	239.7	189.4	57.4	246.8
Other receivables at amortized cost	104.2	25.5	129.7	98.9	32.0	130.9
Concession receivables [(b)]	422.9	50.1	473.0	392.9	262.7	655.6
Finance lease receivables	-	-	-	-	2.6	2.6
Trade and other receivables	**-**	**3,790.1**	**3,790.1**	**-**	**3,618.6**	**3,618.6**
TOTAL	**722.7**	**3,909.8**	**4,632.5**	**681.2**	**3,973.3**	**4,654.5**

(a) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to €228.1 million as of December 31, 2014,versus €225.4 million as of December 31, 2013 restated.

(b) A discounted assignment transaction w as performed during the first half of 2014, w hich involved the deconsolidation of a concession receivable amounting to €211.7 million (see Note 13.3.4.2).

Depreciation and impairment on loans and receivables carried at amortized cost are shown below:

In millions of euros	December 31, 2014: Gross	Depreciation and impairment	Net	December 31, 2013 restated: Gross	Depreciation and impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	922.8	(80.4)	842.4	1,110.4	(74.5)	1,035.9
Trade and other receivables	4,076.5	(286.4)	3,790.1	3,845.6	(227.0)	3,618.6
TOTAL	**4,999.3**	**(366.8)**	**4,632.5**	**4,956.0**	**(301.5)**	**4,654.5**

Information on the maturity of receivables that are past due but not impaired and on the monitoring of counterparty risk on loans and receivables at amortized cost (including trade and other receivables) is presented in Note 14.2 "Counterparty risk".

Net income and expenses on loans and receivables carried at amortized cost and recognized in the income statement break down as follows (including trade receivables):

In millions of euros	Interests	Remeasurement post-acquisition: Translation adjustment	Remeasurement post-acquisition: Impairment
At December 31, 2013 restated	59.2	(1.7)	25.8
At December 31, 2014	**50.7**	**0.6**	**(51.5)**

TRADE AND OTHER RECEIVABLES

On initial recognition, trade receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

The net carrying amount posted to the statement of financial position represents a good measurement of fair value.

13.1.3 Financial assets measured at fair value

This item comprises derivative financial instruments as well as financial assets measured at fair value through income or loss excluding derivatives, and can be analyzed as follows:

	December 31, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	**194.1**	**7.6**	**201.7**	**200.2**	**11.6**	**211.8**
Debt-related derivatives (see Note 13.3.1)	180.6	6.5	187.1	162.7	9.1	171.8
Derivative hedging commodities (see Note 14.1.1.2)	-	0.5	0.5	-	0.1	0.1
Derivative hedging other items [(a)]	13.5	0.6	14.1	37.5	2.4	39.9
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	**-**	**62.5**	**62.5**	**-**	**91.6**	**91.6**
Financial assets measured at fair value through income (see Note 13.3.1)	-	62.5	62.5	-	91.6	91.6
TOTAL	**194.1**	**70.1**	**264.2**	**200.2**	**103.2**	**303.4**

(a) includes derivative financial instruments:

- for net investment hedging for €5.3 million at December 31, 2014, compared with €28.9 million at December 31, 2013, restated.

- for the interest rate futures portion of debt-related derivatives not designated as hedges for €6.9 million at December 31, 2014, compared with €6.3 million at December 31, 2013, restated.

Commodities derivatives, debt-related derivatives, and derivatives hedging other items are set up as part of the Group's risk management policy and are analyzed in Note 14.

Financial assets measured at fair value through income (excluding derivatives) are mainly UCITS and negociable medium-term notes (MTNs); which are included in the calculation of the Group's net debt (see Note 13.3).

Income recognized on all financial assets measured at fair value through income as of December 31, 2014 was €0.2 million.

13.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 14.

"Cash and cash equivalents" amounted to €2,248.8 million as of December 31, 2014 versus €2,391.4 million as of December 31, 2013 restated.

This item mainly includes term deposits of less than three months in the amount of €528.7 million, versus €815.9 million as of December 31, 2013 restated, and cash in the amount of €1,632.6 million versus €1,497.8 million as of December 31, 2013 restated.

In addition, restricted cash amounted to €30.8 million as of December 31, 2014.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2014 amounted to €33.9 million versus €37.1 million as of December 31, 2013 restated.

13.1.5 Pledged and mortgaged assets

In millions of euros	December 31, 2014	December 31, 2013 restated
Pledge and mortgaged assets	**120.8**	**128.5**

13.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as of December 31, 2014, as well as their breakdown as "non-current" and "current":

	December 31, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,721.6	1,926.7	9,648.3	7,041.0	2,784.0	9,825.0
Derivative financial instruments	65.6	42.3	107.9	46.2	8.1	54.3
Trade and other payables	-	2,871.2	2,871.2	-	2,724.1	2,724.1
Other financial liabilities	4.7	-	4.7	3.4	-	3.4
TOTAL	**7,791.9**	**4,840.2**	**12,632.1**	**7,090.6**	**5,516.2**	**12,606.8**

13.2.1 Borrowings and debt

	December 31, 2014			December 31, 2013 restated		
En millions d'euros	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	6,423.3	39.1	6,462.4	5,687.9	886.3	6,574.2
Commercial paper	-	854.0	854.0	-	679.0	679.0
Draw downs on credit facilities	190.9	81.2	272.1	164.9	101.4	266.3
Borrowings under finance leases	321.5	49.3	370.8	341.1	50.6	391.7
Other bank borrowings	607.2	111.0	718.2	699.6	176.8	876.4
Other borrowings	78.6	40.4	119.0	83.8	61.6	145.4
BORROWINGS (gross amounts)	**7,621.5**	**1,175.0**	**8,796.5**	**6,977.3**	**1,955.7**	**8,933.0**
Overdrafts and current cash accounts	-	647.1	647.1	-	697.3	697.3
OUTSTANDING FINANCIAL DEBT	**7,621.5**	**1,822.1**	**9,443.6**	**6,977.3**	**2,653.0**	**9,630.3**
Impact of measurement at amortized cost	(49.4)	104.6	55.2	(31.7)	126.2	94.5
Impact of fair value hedge	149.5	-	149.5	95.4	4.8	100.2
BORROWINGS AND DEBT	**7,721.6**	**1,926.7**	**9,648.3**	**7,041.0**	**2,784.0**	**9,825.0**

The fair value of borrowings and debt as of December 31, 2014 was €11,462.5 million for a net book value of €9,648.3 million (for details see Note 13.4.2).

Gains and losses on borrowings and debt recognized in the income statement mainly comprise interests and are detailed in Note 6, "Financial income". Borrowings are analyzed in Note 13.3 "Net debt".

13.2.2 Derivative financial instruments (including commodities)

Derivative instruments recorded as liabilities are measured at fair value and may be analyzed as follows:

	December 31, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	8.3	29.9	38.2	15.4	1.1	16.5
Derivatives hedging commodities	-	7.7	7.7	-	0.3	0.3
Derivatives hedging other items [(a)]	57.3	4.7	62.0	30.8	6.7	37.5
TOTAL	**65.6**	**42.3**	**107.9**	**46.2**	**8.1**	**54.3**

(a) mainly includes derivative financial instruments: :
- for net investment hedge for €22.6 million at December 31, 2014, compared with €0.5 million at December 31, 2013, restated.
- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for €32.5 million at December 31, 2014, compared with €28.1 million at December 31, 2013, restated.

These instruments are set up according to the Group's risk management policy and are analyzed in Note 14.

13.2.3 Trade and other payables

In millions of euros	December 31, 2014	December 31, 2013 restated
Trade payables	2,525.1	2,463.1
Payables on fixed assets	346.1	261.0
Total	**2,871.2**	**2,724.1**

The carrying amount recorded to the statement of financial position represents a good measurement of fair value.

13.2.4 Other financial liabilities

Other financial liabilities correspond entirely to payables on share acquisition.

13.3 Net debt

13.3.1 Analysis by type of debt

	December 31, 2014			December 31, 2013 restated		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,621.5	1,822.1	9,443.6	6,977.3	2,653.0	9,630.3
Impact of measurement at amortized cost [(a)]	(49.4)	104.6	55.2	(31.7)	126.2	94.5
Impact of fair value hedge [(b)]	149.5	-	149.5	95.4	4.8	100.2
Borrowings and debts	**7,721.6**	**1,926.7**	**9,648.3**	**7,041.0**	**2,784.0**	**9,825.0**
Debt-related derivatives under liabilities [(c)]	8.3	29.9	38.2	15.4	1.1	16.5
Gross debt	**7,729.9**	**1,956.6**	**9,686.5**	**7,056.4**	**2,785.1**	**9,841.5**
Assets related to financing [(d)]	(2.5)	-	(2.5)	(0.9)	-	(0.9)
Assets related to financing	**(2.5)**	**-**	**(2.5)**	**(0.9)**	**-**	**(0.9)**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(62.5)	(62.5)	-	(91.6)	(91.6)
Cash and cash equivalents	-	(2,248.8)	(2,248.8)	-	(2,391.4)	(2,391.4)
Debt-related derivatives under assets [(c)]	(180.6)	(6.5)	(187.1)	(162.7)	(9.1)	(171.8)
Net cash	**(180.6)**	**(2,317.8)**	**(2,498.4)**	**(162.7)**	**(2,492.1)**	**(2,654.8)**
Net debt	**7,546.8**	**(361.2)**	**7,185.6**	**6,892.8**	**293.0**	**7,185.8**
Outstanding borrowings	7,621.5	1,822.1	9,443.6	6,977.3	2,653.0	9,630.3
Assets related to financing [(d)]	(2.5)	-	(2.5)	(0.9)	-	(0.9)
Financial assets measured at fair value through income excluding financial derivative instruments	-	(62.5)	(62.5)	-	(91.6)	(91.6)
Cash and cash equivalents	-	(2,248.8)	(2,248.8)	-	(2,391.4)	(2,391.4)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**7,619.0**	**(489.2)**	**7,129.8**	**6,976.4**	**170.0**	**7,146.4**

(a) Includes accrued interest on gross debt as well as premiums and fees for setting up borrowings to be amortized.
(b) This item corresponds to the remeasurement of the interest rate component of debt in a designated fair value hedging relationship.
(c) It corresponds to the fair value of debt-related derivatives, regardless of whether or not they are designated as hedges.
(d) The financial assets related to financing are henceforth shown as a reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.

The decrease in the current portion of outstanding borrowings at December 31, 2014 is mainly due to the repayment in April 2014 of the remaining nominal amount of €770 million on the bond issued by SUEZ ENVIRONNEMENT COMPANY in April 2009.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and currency risk is presented in Note 14.

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

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

Pursuant to IAS 32, the conversion options relating to these OCEANE bonds have been recognized as shareholders’ equity instruments amounting to €35.2 million before tax.

13.3.2 Issue of Undated Deeply Subordinated Notes

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

As was the case for the 2010 issue, this new issue is not recognized in financial debt since it does not meet the definition of a financial liability under IAS 32 and is therefore recorded in equity.

13.3.3 Commercial paper issues

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up €1,500.0 million. At December 31, 2014, the outstanding notes totaled €854 million.

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

At December 31, 2014, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

13.3.4 Assigment of receivables

13.3.4.1 SECURITIZATION OF RECEIVABLES

Context

In 2012, SUEZ ENVIRONNEMENT implemented a program for the sales of trade receivables to a special purpose vehicle (SPV) called Fonds Commun de Créances.

This so-called "deconsolidation" program concerns assignors from Sita France, Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland.

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

The main characteristics of the program are as follows:

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

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

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

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

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

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

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

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

(f) set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At December 31, 2014, this security deposit had not yet been formed;

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

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

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

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

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

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

Accounting treatment

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

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

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 6).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated statement of financial position. Its remuneration is recorded in the income statement under financial income (see Note 6).

The remuneration of services provided by the Group for follow-up and recovery of receivables transferred is shown in the income statement under financial income (see Note 6).

