CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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1 Consolidated financial statements

1.1 Consolidated statements of financial position

In millions of euros	Note	December 31, 2015	December 31, 2014 restated [(a)]
Non-current assets			
Intangible assets, net	10	4,213.6	4,276.0
Goodwill	9	3,479.5	3,261.9
Property, plant and equipment net	11	8,274.9	8,009.1
Available-for-sale securities	13	180.1	163.7
Loans and receivables carried at amortized cost	13	767.4	722.7
Derivative financial instruments	13	197.0	194.1
Investments in joint ventures	12.1	584.6	527.9
Investments in associates	12.2	760.4	745.6
Other assets		302.9	299.8
Deferred tax assets	7	832.1	790.7
TOTAL NON-CURRENT ASSETS		**19,592.5**	**18,991.5**
Current assets			
Loans and receivables carried at amortized cost	13	130.3	119.7
Derivative financial instruments	13	6.1	7.6
Trade and other receivables	13	3,966.5	3,790.1
Inventories		274.0	262.2
Other assets		1,523.3	1,372.4
Financial assets measured at fair value through income	13	59.9	62.5
Cash and cash equivalents	13	2,079.0	2,248.8
TOTAL CURRENT ASSETS		**8,039.1**	**7,863.3**
TOTAL ASSETS		**27,631.6**	**26,854.8**
Shareholders' equity, Group share		5,419.8	5,486.2
Non-controlling interests	16	1,385.6	1,518.5
TOTAL SHAREHOLDERS' EQUITY		**6,805.4**	**7,004.7**
Non-current liabilities			
Provisions	17	1,458.0	1,511.4
Long-term borrowings	13	8,501.1	7,721.6
Derivative financial instruments	13	45.1	65.6
Other financial liabilities	13	3.0	4.7
Other liabilities		911.5	896.9
Deferred tax liabilities	7	636.6	576.8
TOTAL NON-CURRENT LIABILITIES		**11,555.3**	**10,777.0**
Current liabilities			
Provisions	17	493.8	483.3
Short-term borrowings	13	1,853.9	1,926.7
Derivative financial instruments	13	40.1	42.3
Trade and other payables	13	2,991.2	2,871.2
Other liabilities		3,891.9	3,749.6
TOTAL CURRENT LIABILITIES		**9,270.9**	**9,073.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**27,631.6**	**26,854.8**

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) Data at December 31, 2014 has been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.2.1.

1.2 Consolidated income statements

In millions of euros	Note	December 31, 2015	December 31, 2014
Revenues	4.1	15,134.7	14,324.1
Purchases		(2,945.5)	(2,833.1)
Personnel costs		(3,818.4)	(3,656.4)
Depreciation, amortization and provisions		(1,091.9)	(1,097.7)
Other operating expenses		(6,397.8)	(5,953.6)
Other operating income		234.0	227.9
CURRENT OPERATING INCOME	**4**	**1,115.1**	**1,011.2**
Mark-to-market on operating financial instruments		0.6	(0.6)
Impairment on property, plant and equipment, intangible and financial assets		(80.4)	(105.2)
Restructuring costs		(71.4)	(58.0)
Scope effects		0.9	82.4
Other gains and losses on disposals and non-recurring items		4.1	0.2
Costs linked to changes in the brand and visual identity		(27.5)	-
INCOME FROM OPERATING ACTIVITIES	**5**	**941.4**	**930.0**
Share in net income of equity-accounted companies considered as core business		266.4	243.5
of which: share in net income (loss) of joint ventures [(a)]	12.1	*179.8*	*167.4*
of which: share in net income (loss) of associates	12.2	*86.6*	*76.1*
INCOME FROM OPERATING ACTIVITIES after share in net income of equity-accounted companies considered as core business		**1,207.8**	**1,173.5**
Financial expenses		(510.6)	(516.6)
Financial income		89.1	110.9
Net financial income (loss)	**6**	**(421.5)**	**(405.7)**
Income tax expense	7	(173.0)	(173.1)
Share in net income of other equity-accounted companies	12.1	-	5.8
NET INCOME		**613.3**	**600.5**
of which: Group share		407.6	417.2
Non-controlling interests		205.7	183.3
Net Income (Group share) per share (in euros)	**8**	**0.69**	**0.71**
Net diluted income (Group share) per share (en euros)	**8**	**0.68**	**0.69**

(a) In 2015, this line item includes €127 million for the revaluation of Chongqing Water Group securities, which are now consolidated using the equity method, whereas in 2014 they were classified as securities available for sale (see Note 2).