The figures as of December 31, 2014 are presented below :

In millions of euros		
Total of receivables sold over the period	2,456.5	
Gain / (loss) arising from sale over the period	(31.6)	*(b)*
Remuneration for CC1	0.9	*(c)*
Remuneration of services for follow-up and recovery of receivables transferred over the period	11.3	*(d)*
Outstanding receivables transferred as of December 31, 2014	413.7	*(a)*
Book value of CC1 as of December 31, 2014	29.8	*(e)*
Fair value of CC1	29.8	
Book value of CC2	*	
Residual maturity of CC1	29 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**364.5**	***(a) + (b) + (c) + (d) - (e)***

* *no security deposit known as "CC2" had been made as of December 31, 2014; payment of this deposit is subject to the conditions described above.*

13.3.4.2 DISCOUNTED ASSIGNMENT OF RECEIVABLES

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

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

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

13.3.5 Change in net debt

Net debt at December 31, 2014 amounting to €7,185.6 million was stable compared with December 31, 2013 restated, with the main changes over the period being as follows:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €339.2 million (including the 3% tax on dividends distributed, for €9.9 million);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to €209.7 million;
- the compensation balance paid to acquire the 24.14% indirect interest held by La Caixa in Agbar which generated a debt increase of €300.6 million including costs;
- the exchange rate variations resulted in an increase of €219.1 million in net debt;
- a transaction involving the assignment of a financial concession receivable on the date when the infrastructure was commissioned, which enabled the simultaneous deconsolidation of the receivable and of the financial debt from the statement of financial position in an amount of €211.7 million;
- the increase in the balance of undated deeply subordinated notes at December 31, 2014 compared with January 1, 2014, which resulted in a €148.6 million decrease in financial debt, after taking into account the €32.5 million coupon paid over the period (refer to Note 2).
- the share issue for employees launched in April 2014 generated a decrease in net debt of €102.6 million;
- excess cash generated by the Group's activities generated a decrease in net debt of €657.3 million.

13.3.6 Debt/equity ratio

In millions of euros	December 31, 2014	December 31, 2013 restated
Net debt	7,185.6	7,185.8
Total equity	6,996.4	6,950.5
Debt/equity ratio	**102.7%**	**103.4%**

13.4 Fair value of financial instruments by level

13.4.1 Financial assets

Available-for-sale securities:

Listed securities are recognized in the consolidated statement of financial position at fair value for €15.1 million at December 31, 2014. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at €148.6 million at December 31, 2014 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As of December 31, 2014, the change in Level 3 available-for-sale securities breaks down as follows:

In millions fo euros	
AT DECEMBER 31, 2013 restated	**199.4**
Acquisitions	15.4
Disposals (book value of assets disposed)	(52.5)
Gains and losses posted to equity	0.7
Gains and losses posted to income	(18.2)
Changes in scope, exchange rates and other	3.8
AT DECEMBER 31, 2014	**148.6**

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a -€4.8 million decline in equity. The net value of other unlisted securities is not of a significant uniform amount that would have to be presented separately.

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

Loans and receivables carried at amortized cost (excluding trade and other receivables), amounting to €842.4 million at December 31, 2014, may contain elements that contribute to a fair value hedging relationship. At December 31, 2014, no hedge was put in place.

Derivative financial instruments:

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options and forward currency sales and purchases. It is recognized at its fair value at December 31, 2014 for €201.7 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

Financial assets measured at fair value through income:

Financial assets measured at fair value through income amounting to €62.5 million at December 31, 2014, determined based on observable data, are considered Level 2.

13.4.2 Financial liabilities

The fair value of financial liabilities and financial instruments posted to liabilities are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.5.10.3):

	December 31, 2014				December 31, 2013 restated			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	11,462.5	5,478.3	5,984.2		10,930.5	5,500.4	5,430.1	
Derivative financial instruments	107.9		107.9		54.3		54.3	
Debt-related derivatives	38.2		38.2		16.5		16.5	
Derivatives hedging commodities	7.7		7.7		0.3		0.3	
Derivatives hedging other items	62.0		62.0		37.5		37.5	
TOTAL	**11,570.4**	**5,478.3**	**6,092.1**	**-**	**10,984.8**	**5,500.4**	**5,484.4**	**-**

Bonds and borrowings:

Only listed bonds issued by SUEZ ENVIRONNEMENT COMPANY are presented in this table at Level 1. Other bonds are shown in this table at Level 2. All of these loans are measured in light of the interest rate risk (interest rate component); their fair value is determined on the basis of observable data.

Derivative financial instruments:

See Note 13.4.1 for details on fair value level.

13.5 Offsetting of derivative assets and liabilities

At December 31, 2014, as at December 31, 2013, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, SUEZ ENVIRONNEMENT has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These master netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

	December 31, 2014				December 31, 2013 restated			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
In millions of euros	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross amount [(a)]	201.2	(100.2)	0.5	(7.7)	211.7	(54.0)	0.1	(0.3)
AMOUNT AFTER OFFSETTING	**180.8**	**(79.8)**	**0.5**	**(7.7)**	**199.1**	**(41.4)**	**-**	**(0.2)**

(a) Gross amounts of recorded assets and liabilities

Note 14 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to market risks. The management of financial risks is explained in chapter 4 “Risk factors” of the Reference Document.

14.1 Market risks

14.1.1 Commodity market risks

14.1.1.1 HEDGING OPERATIONS

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

14.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

The fair value of derivative instruments linked to commodities at December 31, 2014 and 2013 is presented in the table below:

	December 31, 2014				December 31, 2013 restated			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	0.5	-	7.7	-	0.1	-	0.3	-
TOTAL	**0.5**	**-**	**7.7**	**-**	**0.1**	**-**	**0.3**	**-**

The fair value of cash flow hedging instruments by type of commodity breaks down as follows:

	December 31, 2014				December 31, 2013 restated			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
ELECTRICITY	**0.5**	**-**	**-**	**-**	**0.1**	**-**	**-**	**-**
Swaps	0.5	-	-	-	0.1	-	-	-
OIL	**-**	**-**	**7.7**	**-**	**-**	**-**	**0.3**	**-**
Swaps	-	-	7.7	-	-	-	0.3	-
TOTAL	**0.5**	**-**	**7.7**	**-**	**0.1**	**-**	**0.3**	**-**

14.1.2 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates when consolidating its foreign subsidiaries with a currency other than the euro (translation risk). Translation risk is mainly concentrated on equity holdings in the United States, United Kingdom, Chile and Australia. The Group’s hedging policy with regard to investments in non-eurozone currencies consists in contracting liabilities denominated in the same currency as the cash flows expected to derive from the hedged assets.

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

Exposure to currency risk is reviewed monthly and the asset hedging coverage ratio (corresponding to the ratio between the carrying amount of an asset denominated in a foreign currency outside the eurozone, and the debt assumed for that asset) is periodically reviewed in the light of market conditions and whenever assets are acquired or sold. Any significant change in the hedging ratio is subject to prior approval by the Treasury Committee.

In addition, the Group finances itself in euros and converts its financing into the reporting currency of its subsidiaries through foreign exchange derivatives.

Taking financial instruments into account, 53% of net debt was denominated in euro, 18% in US dollar, 6% in pound sterling, 14% in Chilean peso and 1% in Australian dollar at the end of 2014, compared to 62% in euro, 14% in US dollar, 5% in pound sterling, 14% in Chilean peso and 1% in Australian dollar at the end of 2013.

14.1.2.1 ANALYSIS OF FINANCIAL INSTRUMENTS BY CURRENCY

The breakdown by currency of outstanding borrowings and of financial net debt, before and after taking interest rate and currency hedges into account, is presented below:

Outstanding borrowings

	December 31, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	73%	61%	75%	68%
US$ zone	7%	13%	6%	11%
£ zone	4%	5%	4%	4%
CLP (Chilean peso)	11%	11%	11%	11%
AUD (Australian dollar)	2%	2%	2%	1%
Other currencies	3%	8%	2%	5%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	70%	53%	72%	62%
US$ zone	9%	18%	8%	14%
£ zone	5%	6%	5%	5%
CLP (Chilean peso)	14%	14%	14%	14%
AUD (Australian dollar)	1%	1%	1%	1%
Other currencies	1%	8%	0%	4%
TOTAL	**100%**	**100%**	**100%**	**100%**

14.1.2.2 ANALYSIS OF CURRENCY RISK SENSITIVITY

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

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

Impact on income after the impact of foreign exchange derivatives:

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional 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 +/-10% change in exchange rates would generate a loss or a gain of €3.6 million.

Impact on equity after taking into account foreign exchange derivatives:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform +/- 10% change in exchange rates would have a positive or negative impact on equity of €133.7 million. This impact is offset by a counter-effect on the net investment in the hedged currency.

14.1.3 Interest rate risk

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

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

The Group therefore uses hedging instruments (particularly interest swaps from fixed to floating and from floating to fixed), in order to define the distribution of financial debts between fixed and floating interest rates.

The Group's exposure to interest rate risk is managed centrally and regularly reviewed (generally on a monthly basis) during meetings of the Treasury Committee. Any significant change in the interest rate mix is subject to prior approval by Management.

The cost of debt is sensitive to changes in interest rates on all floating-rate debt. The cost of debt is also affected by changes in market value of derivative instruments not classified as hedges under IAS 39.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euro, US dollar, pound sterling, Chilean peso and Australian dollar, which represented 92% of net debt as of December 31, 2014.

In 2014, to protect the refinancing of a portion of its debt, the Group set up forward interest pre-rate hedges maturing in 9 years with deferred start dates in 2017 and 2018.

14.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE

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

The breakdown by type of rate of outstanding borrowings and net debt, before and after impact of hedging instruments, is shown in the following tables:

Outstanding borrowings

	December 31, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	26%	33%	24%	39%
Fixed rate	65%	58%	67%	52%
Fixed rate indexed to inflation	9%	9%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2014		December 31, 2013 restated	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	0%	10%	-3%	17%
Fixed rate	88%	78%	91%	71%
Fixed rate indexed to inflation	12%	12%	12%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**

14.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY

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

For **interest rate risk,** the sensitivity analysis is calculated based on the impact of a rate change of +/-1% compared with year-end interest rates.

Impact on income after taking into account interest rate derivatives :

See Note 1.5.10.3

A +/-1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives would have a negative or positive impact of €15.6 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a non-significant impact in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would also generate a non-significant impact.

Impact on equity after taking into account interest rate derivatives:

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €28.8 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of €33.9 million.

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

14.1.4 Currency and interest rate risk hedges

The fair values and notional amounts of the financial derivative instruments used to hedge currency and interest rate risks are as follows:

Foreign currency derivatives

	December 31, 2014		December 31, 2013 restated	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	-	213.0	2.1	197.5
Cash-flow hedges	(2.2)	77.4	(0.6)	109.9
Net investment hedges	(17.3)	1,237.8	28.3	1,109.5
Derivative instruments not qualifying for hedge accounting	(23.3)	1,227.5	8.4	721.2
Total	**(42.8)**	**2,755.7**	**38.2**	**2,138.1**

Interest rate derivatives

	December 31, 2014		December 31, 2013 restated	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	176.6	1,050.0	149.4	1,820.5
Cash-flow hedges	(33.1)	537.4	(29.2)	338.2
Derivative instruments not qualifying for hedge accounting	0.3	127.0	(0.1)	348.2
TOTAL	**143.8**	**1,714.4**	**120.1**	**2,506.9**

The market values shown in the table above are positive for an asset and negative for a liability.

The Group defines foreign currency derivatives hedging by firm foreign currency commitments, and instruments transforming fixed-rate debt into floating-rate debt, as fair value hedges.

Cash-flow hedges correspond mainly to hedges of future operating cash flows in foreign currency and the hedging of floating-rate debt.

Net investment hedging instruments are mainly foreign exchange swaps.

Interest rate derivatives not designated as hedges consist of structured instruments, which because of their type and because they do not meet the effectiveness criteria defined in IAS 39, cannot be qualified as hedges for accounting purposes.

Foreign currency derivatives not designated as hedges provide financial cover for foreign currency commitments. Furthermore, the effect of foreign currency derivatives is almost entirely offset by translation adjustments on the hedged items.

Fair-value hedges:

As of December 31, 2014, the net impact of fair value hedges recognized in the income statement was -€2.6 million.

Cash flow hedges:

The breakdown by maturity of the market value of the foreign currency and interest rate derivatives designated as cash flow hedges is as follows:

At December 31, 2014

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond 5 years
Fair value of derivatives by maturity date	**(35.3)**	(12.0)	(7.9)	(6.0)	(4.4)	(3.3)	(1.7)

At December 31, 2013 restated

In millions of euros	Total	2014	2015	2016	2017	2018	Beyond 5 years
Fair value of derivatives by maturity date	**(29.8)**	(10.4)	(6.4)	(4.1)	(2.4)	(3.5)	(3.1)

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2014 amounted to -€8.5 million (including impacts on associates).

The ineffective portion of cash-flow hedges recognized in income is nil.

Net investment hedges

The ineffective portion of net investment hedges recognized in income amounted to -€0.4 million.

14.2 Counterparty risk

Through its operational and financial activities, the Group is exposed to the risk of default on the part of its counterparties (customers, suppliers, associates, intermediaries, banks) in the event that they find it impossible to meet their contractual obligations. This risk arises from a combination of payment risk (non-payment of goods or services rendered), delivery risk (non-delivery of goods or services already paid), and replacement risk on defaulting contracts (called mark-to-market exposure and corresponding to the risk that replacement terms will be different from the initially agreed terms).

14.2.1 Operating activities

Trade and other receivables

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

Trade and other receivables	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2014	157.4	10.9	46.4	214.7	318.6	3,543.2	**4,076.5**
At December 31, 2013 restated	202.5	22.0	69.1	293.6	352.8	3,199.2	**3,845.6**

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

The ageing of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group companies do business (private companies, individuals or public authorities). The Group decides whether to recognize impairment on a case-by-case basis according to the characteristics of the various types of customers. The Group does not consider that it is exposed to any material credit concentration risk in respect of receivables, taking into account the diversified nature of its portfolio.

Other assets

In "Other assets", the proportion of depreciated assets is not material in relation to the total amount of the item. Moreover, the Group does not consider that it is exposed to any counterparty risk on those assets.

14.2.2 Financial activities

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the carrying amount of financial assets excluding available-for-sale securities and the fair value of derivatives on the assets side of the statement of financial position (i.e. €7,145.5 million at December 31, 2014, and €7,349.3 million at December 31, 2013 restated).

14.2.2.1 COUNTERPARTY RISK ARISING FROM LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE AND OTHER RECEIVABLES)

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

Lons and receivables carried at amortized cost (excluding trade and other receivables)	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2014	-	-	0.3	0.3	106.3	815.8	**922.4**
At December 31, 2013 restated	2.6	1.6	7.7	11.9	114.7	983.6	**1,110.2**

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€80.4 million as of December 31, 2014 and €74.5 million as of December 31, 2013 restated) or amortized cost (€0.4 million as of December 31, 2014 and €0.2 million as of December 31, 2013 restated). The change in these items is presented in Note 13.1.2, "Loans and receivables at amortized cost".

14.2.2.2 COUNTERPARTY RISK ARISING FROM INVESTMENT ACTIVITIES

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

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

At December 31, 2014, "cash and cash equivalents" and derivatives assets were the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

	December 31, 2014				December 31, 2013 restated			
Counterparty risk arising from investing activities	**Total**	**Investment Grade** [(a)]	**Unrated** [(b)]	**Non Investment Grade** [(b)]	**Total**	**Investment Grade** [(a)]	**Unrated** [(b)]	**Non Investment Grade** [(b)]
% of exposure	2,450.5	92%	2%	6%	2,603.2	94%	2%	4%

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

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

14.3 Liquidity risk

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

14.3.1 Available cash

The Group's financing policy is based on the following principles:

- diversification of financing sources between the banking and capital markets;
- balanced repayment profile of borrowings.

As of December 31, 2014, the Group's total net cash stood at €2,498.4 million, consisting of cash and cash equivalents of €2,248.8 million, financial assets at fair value through income of €62.5 million, and debt-related derivatives recorded as assets of €187.1 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2014, the Group specifically had €2,641.0 million in confirmed credit facilities, including €272.1 million already drawn; unused credit facilities therefore totaled €2,368.9 million, €181.9 million of which will be maturing in 2015.

66% of total credit lines and 74% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

In addition, on January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for €1,500.0 million. At December 31, 2014, the outstanding notes totaled €854.0 million

As of December 31, 2014, bank funding accounted for 11.3% of the outstanding borrowings (excluding bank overdrafts and liability current accounts as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 73.5% and commercial paper for 9.7%) represented 83.2% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

At December 31, 2014, available cash, composed of cash and cash equivalents (€2,248.8 million) and financial assets measured at fair value through income (€62.5 million), net of bank overdrafts and liability current accounts (€647.1 million), amounted to €1,664.2 million versus €1,785.7 million at December 31, 2013.

The Group anticipates that its financing needs for the major planned investments will be covered by its net cash, the sale of mutual fund shares held for trading purposes, its future cash flows resulting from operating activities, and the potential use of available credit facilities.

14.3.2 Undiscounted contractual payments

In order to best reflect the current economic circumstances of operations, cash flows related to derivatives recognized as liabilities or assets shown below correspond to net positions. Moreover, the values shown in the table below are positive for a liability and negative for an asset.

At December 31, 2014, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

At December 31, 2014

In millions of euros	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**Beyond 5 years**
Bonds issues	6,462.4	39.1	82.9	462.6	195.5	865.7	4,816.6
Commercial paper	854.0	854.0					
Draw downs on credit facilities	272.1	81.2	72.3	12.9		64.4	41.3
Borrowings under finance leases	370.8	49.3	68.0	46.6	75.2	35.0	96.7
Other bank borrowings	718.2	111.0	111.4	142.6	189.8	70.0	93.4
Other borrowings	119.0	40.4	10.2	10.5	8.5	7.6	41.8
Overdrafts and current accounts	647.1	647.1					
Outstanding borrowings	**9,443.6**	**1,822.1**	**344.8**	**675.2**	**469.0**	**1,042.7**	**5,089.8**
Financial assets relating to financing	(2.5)						(2.5)
Financial assets measured at fair value through income	(62.5)	(62.5)	-	-	-	-	-
Cash and cash equivalents	(2,248.8)	(2,248.8)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,129.8**	**(489.2)**	**344.8**	**675.2**	**469.0**	**1,042.7**	**5,087.3**

At December 31, 2013 restated

In millions of euros	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**Beyond 5 years**
Outstanding borrowings	**9,630.3**	**2,653.0**	**284.2**	**317.5**	**672.3**	**479.2**	**5,224.1**
Financial assets relating to financing, Financial assets measured at fair value through income and Cash and cash equivalents	(2,483.9)	(2,483.0)	-	-	-	-	(0.9)
Net debt excluding amortized cost and impact of derivative financial instruments	**7,146.4**	**170.0**	**284.2**	**317.5**	**672.3**	**479.2**	**5,223.2**

As of December 31, 2014, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2014

In millions of euros	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**Beyond 5 years**
Undiscounted contractual interest payments on outstanding borrowings	**3,225.4**	341.8	350.5	336.4	300.9	282.4	1,613.4

At December 31, 2013 restated

In millions of euros	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**Beyond 5 years**
Undiscounted contractual interest payments on outstanding borrowings	**3,140.8**	372.3	328.7	317.6	305.8	270.4	1,546.0

At December 31, 2014 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

At December 31, 2014

In millions of euros	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**Beyond 5 years**
Derivatives (excluding commodities)	**(95.7)**	29.2	(18.8)	(24.1)	(23.1)	(25.0)	(33.9)

At December 31, 2013 restated

In millions of euros	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**Beyond 5 years**
Derivatives (excluding commodities)	**(156.8)**	(76.1)	(20.1)	(17.4)	(11.9)	(6.7)	(24.6)

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

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond 5 years
At December 31, 2014	**2,368.9**	181.9	264.2	160.4	-	1,756.0	6.4

In millions of euros	Total	2014	2015	2016	2017	2018	Beyond 5 years
At December 31, 2013 restated	**2,673.1**	631.3	99.4	1,901.2	-	-	41.2

Confirmed but unused lines of credit include a €1.5 billion multi-currency club deal (maturing in 2019) renegotiated in February 2014.

As of December 31, 2014, no counterparty represented more than 9% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2014, available-for-sale securities held by the Group amounted to €163.7 million (see Note 13.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around €1.5 million on Group shareholders' equity.

The Group's portfolio of listed and unlisted equity investments is managed in accordance with a specific investment policy. Reports on the equity portfolio are submitted to Executive Management on a regular basis.

Note 15 Shareholders' equity

15.1 Share capital

	Number of shares			Value (in millions of euros)		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 2012	**510,233,829**	**1,143,389**	**509,090,440**	**2,040.9**	**4,147.2**	**10.0**
Allocation of 2012 net income					(8.9)	
Purchase and disposal of treasury shares		185,039	(185,039)			3.6
At December 31, 2013	**510,233,829**	**1,328,428**	**508,905,401**	**2,040.9**	**4,138.3**	**13.6**
Purchase and disposal of treasury shares		2,121,906	(2,121,906)			23.4
Capital increase reserved for employees (Sharing 2014)	8,943,094		8,943,094	35.8	66.8	
Capital decrease by cancellation of shares (Sharing)	(943,094)	(943,094)		(3.8)	(6.5)	
Allocation to the legal reserve (Sharing)					(3.2)	
Capital increase as remuneration for the contribution of Agbar shares by La Caixa	22,000,000		22,000,000	88.0	230.8	
Allocation to the legal reserve (La Caixa contribution)					(8.8)	
At December 31, 2014	**540,233,829**	**2,507,240**	**537,726,589**	**2,160.9**	**4,417.4**	**37.0**

Changes in the number of shares during 2014 are mainly due to :

- the capital increase reserved for employees within a global employee shareholding plan named "SHARING". A total of 8,943,094 shares were issued during the year, bringing the amount of the capital increase realised on July 24, 2014 to €102.6 million (after allocation of the Issuance fees of €2.2 million). In addition, the Board of Directors decided to withdraw €3.2 million from issue premiums in order to adjust the legal reserve to 10% of the new capital ;
- the cancellation of 943,094 treasury shares decided by the Board of Directors on July 29, 2014 ;
- the capital increase decided by the Board of Directors on September 17, 2014 resulting in the issuance of 22,000,000 new fully paid shares valued at €318.8 million for the benefit of La Caixa (after allocation of the issuance fees of €2 million), in consideration for the contribution of Hisusa (Agbar) shares held by La Caixa. In addition, the Board of Directors decided to withdraw €8.8 million of issue premiums in order to adjust the legal reserve to 10% of the new capital.

15.2 Treasury shares

A tacitly renewable €40 million liquidity contract is managed by Rothschild & Cie Banque. The aim of this contract is to reduce the volatility of the SUEZ ENVIRONNEMENT COMPANY's share price. This contract complies with the professional ethics charter drawn up by the *Association Française des Marchés Financiers* (French Financial Markets Association) and approved by the AMF.

There were 2,507,240 treasury shares (of which 100,000 held under the liquidity contract and 2,407,240 held for the bonus share allocation plans) as of December 31, 2014, compared to 1,328,428 shares (wholly held for the bonus share allocation plans) as of December 31, 2013.

15.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (€4,113 million as of December 31, 2014), incorporate the SUEZ ENVIRONNEMENT COMPANY legal reserve. In accordance with French law, SUEZ ENVIRONNEMENT COMPANY's legal reserve represents 10% of the share capital. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

15.4 Dividend distribution

As it did for fiscal years 2012 and 2013, the Board will propose a dividend, in this case €0.65 per share for a total of €349.5 million in cash based on the number of outstanding shares as of December 31, 2014, to the SUEZ ENVIRONNEMENT COMPANY's Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2014.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2015. This dividend is not recognized under liabilities in the financial statements at December 31, 2014 as these financial statements are presented before net income allocation.