In 2014, this line item included €129.6 million related to the sale of Group's indirect interest in Companhia de Electricidade de Macau (CEM).

1.3 Consolidated statements of comprehensive income

In millions of euros	December 31, 2015	December 31, 2015 of which Group share	December 31, 2015 of which non controlling interests	December 31, 2014	December 31, 2014 of which Group share	December 31, 2014 of which non controlling interests
Net income	**613.3**	**407.6**	**205.7**	**600.5**	**417.2**	**183.3**
Available-for-sale securities	(0.6)	(0.5)	(0.1)	(68.2)	(68.4) [(a)]	0.2
Net investment hedges	(88.8)	(88.8)	-	(80.3)	(80.3)	-
Cash flow hedges (excluding commodities)	38.5	33.4	5.1	(12.1)	(8.4)	(3.7)
Commodity cash-flow hedges	(0.2)	(0.2)	-	(6.9)	(6.9)	-
Deferred taxes on items above	(1.2)	0.3	(1.5)	2.8	2.1	0.7
Share of joint ventures in reclassifiable items, net of taxes	(82.5)	(82.5) [(c)]	-	96.6	96.6	-
Share of associates in reclassifiable items, net of taxes	(8.2)	(8.2)	-	(12.9)	(12.9) [(a)]	-
Translation adjustments	97.9	143.2 [(d)]	(45.3)	147.5	163.7 [(b)]	(16.2)
Total reclassifiable items	**(45.1)**	**(3.3)**	**(41.8)**	**66.5**	**85.5**	**(19.0)**
Actuarial gains and losses	72.0	76.7	(4.7)	(179.8)	(174.9)	(4.9)
Deferred taxes on actuarial gains and losses	(18.5)	(19.7)	1.2	43.3	41.9	1.4
Share of joint ventures in non-reclassifiable items, net of taxes	-	-	-	6.3	6.3	-
Share of associates in non-reclassifiable items, net of taxes	4.0	4.0	-	(0.4)	(0.4)	-
Total non-reclassifiable items	**57.5**	**61.0**	**(3.5)**	**(130.6)**	**(127.1)**	**(3.5)**
COMPREHENSIVE INCOME	**625.7**	**465.3**	**160.4**	**536.4**	**375.6**	**160.8**

(a) These changes were primarily explained by the reclassification of the Acea securities from available-for-sale securities to investments in associates.
(b) This change was primarily explained by the appreciation of the British pound and the Australian dollar.
(c) This change is due to the revaluation of Chongqing Water Group securities, which are no longer recognized in comprehensive income, but rather in income following the acquired significant influence in 2015 (see Note 2).
(d) This change is primarily explained by the appreciation of the American dollar.

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, 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	1.2.1				(11.4)					(11.4)	52.3	40.9
IFRIC 21 restatements [(a)]					8.3					8.3		8.3
Shareholders' equity at January 1st, 2014 restated		**510,233,829**	**2,040.9**	**4,138.3**	**(2,021.8)**	**123.5**	**(52.2)**	**(13.6)**	**744.8**	**4,959.9**	**1,998.9**	**6,958.8**
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		8,943,094	35.8	63.6	3.2					102.6		102.6
Capital reduction by cancellation of shares		(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)					(329.3)	(205.2)	(534.5)
Partial redemption of undated deeply subordinated note issues 2010 (including redemption premium)					(12.4)				(300.0)	(312.4)		(312.4)
Issue of new undated deeply subordinated note									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		22,000,000	88.0	222.0	8.8					318.8	7.1	325.9
Equity component of OCEANE bonds					35.2					35.2		35.2
Transactions between shareholders					(92.7)	3.6	(8.1)			(97.2)	(443.4)	(540.6)
Business combinations					(8.5)					(8.5)		(8.5)
Other changes					1.9					1.9	0.3	2.2
Shareholders' equity at December 31, 2014 restated [(a)]		**540,233,829**	**2,160.9**	**4,417.4**	**(2,145.7)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,486.2**	**1,518.5**	**7,004.7**

(a) Figures at January 1st, 2014 and December 31, 2014 have been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.2.1.

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, 2014 restated [(a)]		**540,233,829**	**2,160.9**	**4,417.4**	**(2,145.7)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,486.2**	**1,518.5**	**7,004.7**
Net income					407.6					407.6	205.7	613.3
Other comprehensive income items					60.9	(164.1)	160.9			57.7	(45.3)	12.4
Comprehensive income					**468.5**	**(164.1)**	**160.9**			**465.3**	**160.4**	**625.7**
Share-based payment					7.1					7.1		7.1
Dividends distributed in cash					(350.3)					(350.3)	(177.0)	(527.3)
Partial redemption of undated deeply subordinated note issues 2010 (including redemption premium)	2.3				(7.9)				(450.0)	(457.9)		(457.9)
Issue of new undated deeply subordinated note	2.3								500.0	500.0		500.0
Issuance fees of new undated deeply subordinated note									(5.4)	(5.4)		(5.4)
Interests of undated deeply subordinated notes issue					(26.5)					(26.5)		(26.5)
Purchase/sale of treasury shares					(7.9)			7.6		(0.3)		(0.3)
Capital increase	15.1	2,409,639	9.6	(10.6)	1.0					-	-	-
Transactions between shareholders [(b)]					(195.6)					(195.6)	(132.0)	(327.6)
Business combinations										-	16.4	16.4
Other changes					(2.8)					(2.8)	(0.7)	(3.5)
Shareholders' equity at December 31, 2015		**542,643,468**	**2,170.5**	**4,406.8**	**(2,260.1)**	**(171.5)**	**320.6**	**(29.4)**	**982.9**	**5,419.8**	**1,385.6**	**6,805.4**

(a) Figures at January 1st, 2014 and December 31, 2014 have been changed for comparability purposes to reflect the application of IFRIC 21 interpretation mentioned in Note 1.2.1.

(b) This corresponds primarily to SUEZ's purchase of Sembcorp's 40% interest in Sembsita Pacific. See Note 2.8.