15.5 Total gains and losses recognized in equity (Group share)

In millions of euros	Dec. 31, 2014	Change [(a)]	Dec. 31, 2013 restated	Change	January 1st, 2013 restated
Available-for-sale securities	(0.3)	(68.4)	68.1	60.2	7.9
Net investment hedges	(63.3)	(75.9)	12.6	86.0	(73.4)
Cash-flow hedges (excluding commodities)	(32.5)	(9.2)	(23.3)	17.0	(40.3)
Commodity cash-flow hedges	(7.2)	(6.9)	(0.3)	(2.6)	2.3
Deferred tax on available-for-sale securities and hedges	12.4	2.1	10.3	(29.2)	39.5
Share of associates on reclassifiable items, net of tax	189.9	96.6	93.3	48.4	44.9
Share of joint ventures on reclassifiable items, net of tax	3.4	(12.9)	16.3	27.0	(10.7)
Translation adjustments	49.9	155.6	(105.7)	(168.4)	62.7
TOTAL reclassifiable items	**152.3**	**81.0**	**71.3**	**38.4**	**32.9**
Actuarial gains and losses	(367.1)	(175.9)	(191.2)	84.5	(275.7)
Deferred tax on actuarial gains and losses	98.6	42.2	56.4	(31.2)	87.6
Share of joint ventures on non reclassifiable items, net of tax	(0.5)	6.3	(6.8)	0.9	(7.7)
Share of associates on non reclassifiable items, net of tax	(0.4)	(0.4)			
TOTAL non reclassifiable items	**(269.4)**	**(127.8)**	**(141.6)**	**54.2**	**(195.8)**
TOTAL	**(117.1)**	**(46.8)**	**(70.3)**	**92.6**	**(162.9)**

[(a)] Changes in 2014 include the impact of Agbar other comprehensive income reclassification previously recognized in non controlling intrerests, following the acquisition of Hisusa shares formerly held by La Caixa.

All the items in the table above are reclassifiable to profit or loss in future periods, with the exception of actuarial gains and losses and related deferred taxes, which are reported in consolidated reserves Group share.

15.6 Undated deeply subordinated notes

In September 2010, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes (known as hybrids) in the amount of €750 million (before issuance costs). These notes are subordinated to any senior creditor and bear an initial fixed coupon of 4.82% for the first five years.

In June 2014, SUEZ ENVIRONNEMENT COMPANY simultaneously launched :

- a partial redemption of hybrids issued in 2010 for €300 million with a redemption premium of €12.4 million,for a total of €312.4 million;
- an issue of undated deeply subordinated notes of €500 million with an initial fixed coupon of 3%.

In accordance with IAS 32 and taking into account its characteristics (no obligation to repay, no obligation to pay a coupon[(1)] unless a dividend is paid out to shareholders), this instrument is recognized in equity.

The total value of undated deeply subordinated notes (excluding issuance costs and redemption premium) recorded in the consolidated net equity amounts to €950 million at December 31, 2014.

[(1)] If there is no dividend distribution, the annual coupon remains due and will be paid on the next dividend payout. As the Shareholders' Meeting has not yet approved income allocation for 2014 no interest has been deducted from equity.

15.7 Equity component of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE")

During the month of February 2014, SUEZ ENVIRONNEMENT issued bonds including an option to convert and/or exchange the bonds for new or existing shares ("OCEANE"). Pursuant to IAS 32, the conversion options relating to these OCEANE bonds have been recognized as shareholders' equity instruments amounting to €35.2 million without tax impact as deferred tax related to 2014 have been capped (see Note 7.3.2).

15.8 Equity management

SUEZ ENVIRONNEMENT COMPANY strives to optimize its financial structure on a continuous basis by achieving an optimal balance between net debt and equity as shown in the consolidated statement of financial position. The main aim of the Group in terms of managing its financial structure is to maximize value for shareholders, reduce the cost of capital, and maintain a strong rating while ensuring the desired financial flexibility in order to seize external growth opportunities which will create value. The Group manages its financial structure and makes adjustments in light of changes in economic conditions.

The management aims, policies and procedures have remained identical for several fiscal years.

Note 16 Non-controlling interests

SUEZ ENVIRONNEMENT fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 99.5% at December 31, 2014.

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

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

Aguas Andinas is therefore fully consolidated within the SUEZ ENVIRONNEMENT Group with a percentage of interest of 28.2%.

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

Summarized financial information on the Aguas Andinas (at 100%) appears below in accordance with IFRS 12.

They are extracted from the data published by the company.

Summarized Statement of financial position at 100%

In millions of euros	**September 30, 2014** (a)	**December 31, 2013**
Non-current assets	1,926.4	2,001.0
Current assets	130.8	184.2
of which Cash and cash equivalents	*15.0*	*53.5*
Total assets	**2,057.2**	**2,185.1**
Shareholders' equity, Group share	812.2	853.9
Non-controlling interests	75.5	84.7
Total shareholders' equity	**887.7**	**938.6**
Non-current liabilities	1,010.1	941.6
Current liabilities	159.5	305.0
Total shareholders' equity and liabilities	**2,057.2**	**2,185.1**
Closing exchange rate CLP / EUR	755.1	722.0

(a) The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's annual consolidated financial statements were published.
The summarized statement of financial position at September 30, 2014 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

In millions of euros	September 30, 2014 [(a)]	30 September 2013
Revenues	417.8	453.1
Operating profit /(loss)	189.1	196.4
Net income - group share	107.1	126.6
Net income - non-controlling interests	3.5	3.2
Net income	110.6	129.8
Other comprehensive income (OCI)	-	-
Comprehensive income	**110.6**	**129.8**
Average exchange rate CLP / EUR	760.0	642.7

(a) The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's annual consolidated financial statements were published.
The summarized income statement at September 30, 2014 is extracted from the most recent published data (not audited).

Dividends (100%)

In millions of euros	Dividends related to 2013	Dividends related to 2012
Dividends paid by Aguas Andinas	153.5	188.7

The contribution of the Agbar group to "non-controlling interests" reaches €1,100.8 million out of a total of €1,518.5 million at December 31, 2014, versus €1,597.0 million out of a total of €1,998.9 million at December 31, 2013.

The contribution of €1,100.8 million at December 31, 2014 is primarily the result of the 71.8% non-controlling interest in Aguas Andinas in Chile.

The contribution of €1,597.0 million at December 31, 2013 was primarily the result of:

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

The non-controlling interests in Agbar were reduced from 24,6 % to 0,5 % following the acquisition by the Group of the 24,1 % held by La Caixa in September 2014 (see Note 2.8).

Note 17 Provisions

As of December 31, 2014:

In millions of euros	December 31, 2013 restated	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	December 31, 2014
Post-employment benefit obligations and other long-term benefits	576.5	53.8	(80.8)	-	0.8	20.9	21.8	181.3	774.3
Sector-related risks	113.4	16.8	(5.2)	-	7.6	-	0.3	(19.3)	113.6
Warranties	24.8	7.0	(8.5)	-	0.5	-	0.5	0.6	24.9
Tax risks, other disputes and claims	143.7	38.9	(15.6)	(1.6)	-	-	0.8	6.0	172.2
Site restoration	552.4	27.5	(52.4)	-	(2.1)	21.2	10.0	-	556.6
Restructuring costs	48.7	14.1	(38.4)	-	-	-	0.3	0.7	25.4
Other contingencies	309.6	94.7	(81.8)	(0.4)	0.1	6.7	8.8	(10.0)	327.7 [(b)]
TOTAL PROVISIONS	**1,769.1**	**252.8**	**(282.7)**	**(2.0)**	**6.9**	**48.8**	**42.5**	**159.3**	**1,994.7**

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

(b) *Provisions for "other contingencies" include a provision for onerous contracts for €114.1 million in 2014 versus €115.3 million in 2013, following the acquisition of WSN by Sita Australia.*

As of December 31, 2014, the variation of total provisions mainly derives from:

- the decrease in provisions for restructuring costs of -€23.6 million excluding exchange rate impact ;
- the increase in provisions for post-employment and other long-term benefits of +€155.1 million excluding exchange rate impacts and unwinding discount adjustments. This variation takes into account +€181.0 million of actuarial losses posted in the column "Other" of the above table ;
- the translation adjustments of +€42.5 million, which are primarily generated by the American, Australian and British subsidiaries;
- the +€48.8 million impact of unwinding discount adjustments mainly related to provisions for site restoration and to provisions for post-employment benefit obligations and other long-term benefits.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for 2014:

In millions of euros	(Reversals) / net allowances
Income from operating activities	(40.2)
Other financial income and expenses	48.8
Income tax expense	8.3
TOTAL	**16.9**

The analysis by type of provisions and the principles used to calculate them are explained below.

17.1 Post-employment benefits and other long-term benefits

See Note 18.

17.2 Sector-related risks

This item primarily includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

17.3 Tax risks, other disputes and claims

This item includes provisions for ongoing disputes involving employees or social security agencies (social security contribution relief, etc.), disputes arising in the ordinary course of business (customer claims, accounts payable disputes), tax adjustments and tax disputes.

17.4 Site restoration

The June 1998 European Directive on waste management introduced a number of obligations regarding the closure and long-term monitoring of landfills. These obligations lay down the rules and conditions incumbent upon the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage and collection and treatment of liquid (leachates) and gas (biogas) effluents. It also requires provisions for these facilities to be inspected over a 30-year period after closure.

These two types of provisions (rehabilitation and long-term monitoring) are calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are recorded over the period that the site is in operation, pro rata to the depletion of landfill capacity (void-space) (matching of income and expenses). Costs to be incurred at the time of a site's closure or during the long-term monitoring period (30 years after a site is shut down within the European Union) are discounted to present value. An asset is recorded as a counterparty against the provision. It is depreciated in line with the depletion of the landfill capacity or the need for capping, during the period.

The rehabilitation provision calculations (at the time the facility is shut down) depend on whether the capping used is: semi-permeable, semi-permeable with drainage, or impermeable. That choice has a considerable impact on future levels of leachate effluents and therefore on future costs of treating such effluents. Calculating the provision requires an evaluation of the cost of rehabilitating the area to be covered. The provision recorded in the statement of financial position at year-end must cover the costs of rehabilitating the untreated surface area (difference between the fill rate and the percentage of the site's area that has already been rehabilitated). The amount of the provision is reviewed each year based on work completed or still to be carried out.

The calculation of the provision for long-term monitoring depends on the costs linked to the production of leachate and biogas effluents on the one hand, and on the amount of biogas recycled on the other. Biogas recycling represents a source of revenue and is deducted from long-term monitoring expenses. The main expense items arising from long-term monitoring obligations relate to:

- construction of infrastructure (biogas recycling facility, installation of leachate treatment facility) and the demolition of installations used while the site was in operation;
- upkeep and maintenance of the protective capping and of the infrastructure (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells (piezometer wells);
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations that should be recorded in the statement of financial position at year-end depends on the fill rate of the facility at the end of the period, the estimated aggregate costs per year and per unit (based on standard or specific costs), the estimated closure date of the site and the discount rate applied to each site (depending on its residual life).

17.5 Other contingencies

"Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related litigations and for various business risks.

Note 18 Post-employment benefit obligations and other long-term benefits

18.1 Description of the main pension plans and related benefits

Most Group companies grant their employees post-employment benefits (pension plans, retirement bonuses, medical coverage, benefits in kind, etc.) as well as other long-term benefits, such as jubilee and other long-service awards.

18.1.1 Main pension plans

In France, employees have defined-contribution retirement plans, such as the basic social security benefits, and supplementary pension schemes. Some employees also have optional retirement plans, some of which are defined-benefit plans through which the employer agrees to pay its employees, or a category of its employees, retirement benefits based on a contractually agreed amount. Thus, the so-called “1991” and “1998” defined-benefit plans at SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT SAS, Lyonnaise des Eaux France and Eau et Force apply to those companies’ senior executives. At December 31, 2014, the Projected Benefit Obligation (PBO) for this senior executives’ plan was €67.2 million, versus €46.4 million at December 31, 2013 (restated accounts). The average duration of the actuarial liability for the senior executives’ plans is 16 years. It should be noted that these plans are partially funded (31% of gross debt at December 31, 2014).

All employees also receive a retirement termination benefit in the form of a lump-sum payment on the date of the employee’s effective departure. Such indemnities correspond to defined-benefit plans.

Outside France, the main retirement plans and related benefits involve the companies in the US and the UK.

In the United States, there are two defined benefit plans: the United Water Resources Inc. Retirement Plan, closed to new employees since January 2010, and the United Water Environmental Services Pension Plan for employees of the unregulated business sector. The latter was closed to non-unionized employees in December 2010. In addition, key executives have a specific retirement plan (SERP). At December 31, 2014, the PBO for the United Water defined-benefit pension plans was €361.4 million, versus €269.1 million at December 31, 2013 (restated accounts). This increase mainly results from the adoption in 2014 of the mortality table "RP2014" and from the decrease of the discount rates. The average duration of the actuarial liability for the United Water plans is 14 years. It should be noted that these plans are funded up to 64% at December 31, 2014.

In addition, all US subsidiaries offer a 401(k)-type defined-contribution plan to their employees.

In the United Kingdom, Sita UK has several defined-benefit retirement plans, most of which are closed to new hires, except for the Sita Final Salary Pension Scheme. Sita UK, as part of its expansion, has acquired various entities throughout the United Kingdom. These entities were most often public companies prior to their acquisition, so their staff was affiliated with the Local Government Pension Schemes (LGPS), which Sita UK must maintain. At December 31, 2014, the PBO for the Sita UK retirement plans was €129.2 million, versus €106.6 million at December 31, 2013 (restated accounts). The average duration of the actuarial liability for the Sita UK plans is 19 years. It should be noted that these plans are funded up to 91% at December 31, 2014.

Employees hired after the closing date of these plans are covered by a defined-contribution plan, the Sita Stakeholder pension plan.

As mentioned above, defined-benefit plans may be fully or partially funded by contributions to a pension fund (as it is the case in the US and the UK) or to a dedicated fund managed by an insurance company (France). These funds are fed by contributions made by the Company and, in certain cases, by the employees.

18.1.2 Multi-employer pension plans

Employees of some Group companies are affiliated to multi-employer pension plans. This is especially the case in the Netherlands, where most of the Group’s entities are in business activities that make it mandatory to join an industry-wide scheme. These plans spread risk so that financing is assured through payroll-based contributions, calculated uniformly across all affiliated companies. In the

Netherlands, multi-employer plans are defined benefit plans. However, the Group recognizes them as defined contribution plans in accordance with IAS 19.

Total contributions of €1.4 million are expected in 2015.

18.1.3 Other post-employment benefit obligations and long-term benefits

In addition to the supplementary pension schemes mentioned above, most Group companies grant their employees long-service awards – benefits corresponding to bonuses paid to employees while they are active, once they have met certain length of service conditions. Moreover, several Group companies agree to cover a portion of expenses incurred by their employees and/or retirees on the occurrence of specific events (illness, etc.), and in addition to amounts paid under defined contribution plans.

These obligations correspond to defined benefit plans. They are presented in the tables below, in “Other post-employment benefits” and “Other long-term benefits”.

18.2 Defined benefit plans

18.2.1 Amounts presented in the statement of financial position and the statement of comprehensive income

In accordance with IAS 19, the information presented in the statement of financial position for post-employment and other long-term benefits corresponds to the difference between the present benefit obligation (gross liability) and the fair value of the plan assets. If this difference is positive, a provision is posted (net liability). If the difference is negative, a net asset is posted provided it satisfies the conditions for recognizing a net asset.

Changes in provisions and assets for pensions and related obligations recognized in the statement of financial position can be broken down as follows:

In millions of euros	**Asset**	**Liability**	**Total**
BALANCE AT DECEMBER 31, 2012	**1.3**	**(672.9)**	**(671.6)**
First-time application of IFRS 10, 11, 12 and IAS 28 revised standards	-	13.8	13.8
BALANCE RESTATED AT JANUARY 1, 2013	**1.3**	**(659.1)**	**(657.8)**
Translation gains and losses	0.3	5.7	6.0
Actuarial gains and losses [(a)]	1.7	83.5	85.2
Changes in scope of consolidation and other	(1.0)	(0.6)	(1.6)
Expense of the period [(b)]	(1.8)	(54.6)	(56.4)
Contributions	3.6	48.5	52.1
BALANCE RESTATED AT DECEMBER 31, 2013	**4.1**	**(576.5)**	**(572.4)**
Translation gains and losses	0.2	(21.8)	(21.6)
Actuarial gains and losses [(a)]	1.2	(181.0)	(179.8)
Changes in scope of consolidation and other	(0.6)	0.8	0.2
Expense of the period [(b)]	(1.2)	(49.5)	(50.7)
Contributions	2.3	53.7	56.0
BALANCE AT DECEMBER 31, 2014	**6.0**	**(774.3)**	**(768.3)**

(a) Actuarial gains and losses on employee benefits.
(b) Including actuarial gains and losses on long-term benefits (particularly long-service awards).

Plan assets and reimbursement rights are presented in the statement of financial position under “Other assets”, current and non-current.

The expense for the year amounted to €50.7 million in 2014, against €56.4 million in 2013 (restated accounts). The components of annual expenses for defined-benefit plans are explained in section 18.2.3.

Accumulated actuarial gains and losses recognized in equity amounted -€369.2 million at December 31, 2014, against -€196.1 million at December 31, 2013 (restated accounts). They are shown below, excluding translation gains and losses which are presented separately in the statement of comprehensive income.

In millions of euros	**Dec. 31, 2014**	**Dec. 31, 2013 restated**
OPENING BALANCE	**(196.1)**	**(285.4)**
First-time application of IFRS 10, 11, 12 and IAS 28 revised standards		0.9
Actuarial gains and (losses) generated during the year [(a)]	(179.8)	85.2
Equity-accounted companies and other	6.7	3.2
CLOSING BALANCE	**(369.2)**	**(196.1)**

(a) on employee benefits.

The closing balance of actuarial gains and losses presented above includes actuarial gains and losses recognized in equity-accounted affiliates. In 2014, CEM consolidation method was modified by application of IFRS 10 and 11 (from proportional integration to equity-accounting). During 2014, CEM was sold and thus, the stock of actuarial losses was reclassified to reserves for €9.5 million (before deferred tax effect).

18.2.2 Change in the amount of obligations and plan assets

The table below shows the amount of present benefit obligations and plan assets of the SUEZ ENVIRONNEMENT Group, the changes to these over the periods concerned, as well as a reconciliation with the amounts recognized in the statement of financial position.

In millions of euros		December 31, 2014 Pension benefit obligations (a)	Other post-employment benefits (b)	Other long term benefits (c)	Total	December 31, 2013 restated Pension benefit obligations (a)	Other post-employment benefits (b)	Other long term benefits (c)	Total
Change in projected benefit obligation									
Projected benefit obligation at the beginning of the period		**(826.8)**	**(224.9)**	**(21.1)**	**(1,072.8)**	**(888.9)**	**(238.2)**	**(22.6)**	**(1,149.7)**
First-time application of consolidation standards						20.8	-	-	20.8
Projected benefit obligation restated at the beginning of the period		**(826.8)**	**(224.9)**	**(21.1)**	**(1,072.8)**	**(868.1)**	**(238.2)**	**(22.6)**	**(1,128.9)**
Service Cost		(28.6)	(7.1)	(1.6)	(37.3)	(30.7)	(7.6)	(1.3)	(39.6)
Interest cost		(33.1)	(9.9)	(0.6)	(43.6)	(30.6)	(9.4)	(0.6)	(40.6)
Contributions paid		(1.5)	-	-	(1.5)	(1.2)	-	-	(1.2)
Amendments		3.5	-	0.3	3.8	-	-	-	-
Acquisitions/Disposals of subsidiaries		0.1	0.1	-	0.2	(1.3)	-	(0.3)	(1.6)
Curtailments/settlements		17.8	-	-	17.8	4.4	2.1	-	6.5
Special terminations		-	-	-	-	(0.2)	-	-	(0.2)
Financial actuarial gains and losses		(134.4)	(47.1)	(1.8)	(183.3)	37.3	16.6	0.8	54.7
Demographic actuarial gains and losses		(30.0)	7.1	2.6	(20.3)	11.1	(0.6)	1.0	11.5
Benefits paid		31.9	7.6	1.0	40.5	36.3	7.2	1.8	45.3
Other		(48.9)	(17.1)	-	(66.0)	16.2	5.0	0.1	21.3
Projected benefit obligation at the end of period	**A**	**(1,050.0)**	**(291.3)**	**(21.2)**	**(1,362.5)**	**(826.8)**	**(224.9)**	**(21.1)**	**(1,072.8)**
Change in fair value of plan assets									
Fair value of plan assets at the beginning of the period		**447.2**	**53.2**	**-**	**500.4**	**429.8**	**46.0**	**-**	**475.8**
First-time application of consolidation standards						(7.0)	-	-	(7.0)
Fair value of plan assets restated at the beginning of the period		**447.2**	**53.2**	**-**	**500.4**	**422.8**	**46.0**	**-**	**468.8**
Expected return on plan assets		19.8	3.0	-	22.8	16.4	2.2	-	18.6
Contributions received		48.1	10.2	0.9	59.2	40.7	10.8	1.8	53.3
Acquisitions/Disposals of subsidiaries		-	-	-	-	-	-	-	-
Curtailments/settlements		(15.0)	-	-	(15.0)	(2.8)	-	-	(2.8)
Actuarial gains and losses		21.5	3.1	-	24.6	17.1	3.7	-	20.8
Benefits paid		(33.7)	(7.6)	(0.9)	(42.2)	(36.1)	(7.2)	(1.8)	(45.1)
Other		36.2	8.2	-	44.4	(10.9)	(2.3)	-	(13.2)
Fair value of plan assets at the end of period	**B**	**524.1**	**70.1**	**-**	**594.2**	**447.2**	**53.2**	**-**	**500.4**
Funded status	**A+B**	**(525.9)**	**(221.2)**	**(21.2)**	**(768.3)**	**(379.6)**	**(171.7)**	**(21.1)**	**(572.4)**
Unrecognized past service cost					-				
Net benefit obligation		**(525.9)**	**(221.2)**	**(21.2)**	**(768.3)**	**(379.6)**	**(171.7)**	**(21.1)**	**(572.4)**
TOTAL LIABILITIES		**(531.9)**	**(221.2)**	**(21.2)**	**(774.3)**	**(383.7)**	**(171.7)**	**(21.1)**	**(576.5)**
TOTAL ASSETS		**6.0**			**6.0**	**4.1**	**-**	**-**	**4.1**

(a) Pensions and retirement bonuses.
(b) Medical coverage, gratuities and other post-employment benefits.
(c) Long-service awards and other long-term benefits.

In 2014, the increase in the net liability finds its main explanation in the significant decline of the discount rate, since there is an actuarial loss on financial assumptions of around €159 million. It should also be noted that the adoption of new mortality table in the US by United Water impacts the net provision of approximately €26 million (see actuarial losses on demographic assumptions).

In 2013 (restated accounts), the change in the net pension obligation was mainly due to actuarial gains which amounted to €87 million (€85.2 million recorded in “Other comprehensive income” and €1.8 million in the income statement).

18.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2014 and 2013 breaks down as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
Current service cost	(37.3)	(39.6)
Net interest expense on the net defined benefit liability	(20.9)	(22.0)
Actuarial gains or losses	0.8	1.8
Past service cost	3.9	-
Gains or losses on pension plan curtailments, terminations and settlements	2.8	3.6
Special terminations	-	(0.2)
Total	**(50.7)**	**(56.4)**
Of which recognized in current operating income	(29.8)	(34.4)
Of which recognized in financial income/(loss)	(20.9)	(22.0)

18.2.4 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested through pension funds and/or with insurance companies, depending on the investment practices specific to the country concerned. The investment strategies underlying these defined benefit plans are aimed at striking the right balance between an optimum return on investment and an acceptable level of risk.