1.5 Consolidated statements of cash flows

In millions of euros	Note	December 31, 2015	December 31, 2014
Net income		**613.3**	**600.5**
- Share in net income (loss) of joint ventures	12.1	(179.8)	(173.2)
- Share in net income (loss) of associates	12.2	(86.6)	(76.1)
+ Dividends received from joint ventures and associates [(a)]		102.4	280.1
- Net depreciation, amortization and provisions		1,120.2	1,121.7
- Scope effects, other gains and losses on disposal and non-recurring items		(11.8)	(84.7)
- Other items with no cash impact		6.8	13.2
- Income tax expense	7	173.0	173.1
- Financial income	6	421.5	405.7
Cash flows from operations before financial income/(expense) and income tax		**2,159.0**	**2,260.3**
+ Tax paid		(153.8)	(163.1)
Change in working capital requirements		**(13.7)**	**(124.1)**
Cash flows from operating activities		**1,991.5**	**1,973.1**
Investments in property, plant and equipment and intangible assets	3.4.3	(1,276.5)	(1,076.6)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(85.8)	(73.3)
Acquisitions of interests in associates and joint-ventures	3.4.3	(26.5)	(105.6)
Acquisitions of available-for-sale securities	3.4.3	(29.2)	(15.4)
Disposals of property, plant and equipment and intangible assets		54.1	47.2
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		36.6	62.1
Disposals of interests in associates and joint ventures		19.1	17.5
Disposals of available-for-sale securities		11.9	47.4
Interest received on non-current financial assets		7.6	13.0
Dividends received on non-current financial assets		10.7	29.3
Change in loans and receivables issued by the Company and others [(b)]		(72.3)	194.1
Cash flows from investing activities		**(1,350.3)**	**(860.3)**
Dividends paid [(c)]		(571.2)	(581.4)
Repayment of borrowings [(d)]	13	(789.4)	(1,379.5)
Change in financial assets at fair value through income		11.5	27.8
Financial interest paid		(351.4)	(362.8)
Financial interest received on cash and cash equivalents		27.5	33.9
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(103.1)	(28.9)
Increase in financial debt	13	1,256.4	944.2
Capital increase/ reduction [(e)]		-	109.7
Partial redemption of Undated deeply subordinated note	15.6	(457.9)	(312.4)
Issue of Undated deeply Subordinated Notes net of costs	15.6	494.5	493.5
Issue of OCEANE (equity component)		-	35.2
Purchase/sale of treasury shares		(0.2)	(35.5)
Change in share of interests in controlled entities [(f)]	3.4.3	(327.8)	(221.4)
Cash flows from financing activities		**(811.1)**	**(1,277.6)**
Impact of changes in exchange rates and other		0.1	22.2
TOTAL CASH FLOWS FOR THE PERIOD		**(169.8)**	**(142.6)**
OPENING CASH AND CASH EQUIVALENTS		**2,248.8**	**2,391.4**
CLOSING CASH AND CASH EQUIVALENTS	**13**	**2,079.0**	**2,248.8**

(a) In 2014, this flow included a exceptional dividend paid by Sino French Holding (SFH) following the disposal of its interest in Companhia de Electricidade de Macau (CEM).

(b) The change is primarily explained by the assignment of a financial receivable (IFRIC12) relating to the commissioning of an incinerator in France in 2014.

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

(d) In 2014, this item included 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 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).

(f) In 2015, the change is due to the acquisition of the outstanding 40% interest in Sembsita Pacific. See Note 2.8.
In 2014, the change was due mainly to the acquisition of 24.14% of Agbar, financed especially via 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.

1.6 Notes to the consolidated financial statements

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Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA, the Parent Company of the Group, is a 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 global player in the management of the water cycle and the waste cycle.

On February 23, 2016, 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, 2015.

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, 2014 and 2015, 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, 2015 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, 2015 are consistent with those applied in preparing the financial statements of December 31, 2014, with the exception of the items mentioned below in paragraph 1.2.1.

1.2.1 Standards, amendments and interpretations applied for annual periods beginning on January 1, 2015

The standards applied by the Group for the first time starting January 1, 2015 are the following:

- IFRIC 21 Interpretation – Levies;
- Annual improvements to IFRSs 2010 - 2012 Cycle;
- Annual improvements to IFRSs 2011 - 2013 Cycle;
- Amendments to IAS 19 –Defined benefit plans: Employee contributions

IMPACT OF THE FIRST APPLICATION OF THE NEW IFRIC 21 INTERPRETATION

The IFRIC 21 interpretation is applicable as of January 1, 2015 with retroactive effect.

This text states that the recognition of taxes which do not fall within the scope of IAS 12 depends on the terms of the relevant legislation. Accordingly, the liabilities for the payment of certain taxes may be recognized in full in the interim financial statements, if the contractual obligation took place before the closing date of the period in question.

The application of this interpretation has no significant impact on the Group's annual financial statements.

For the record, the impacts on the consolidated statement of financial position at December 31, 2014 are the following:

- Shareholders' equity, Group share for +€8.3 million;
- Deferred tax liabilities for +€4.3 million;
- Other liabilities for -€12.6 million.

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

1.2.2 IFRS standards and amendments applicable after 2015 that the Group has elected not to early adopt

AMENDMENTS PUBLISHED BY THE IASB AND ADOPTED BY THE EUROPEAN UNION

- Annual improvements to IFRSs 2012 - 2014 Cycle;
- Amendments to IFRS 11 - Accounting for acquisition of interests in Joint Operations;
- Amendments to IAS 1 - Disclosure initiative;
- Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation;

The impact resulting from the application of these amendments is currently being assessed.