These strategies have a twofold objective:

- to maintain sufficient income streams and liquidity to cover pensions and other benefit payments; and
- in a controlled-risk environment, to achieve a long-term return on investment matching the discount rate or, as applicable, at least equal to the future returns required.

When plan assets are invested through pension funds, investment decisions and the allocation of plan assets are the responsibility of the fund manager concerned. For French companies, where plan assets are invested through an insurance company, the fund manager manages the investment portfolio in units of account or euros, and guarantees a rate of return on the related assets. Such diversified funds are characterized by active management benchmarked to composite indices, adapted to the long-term horizon of the liabilities and taking into account the government's eurozone obligations and the shares of the largest companies in and outside the eurozone. In the case of euro funds, the insurer's sole obligation is to ensure a fixed minimum return on plan assets.

The funding of these obligations breaks down as follows:

In millions of euros	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past service	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(775.4)	443.6	-	-	(331.8)
Overfunded plans	(53.3)	56.8	-	-	3.5
Unfunded plans	(244.1)	-	-	-	(244.1)
Total December 31, 2013 restated	**(1,072.8)**	**500.4**	**-**	**-**	**(572.4)**
Underfunded plans	(938.8)	522.9	-	-	(415.9)
Overfunded plans	(65.3)	71.3	-	-	6.0
Unfunded plans	(358.4)	-	-	-	(358.4)
Total December 31, 2014	**(1,362.5)**	**594.2**	**-**	**-**	**(768.3)**

The allocation of plan assets by main asset category breaks down as follows:

	2014	2013 restated
Securities	39%	40%
Bonds	43%	42%
Real Estate	2%	1%
Other (including money market securities)	16%	17%
TOTAL	**100%**	**100%**

The allocation of plan assets by geographical area of investment is as follows:

	Europe	North America	Latin America	Asia Oceania	Others
Securities	22%	52%	94%	47%	21%
Bonds	52%	39%	6%	48%	43%
Real Estate	9%	0%	0%	0%	0%
Other (including money market securities)	17%	9%	0%	5%	36%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

18.2.5 Actuarial assumptions

Actuarial assumptions are determined individually per country and company, in association with independent actuaries.

The weighted rates are presented below:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated
Discount rate	3.3%	4.0%	3.9%	4.4%	2.1%	3.1%	3.4%	4.1%
Estimated future increase in salaries	3.3%	3.1%	2.6%	3.1%	2.9%	2.9%	3.1%	3.1%
Inflation Rate	2.2%	2.3%	2.1%	2.4%	2.0%	2.0%	2.1%	2.3%
Average remaining working lives of participating employees	14 years	13 years	16 years	12 years	19 years	19 years	14 years	12 years

Discount and salary increase rates are shown including inflation.

18.2.5.1 DISCOUNT RATE AND INFLATION

The discount rate used is determined by reference to the yield, at the measurement date, of AA corporate bonds with a maturity corresponding to the anticipated term of the obligation.

As for December 31, 2013, the 2014 rates were determined for each currency area (euro, US dollar and pound sterling) from data on AA bond yields (according to Bloomberg and iBoxx) extrapolated to long-term maturities based on the performance of government bonds.

According to estimates made by the Group, a change of plus or minus 1% of the discount rate would result in a change in actuarial liabilities of approximately 11%.

Inflation rates were determined for each currency zone. A change in the inflation rate of roughly 1% would result in a change in the actuarial liability of 8%.

18.2.5.2 OTHER ASSUMPTIONS

The assumptions used for healthcare cost trend rates (including inflation) are 7% for 2015, 6.8% for 2016 and 6.5% for 2017. These assumptions are used for the valuation of other post-employment benefits.

A 1% change in the assumed increase in healthcare costs would have the following impact:

In millions of euros	**Increase by 1%**	**Decrease by 1%**
Impact on expenses	2.5	(2.1)
Impact on other post-employment benefits	30.8	(26.0)

18.2.6 Geographical breakdown of obligations

In 2014, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

	Euro Zone		United Kingdom		United States		Rest of the World	
In millions of euros	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status [(a)]	(351.1)	(122.3)	(11.8)	0.0	(129.7)	(70.9)	(33.5)	(49.5)
Discount rate	1.5%	2.0%	3.5%	0.0%	4.3%	4.3%	3.0%	5.0%
Estimated future increase in salaries	2.8%	3.2%	4.1%	0.0%	3.6%	2.2%	3.6%	2.5%
Inflation Rate	1.9%	2.0%	3.1%	0.0%	2.2%	2.2%	1.6%	2.5%
Average remaining working lives of participating employees	18	20	11	0	14	17	15	13

(a) Funded status corresponds to the difference between the present benefit obligation and the fair value of the plan assets.

Concerning "Rest of the world" category, the funded status relating to pension mainly concerns Sweden, while the funded status relating to the other benefit obligations stems largely from Morocco.

18.2.7 Payments due in 2015

The Group expects to contribute to defined benefit plans in 2015 and to pay benefits for a total approximate amount of €53 million.

18.3 Defined contribution plans

In 2014, the Group SUEZ ENVIRONNEMENT recorded a €53.6 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

Note 19 Construction contracts

The “Amounts due from customers under construction contracts” and “Amounts due to customers under construction contracts” items are presented in the statement of financial position under “Other assets” and “Other liabilities” respectively.

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
Amounts due from customers under construction contracts	95.6	100.5
Amounts due to customers under construction contracts	163.6	222.0
NET POSITION	**(68.0)**	**(121.5)**

According to the presentation method adopted by the Group, provisions for loss at termination of construction contracts have been transferred to the bottom of the statement of financial position under “Amounts due to customers under construction contracts”.

Contracts in progress at the closing date:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
Cumulated cost incurred and margins recognized	3,362.7	3,309.2
Advances received	50.0	36.1
Retentions	32.2	37.7

For the design and construction contracts of Degrémont and OIS, the Group guarantees, by contract, its customers on the delivery of plants ready for operation. In this context, the Group is required to give guarantees which are contingent liabilities, for which the Group believes that the probability of cash out is low.

Note 20 Finance leases

The net amount of Property, plant and equipment assets owned under finance leases are broken down into various asset categories, depending on their type.

The main finance leases entered into by the Group concern the incineration plants of Novergie in France and Torre Agbar as a result of Agbar taking over in 2010, the rights and obligations of the finance lease previously linking Azurelau to La Caixa, the owner and financial leaseholder of the building.

The reconciliation between the undiscounted value and the present value of minimum lease payments is as follows:

	Future minimum lease payments at Dec. 31, 2014		Future minimum lease payments at Dec. 31, 2013 restated	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	51.1	50.6	67.1	64.4
During years 2 to 5 inclusive	236.6	226.7	260.0	223.1
Beyond year 5	115.9	94.3	140.8	110.6
TOTAL FUTURE MINIMUM LEASE PAYMENTS [a]	**403.6**	**371.6**	**467.9**	**398.1**

(a) Including amortized cost.

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 13.2.1) with undiscounted future minimum lease payments by maturity:

In millions of euros	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease [a]	371.6	50.6	226.7	94.3
Impact of discounting future repayments of principal and interest	32.0	0.5	9.9	21.6
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	**403.6**	**51.1**	**236.6**	**115.9**

(a) Including amortized cost.

Note 21 Operating leases

Operating lease income and expenses recognized for fiscal years 2014 and 2013 break down as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
Minimum lease payments	(372.0)	(361.6)
Contingent lease payments	(9.3)	(7.7)
Sub-letting expense	(3.0)	(7.7)
Other operating lease expenses	(12.8)	(12.1)
TOTAL	**(397.1)**	**(389.1)**

Future minimum lease payments due under non-cancelable operating leases can be analyzed as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
During year 1	231.7	204.8
During years 2 to 5 inclusive	410.4	379.8
Beyond year 5	356.8	338.4
TOTAL	**998.9**	**923.0**

Note 22 Service concession arrangements

SIC 29 – Service Concession Arrangements-Disclosures was published in May 2001 and deals with the information regarding concession contracts which should be disclosed in the Notes to the Financial Statements.

IFRIC 12 – Service Concession Arrangements, published in November 2006 deals with the recognition of concession contracts which meet certain criteria according to which it is estimated that the concession-grantor controls the facilities (see Note 1.5.6).

As specified in SIC 29, a service concession agreement generally involves a transfer by the concession-grantor to the concession-holder for the entire duration of the concession:

(a) of the right to offer services enabling the public to access major economic and social services, and

(b) of the right, in certain cases, to use tangible and intangible assets and/or specified financial assets; in exchange for the commitment made by the concession-holder,

(c) to offer services in accordance with certain terms and conditions during the length of the concession; and

(d) if the need arises, to return the rights received at the beginning of the concession and/or acquired during the concession.

The common characteristic of all the service concession agreements is the fact that the concession holder is both granted a right and becomes bound by an obligation to offer public services.

The Group manages a large number of concession contracts as defined by SIC 29 in drinking water distribution, wastewater treatment, and waste management.

These concession contracts include terms and conditions on rights and obligations with regard to the infrastructure and to the obligations relating to public service, in particular the obligation to allow users to access the public service, an obligation, which, in certain contracts, may be subject to a timeframe. The terms of the concessions vary between 12 and 50 years, depending mainly on the level of investments to be made by the concession operator.

In exchange for these obligations, the Group is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users for the services provided. That right gives rise either to an intangible asset, or to a receivable, or a tangible asset, depending on the accounting model applicable (see Note 1.5.6).

The tangible asset model is used when the concession-grantor does not control the infrastructure, like for example, water distribution concession contracts in the United States which do not provide for the return to the concession grantor at the end of the contract of the infrastructure, which remains the property of the SUEZ ENVIRONNEMENT Group.

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.5.6), this obligation results in the recognition of a capital renewal and replacement liability. The replacement liability amounted to €263 million at December 31, 2014 versus €279 million at December 31, 2013 restated and is classified as "Other current liabilities".

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts contain clauses providing for periodic price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions which were initially expected when the contracts were signed.

Note 23 Share-based payments or cash-based payments

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

		(Expense) for the period	
In millions of euros	Note	2014	2013 restated
Stock-option plans [(a)]	23.1	(0.1)	(5.1)
Performance share plans [(a)]	23.2	-	(5.5)
Worldwide financial incentive scheme	23.3	(10.4)	(13.6)
Employees share issues [(b)]	23.4	(2.7)	-
Long-term incentive plan	23.5	(3.7)	-
TOTAL		**(16.9)**	**(24.2)**

(a) Expenses presented for stock options and performance share plans in 2014 take into account the partial achievement of performance conditions on 2010 and 2012 plans.

(b) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the 2014 expense related to capital increases reserved for employees amounts to €4.6 million and 2013 expense amounts to €0.9 million.

23.1 Stock option plans

23.1.1 Arrangements and grants

Since 2010, no more stock options are granted. Arrangements relating to plans still in force in 2014 are described in previous SUEZ, later GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.1.2 Description of current plans

SUEZ ENVIRONNEMENT COMPANY STOCK OPTION PLANS

Plan		Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2013	Exercised **	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2014	Expiration date	Residual life
12/17/2009	*	5/26/2009	12/17/2013	15.49	1,556,601	-	-	22,593	1,534,008	12/16/2017	3.0
12/16/2010	*	5/26/2009	12/16/2014	14.20	2,860,100	-	-	2,033,656	826,444	12/15/2018	4.0
TOTAL					**4,416,701**	**-**	**-**	**2,056,249**	**2,360,452**		

* *Exercisable plans.*

** *Under specific circumstances such as retirement or death, the anticipated exercise of options is authorized.*

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2014 was €13.95.

GDF SUEZ STOCK OPTION PLANS

Plan		Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2013	Exercised **	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2014	Expiration date	Residual life
1/17/2007	*	4/27/2004	1/16/2011	36.62	1,588,261	-	-	8,657	1,579,604	1/16/2015	0.0
11/14/2007	*	5/4/2007	11/13/2011	41.78	1,255,062	-	-	6,121	1,248,941	11/13/2015	0.9
11/12/2008	*	7/16/2008	11/12/2012	32.74	1,014,130	-	-	4,720	1,009,410	11/11/2016	1.9
11/10/2009	*	5/4/2009	11/10/2013	29.44	383,574	-	-	4,068	379,506	11/9/2017	2.9
TOTAL					**4,241,027**	**-**	**-**	**23,566**	**4,217,461**		

** Exercisable plans.*

*** Under specific circumstances such as retirement or death, the anticipated exercice of options is authorized.*

The average share price for GDF SUEZ in 2014 was €19.02.

23.1.3 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been fully met, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end.

In 2014, a profit of €1.4 million was recognized for the 2010 SUEZ ENVIRONNEMENT COMPANY bonus share plans, to cancel the expenses recognized in previous years.

23.1.4 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

Based on assumed employee turnover of 5%, the net expense recorded in 2014 in relation to SUEZ ENVIRONNEMENT COMPANY stock option plans was -€0.1 million.

			(Expense) for the period	
In millions of euros		Weighted average fair value	2014	2013
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	3.3 €	-	(2.5)
SUEZ ENVIRONNEMENT COMPANY plan *	12/16/2010	2.9 €	(0.1)	(2.0)
TOTAL			**(0.1)**	**(4.5)**

** Taking into account in 2014 of a profit of €1.4 million for partial achievement of the performance conditions.*

GDF SUEZ PLANS

In 2014, no expense has been recorded in relation to the GDF SUEZ stock option plans.

			(Expense) for the period	
In millions of euros		Weighted average fair value	2014	2013
GDF SUEZ plan	11/10/2009	6.0 €	-	(0.6)
TOTAL			**-**	**(0.6)**

23.2 Performance share plans

23.2.1 Arrangements and grants

No performance share plan was granted in 2014. Arrangements relating to plans still in force in 2014 are described in previous SUEZ, later GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.2.2 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been fully met, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end.

In 2014, a profit of €5.2 million was recognized on the 2010 and 2012 SUEZ ENVIRONNEMENT COMPANY performance share plan to reflect the partial achievement of performance conditions and consequently to cancel the expenses recognized in previous years.

In 2013, a profit of €1.6 million was recognized on the 2010 SUEZ ENVIRONNEMENT COMPANY performance share plan to reflect the partial achievement of performance conditions and consequently to cancel the expenses recognized in previous years.

23.2.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, the SUEZ ENVIRONNEMENT COMPANY performance share plans have no impact on the Group financial statements.

			(Expense) for the period	
	Number of shares granted	Weighted average fair value	2014	2013
December 2009	173,852	12.3 €	-	(0.2)
December 2010 *	829,080	11.6 €	2.8	(0.1)
March 2012 *	828,710	8.8 €	0.7	(2.3)
March 2013	1,315,100	6.5 €	(3.5)	(2.6)
TOTAL			**-**	**(5.2)**

* *Taking into account in 2014 of a profit of €5.2 million for partial achievement of the performance conditions.*

GDF SUEZ PLANS

During the period, the GDF SUEZ performance share plans have no impact on the Group financial statements.

			(Expense) for the period	
	Number of shares granted	Weighted average fair value	2014	2013
November 2008	357,034	28.5 €	-	(0.1)
November 2009	146,656	24.8 €	-	(0.2)
December 2012	2,400	7.2 €	-	-
TOTAL			**-**	**(0.3)**

23.3 Worldwide incentive scheme

23.3.1 Arrangements and grant

No worldwide incentive scheme was granted in 2014. Arrangements relating to plans still in force in 2014 are described in previous SUEZ, later GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.3.2 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, an expense of -€5.4 million was recognized for the SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2014	2013
June 2009	2,040,810	9.6 €	-	(1.0)
January 2013	3,018,720	6.2 €	(5.4)	(5.1)
TOTAL			**(5.4)**	**(6.1)**

GDF SUEZ PLANS

During the period, an expense of -€5.0 million was recognized for the GDF SUEZ worldwide incentive schemes.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2014	2013
July 2009	544,216	19.7 €	-	(0.5)
June 2011	749,655	19.9 €	(1.4)	(3.4)
October 2012	1,140,525	11.7 €	(3.6)	(3.6)
TOTAL			**(5.0)**	**(7.5)**

23.4 Employee share issues

The expense recorded during the period on current plans is as follows:

				(Expense) for the period 2014	2013
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share issue and matching shares in France	July 2014	23.4.1.1.	(3.2)	-
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share Incentive Plan	July 2014	23.4.1.2.	(0.1)	-
SUEZ ENVIRONNEMENT Sharing 2014 plan	Matching shares - International	July 2014	23.4.1.3.	(0.1)	-
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share Appreciation Rights	July 2014	23.4.1.4.	1.0	-
SUEZ ENVIRONNEMENT Sharing 2011 plan	Matching shares - International	December 2011	23.4.2.1.	(0.1)	(0.1)
SUEZ ENVIRONNEMENT Sharing 2011 plan	Share Appreciation Rights	December 2011	23.4.2.1.	-	0.4
GDF SUEZ Link 2010 plan	Matching shares - International	August 2010	23.4.2.2.	(0.1)	(0.2)
GDF SUEZ Link 2010 plan	Share Appreciation Rights	August 2010	23.4.2.2.	(0.1)	(0.1)
TOTAL [(a)]				**(2.7)**	**-**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the 2014 expense related to capital increases reserved for employees amounts to €4.6 million and 2013 expense amounts to €0.9 million.

23.4.1 Sharing 2014 plan

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

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

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

23.4.1.1 ACCOUNTING IMPACT OF THE EMPLOYEE SHARE ISSUE AND OF THE MATCHING SHARES IN FRANCE

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

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

The following assumptions were used:

- 5-year risk-free interest rate: 0.70%
- Retail banking spread: 4.00%
- Financing rate for an employee: 4.70%
- Cost of securities lending: 0.50%
- Volatility spread: 6.00%

The result is a total expense of -€3.2 million for 2014.

		Sharing Classic	Sharing Multiple	Matching shares in France	Total
Amount subscribed (€ millions)		10.4	88.9	-	99.3
Number of shares subscribed (millions)	*(a)*	0.9	7.4	0.2	8.5
gross value of the employee benefit (€/share)	*b1*	3.0	3.0	14.4	
lock-in cost for the employee (€/share)	*b2*	(3.6)	(3.6)	(3.5)	
measure of opportunity gain (€/share)	*b3*	-	0.8	-	
Total benefit granted to employees (€/share)	*(b) = b1+b2+b3*	-	0.2	10.9	
Book expense	***- (a) x (b)***	**-**	**(1.4)**	**(1.8)**	**(3.2)**

On the Classic formula, the benefit granted to employees proving to be negative, has been capped at €0.

The valuation of the recognized expense depends upon, among other factors, the estimation of the financing rate for employees and the valuation of the opportunity gain. A +/-0.5 % change in these rates would have the following impact on the recognized expense:

	Sharing Multiple	Matching shares in France	Total
Sensitivity (change in expense in € millions)			
Decrease in financing rate for employee -0.5%	(3,2)	(0,1)	(3,3)
Increase in opportunity gain +0.5%	(0,6)	-	(0,6)

23.4.1.2 ACCOUNTING IMPACT OF THE SHARE INCENTIVE PLAN (SIP) IN THE UNITED KINGDOM

SIP rules required the CEO of SUEZ ENVIRONNEMENT COMPANY to set the subscription price at €13.60 on July 18, 2014. The fair value of the matching shares has been calculated using the method described in Note 1.5.14. In this case, the shares are delivered immediately with no vesting period, but are subject to a 3-year lock-in period.

The following assumptions were used:

- 3-year risk-free interest rate: 0.82%
- Retail banking spread: 3.90%
- Financing rate for an employee: 4.72%
- Cost of securities lending: 0.50%
- Share price on grant date: €14.09

The result is a total expense of -€0.1 million in 2014.

		SIP	Matching shares (SIP)	Total
Amount subscribed (€ millions)		0,28	0,06	0,34
Number of shares subscribed (millions)	*(a)*	0,02	0,004	0,02
gross value of the employee benefit (€/share)	*b1*	0,5	14,1	
lock-in cost for the employee (€/share)	*b2*	-	(3,4)	
measure of opportunity gain (€/share)	*b3*	-	-	
Total benefit granted to employees (€/share subscribed)	*(b) = b1+b2+b3*	0,5	10,7	
Book expense	***- (a) x (b)***	**(0,0)**	**(0,1)**	**(0,1)**

23.4.1.3 ACCOUNTING IMPACT OF MATCHING SHARES OUTSIDE OF FRANCE AND THE UNITED KINGDOM

The matching shares internationally (excluding France and the United Kingdom) took the form of a bonus share allocation. Vesting was subject to five years' service within the Group. The fair value of the allocated shares was calculated using the method described in Note 1.5.14.

The following assumptions were used:

	Grant date	Vesting date	Share price on allocation date	Expected dividend rate	Market performance condition	Fair value per share
	7/21/2014	7/22/2019	14.09 €	5%	no	11.87 €

As the expense is amortized over the vesting period, matching shares internationally have an impact of -€0.1 million on SUEZ ENVIRONNEMENT COMPANY's income statement in 2014.

23.4.1.4 ACCOUNTING IMPACT OF SHARE APPRECIATION RIGHTS

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

The accounting impact of the cash-settled share appreciation rights (SARs) involves recognizing an expense against an employee payable over the vesting period of the SARs. As of December 31, 2014, the amortization of the debt had no material impact on the Group's financial financial statements. The SARs are covered by warrants that offset the expenses incurred by the SARs at the end of the five-year plan.

23.4.2 Link 2010 and Sharing 2011 plans

SUEZ ENVIRONNEMENT employees benefited from the "Link 2010" plan set up by GDF SUEZ and the "Sharing 2011" plan set up by SUEZ ENVIRONNEMENT COMPANY.

These two plans allowed employees to subscribe to GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY shares in the form of a "Classic" arrangement with a discount and matching shares and a "Multiple" arrangement with a discount and leverage effect. These plans are described in detail in the previous GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

The two plans are amortized over a 5-year period. They generated an expense of -€0.3 million (after hedging by warrants) for the Group in 2014.

23.4.2.1 ACCOUNTING IMPACT OF MATCHING SHARES INTERNATIONALLY

Outside of France, matching shares took the form of a bonus share allocation. The result was a total expense of -€0.2 million in 2014.

23.4.2.2 ACCOUNTING IMPACT OF SHARE APPRECIATION RIGHTS

As of December 31, 2014, the fair value of the debt relating to the Link 2010 and Sharing 2011 plans was €1.9 million. This fair value was determined using the Black & Scholes method.

The amortization of the debt over 2014 has a net impact on the Group's financial statements of -€0.1 million, taking into account a hedging of SAR plans by warrants.

The SARs plans are hedged by warrants that fully offset the SAR expenses at the end of five years.

23.5 Long-term incentive plan

The Board of Directors, in its meeting of March 26, 2014, has decided to implement a long-term incentive plan in the form of a cash bonus, whose total budget amounts to € 15 million, which concerns 1,756 beneficiaries.

A three-year vesting period is attached to this plan.

This cash bonus plan is conditional upon the following performance conditions:

For 821 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, contingent upon SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average performance of the Eurostoxx Utilities indices over the period ranging from January 1, 2014 to

December 31, 2016;

- a non-market performance condition based on the Group's cumulative recurring net result from January 1, 2014 to December 31, 2016;
- a non-market performance condition based on the Group's EBITDA from January 1, 2014 to December 31, 2016.

For the other beneficiaries, all granted bonuses are subject to both non-market performance condition, the Group's EBITDA and recurring net income between January 1, 2014 and December 31, 2016.

Market performance condition is measured using Monte Carlo simulations.

The fair value of this plan results in a total expense of €11.7 million, recognized over the duration of the plan. Thus, this plan has generated an expense in the 2014 Group's consolidated accounts of -€3.7 million (taking into account the social contributions).

Note 24 Related-party transactions

The purpose of this note is to present material transactions between the Group and its related parties as defined by IAS 24.

Compensation for key executives is disclosed under Note 25 – "Executive compensation". The main subsidiaries (fully consolidated companies) are listed under Note 28 – "List of the main consolidated companies at December 31, 2014 and 2013". Only material transactions are described below.

24.1 Transactions with GDF SUEZ and related entities

In millions of euros	Dec. 31, 2014	Dec. 31, 2013 restated
Transactions with GDF SUEZ		
Purchases/sales of goods and services	5.7	(5.1)
Non financial payables	0.3	26.5
Non financial receivables	0.4	1.1
Receivables carried at amortized cost [(a)]	21.1	22.9
Transactions with companies linked to GDF SUEZ		
Purchases/sales of goods and services	0.6	(5.4)
Financial income	-	10.1
Financial expenses	-	(1.6)
Non financial receivables	29.7	29.3
Non financial payables	3.2	7.8
Borrowings excluding financial instruments	0.9	2.1
Commodity derivatives (Liabilities)	2.5	0.3
Guarantees and commitments given	0.5	0.4

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

24.2 Transactions with joint operations, joint ventures and associates

24.2.1 Joint operations

The Group has a €296 million current account in the joint venture that was responsible for the construction of the seawater desalination plant near Melbourne. This joint operation is proportionately consolidated at 35%. The non-Group share of €192 million was recognized under assets in the Group's consolidated statement of financial position.

24.2.2 Joint ventures and associates

There was no significant transaction or commitment involving joint ventures or associates in 2014.

Note 25 Executive compensation

The Group's key executives were the nine members of the Management Committee at December 31, 2014.

Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2014	Dec. 31, 2013
Short-term benefits	6.9	5.8
Post-employment benefit [(a)]	1.1	1.3
Share-based payments [(b)]	(0.2)	0.8
Long Term Incentive Plan	0.2	-
TOTAL	**8.0**	**7.9**

(a) Post-employment benefits relate to the SUEZ ENVIRONNEMENT Group plans only.

(b) Data at December 31, 2014 include a cancel of expenses recognized in previous years to reflect the partial achievement of performance conditions. See notes 23.1.3 and 23.2.2.

Note 26 Legal and arbitration proceedings

26.1 Competition and industry concentration

No judgment was pronounced against the Group by a court or an authority in relation to competition during fiscal year 2014. In addition, the Group is aware of no proceedings pending before such court or authority.

26.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €172.2 million as of December 31, 2014 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of, that is suspended or with which it is threatened, likely to have or that has already had, in the past 12 months, a material impact on the Group's financial position or profitability.

Litigation in Argentina

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

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

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

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

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

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

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

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

The reports on the Buenos Aires and Santa Fe concessions were presented by the expert to the ICSID respectively in September 2013 and in April 2014. A decision is expected for each of these proceedings during fiscal 2015.

26.3 Tax litigation

Sociedad General de Aguas de Barcelona

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

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

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

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

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

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

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

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

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

Note 27 Subsequent events

There is no significant subsequent event.

Note 28 List of the main consolidated companies at December 31, 2014 and 2013

The aim of this note is to present the list of entities covering 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

Names	Headquarters address	% interest		% control		Consolidation methods (a)	
		Dec. 2014	Dec. 2013 restated	Dec. 2014	Dec. 2013 restated	Dec. 2014	Dec. 2013 restated
SUEZ ENVIRONNEMENT COMPANY	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
WATER EUROPE							
LYONNAISE DES EAUX France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
EAU ET FORCE	300, rue Paul Vaillant Couturier BP 712 92007 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille - France	99.4	99.3	99.4	99.3	FC	FC
SOCIETE DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC)	5-7 Rue Pierre Lescot 78000 Versailles - France	100.0	100.0	100.0	100.0	FC	FC
HISUSA	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Espagne	100.0	75.7	100.0	75.7	FC	FC
AGBAR	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Espagne	99.5	75.4	99.5	99.5	FC	FC
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago - Chili	28.2	21.4	50.1	50.1	FC	FC
UTILITY SERVICES CO, Inc	1230 Peachtree Street NE, Suite 1100, Promenade II Building, Atlanta, GA 30309	100.0	100.0	100.0	100.0	FC	FC
WASTE EUROPE							
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES, Royaume-Uni	100.0	100.0	100.0	100.0	FC	FC
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999 Köln, Allemagne	100.0	100.0	100.0	100.0	FC	FC
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbus 7009, NL - 6801 HA Arnhem, Pays-Bas	100.0	100.0	100.0	100.0	FC	FC
SITA FRANCE	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	99.9	99.9	99.9	99.9	FC	FC
SITA BELGIUM	5 Avenue de la Metrologie 1130 Haren - Belgique	100.0	100.0	100.0	100.0	FC	FC
SOCALUX	Lamesch SA - ZI Wolser Nord BP 75 - L-3201 Bettembourg - Luxembourg	100.0	100.0	100.0	100.0	FC	FC
SITA CZ	Konevova, 1107/54 - 130 00 Praha 3 - République Tchèque	100.0	100.0	100.0	100.0	FC	FC
SITA POLSKA	Ulica Zawodzie 5, 02981 Warszawa - Pologne	100.0	100.0	100.0	100.0	FC	FC
SITA SVERIGE AB.	Kungsgardsleden - 26271 Angelholm - Suède	100.0	100.0	100.0	100.0	FC	FC
SITA SUOMI OY	Sahaajankatu 49 - 00880 Helsinki - Finlande	100.0	100.0	100.0	100.0	FC	FC

(a) *FC : Full consolidation.*
EM : Equity method of consolidation.

Names	Headquarters address	% interest		% control		Consolidation methods [(a)]	
		Dec. 2014	Dec. 2013 restated	Dec. 2014	Dec. 2013 restated	Dec. 2014	Dec. 2013 restated
	INTERNATIONAL						
SITA WASTE SERVICES	2801 Island Place Tower - 510 King's Road - North Point - Hong-Kong	100.0	100.0	100.0	100.0	FC	FC
SITA AUSTRALIA	PO Box 160, Kemps Creek NSW 2171 - Australie	60.0	60.0	60.0	60.0	FC	FC
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey - Etats-Unis	100.0	100.0	100.0	100.0	FC	FC
MACAO WATER	718 avenida do Conselheiro Borja Macao Via - Macao - Chine	42.5	42.5	Consolida-ted via SFH	Consolida-ted via SFH	EM	EM [(b)]
DEGREMONT	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
ONDEO INDUSTRIAL SOLUTIONS	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
LYDEC	48, Boulevard Mohamed Diouri, Casablanca - Maroc	51.0	51.0	51.0	51.0	FC	FC
SINO FRENCH HOLDING (SFH)	New World Tower 29/f 16-18 Queensroad Central - Hong Kong	50.0	50.0	50.0	50.0	EM	EM [(b)]
PT PAM LYONNAISE JAYA	Central Senayan 1, 7th floor Jl. Asia Afrika n°8 - 10270 Jakarta - Indonésie	51.0	51.0	51.0	51.0	FC	FC
	OTHER						
SUEZ ENVIRONNEMENT SAS	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC

(a) *FC : Full consolidation.*
EM : Equity method of consolidation.

(b) *The application of IFRS 10 & 11 resulted in a change in the consolidation methods of some of the Group's subsidiaries.*

Note 29 Fees of the statutory auditors and members of their networks

The accounting firms EY and Mazars act as statutory auditors for the SUEZ ENVIRONNEMENT Group. Information on fees paid to the statutory auditors and members of their networks is provided in accordance with Decree 2008-1487.

	EY				Mazars			
	Amount		%		Amount		%	
In thousands of euros	2014	2013 restated	2014	2013 restated	2014	2013 restated	2014	2013 restated
Audit								
Statutory Audits, attest engagements, review of individual and consolidated accounts								
SUEZ ENVIRONNEMENT COMPANY SA	703	663	9%	7%	580	592	11%	14%
Fully consolidated subsidiaries and joint operations	5,250	6,919	64%	75%	4,342	3,126	81%	74%
Other audit procedures and incidental assigments in relation to Auditor's engagement to the Statutory Auditor's mission								
SUEZ ENVIRONNEMENT COMPANY SA	375	186	5%	2%	272	202	5%	5%
Fully consolidated subsidiaries and joint operations	1,290	1,085	16%	12%	153	292	3%	7%
Sub-total	**7,618**	**8,853**	**94%**	**96%**	**5,347**	**4,212**	**100%**	**100%**
Other Services								
Tax	496	345	6%	4%	6	21	0%	0%
Other	-	-	-	-	-	-	0%	-
Sub-total	**496**	**345**	**6%**	**4%**	**6**	**21**	**0%**	**0%**
TOTAL	**8,114**	**9,198**	**100%**	**100%**	**5,353**	**4,233**	**100%**	**100%**

SUEZ ENVIRONNEMENT COMPANY
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www.suez-environnement.com

MAZARS ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Suez Environnement Company

Year ended December 31, 2014

Statutory auditors' report
on the consolidated financial statements

MAZARS
61, rue Henri Regnault
Tour Exaltis
92400 Courbevoie
S.A. au capital de € 8.320.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Suez Environnement Company

Year ended December 31, 2014

Statutory auditors' report
on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Suez Environnement Company;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the conclusion expressed above, we draw your attention to notes 1.2.1 “Standards, amendments, interpretations and recommendations applied for annual periods beginning on January 1, 2014” and 1.2.3 “Impact of the first application of the new consolidation standards (IFRS 10, IFRS 11, IFRS12, and revised IAS 28)” to the consolidated financial statements, which outline the impact of new standards and amendments whose application is mandatory and of the voluntary application by your group of the April 4, 2013 recommendation issued by the French accounting standards authority (*Autorité des normes comptables*).

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in note 1.4.1 to the consolidated financial statements, Suez Environnement Company group is required to make estimates and assumptions in order to prepare its financial statements. This note also specifies that the future results of the related operations could be different from these estimates according to different assumptions or situations. These significant accounting estimates relate to the fair valuation of assets acquired and liabilities assumed within a business combination, the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets, provisions, capital renewal and replacement liabilities, financial instruments, revenues generated but not metered (as in "meters not read"), margin at termination on construction contracts and the assessment of the tax loss carry-forwards recognized as deferred tax assets.

- In respect of assets acquired and liabilities assumed within a business combination, we have examined data and assumptions allowing their fair valuation and reviewed the correct adjustment of the goodwill accounted for at the acquisition date. We have also verified that note 9 to the consolidated financial statements provides appropriate information.

- In respect of the recoverable amount of goodwill, property, plant and equipment and intangible assets, we have examined the methods adopted to perform impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by the group and verified that notes 1, 5, 9, 10 and 11 to the consolidated financial statements provide appropriate information.

- As regards provisions, and particularly provisions for site rehabilitation, litigation, retirement and other employee benefits, we have assessed the bases on which these provisions have been established and verified that notes 17, 18 and 26 to the consolidated financial statements provide appropriate information.

- In respect of capital renewal and replacement liabilities, we have assessed the bases on which they have been established and verified that note 22 to the consolidated financial statements provides appropriate information.

- As regards financial instruments, we have examined data and assumptions used for the valuation models allowing the fair valuation of non-listed financial instruments and verified that notes 13 and 14 to the consolidated financial statements provide appropriate information.

- In respect of sales of water metered during the accounting period, the group prepares an estimate of the revenues based on historical data of consumption as well as the estimated selling price. Our work consisted in examining the data and assumptions used to calculate these estimates and verifying that note 1 to the consolidated financial statements provides appropriate information.

- As regards margin at termination on construction contracts, our work consisted in examining the relating processes put in place by the group, assessing the data and assumptions on which are based the kept estimations and verifying that notes 1 and 19 to the consolidated financial statements provide appropriate information.

- As regards the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and in assessing the assumptions underlying the forecasts of taxable profits and the relating use of tax loss carry-forwards. We have also verified that notes 1 and 7 to the consolidated financial statements provide appropriate information.

In the course of our assessments, we verified the reasonableness of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

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

Courbevoie and Paris-La Défense, February 25, 2015

The statutory auditors
French original signed by

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