STANDARDS AND AMENDMENTS PUBLISHED BY THE IASB AND NOT ADOPTED YET BY THE EUROPEAN UNION

- IFRS 9 – "Financial Instruments" (2);
- IFRS 15 – "Revenue from Contracts with Customers" (2);
- IFRS 16 - Leases (2);
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses (2);
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities applying the consolidation exception (2);
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or Joint Venture (2);

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

- IFRS 14 – "Regulatory Deferral Accounts" (2).

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

1.2.3 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.

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(2) *These standards and amendments have not yet been endorsed by the European Union.*

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);
- the measurement of capital renewal and replacement liabilities (see Note 1.5.6);
- the measurement of financial instruments (see Note 1.5.10);
- the measurement of unmetered revenues (see Note 1.5.16);
- the measurement of 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, 2015 and 2014".

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 and joint ventures are recorded respectively under «Investments in associates» and «Investments in joint ventures».

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 and joint ventures are respecively reported under «Share in net income (loss) of associates» and «Share in net income (loss) of joint ventures».

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;
- softwares.

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 1, 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 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). This stage of completion is determined on the proportion that costs incurred to date bear to the estimated total costs of the contract.

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 ANC Recommendation 2013-03 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.

- Costs linked to changes in the brand and visual identity.

In 2015, external service providers worked on the rebranding and change of visual identity. The fees for this work and the costs incurred through the rebranding and change of visual identity reached in 2015 a total of €27.5 million.

As they are expenses of an unusual nature and a significant amount, they are presented on a separate line in the income statement, between the current operating income and the income from operating activities.

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 2015

2.1 Strengthening of the Group's positions in the industrial water market

Acquisition of Poseidon

At the beginning of 2015, the Group acquired the company Poseidon for CAD27.4 million (approximately €20 million).

Established in Canada, Poseidon is specialized in the design and manufacture of compact and innovative flotation separation equipment for industrial water treatment.

The company generates annual revenues of CAD12.7 million (approximately €9 million).

Acquisition of B&V Group

On February 2, 2015, the Group acquired B&V Group for GBP12.6 million (approximately €17 million).

B&V Group is a British company specialized in water treatment chemicals, equipment and services for industry.

The company generates annual revenues of GBP11.7 million (approximately €16 million).

2.2 SUEZ is bringing together all of its activities under a single brand to accelerate its development

Operating in 70 countries, the SUEZ Group is represented by 40 brands (Sita, Degrémont, Lyonnaise des Eaux, Agbar, Aqualogy, United Water, Ondeo Industrial Solutions, Safege, etc.), following international development and the integration of new business lines.

From March 12, 2015, all the commercial brands that made up the Group have been brought together under a single brand: SUEZ environnement, focusing on the sustainable management of resources.

On July 28, 2015, the Board of Directors decided to complete this transformation by transitioning from "SUEZ environnement" to "SUEZ", a short, strong name and full of history.

The costs incurred by the rebranding and change of visual identity are presented on a separate line in the income statement. See Note 5.6.

2.3 New issue and redemption of outstanding undated deeply subordinated notes

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY successfully completed a third issue of undated deeply subordinated notes, for a total amount of €500 million, after an inaugural issue in September 2010 and another in June 2014.

The new notes will bear interest at a fixed rate of 2.5%, which will be revised for the first time seven years after issuance on the basis of the 5-year swap rate, and then every five years.

The funds raised are partly used for the redemption and repayment of hybrid bonds issued in September 2010 (which bore interest at a rate of 4.82%) for a nominal amount of €450 million.

As a result of these two transactions, the Group's outstanding hybrid bonds amounted to €1.0 billion as at December 31, 2015. See Note 15.6.

2.4 Arbitration proceedings against the Argentine Republic: arbitral judgment in favor of SUEZ

On April 9, 2015, the ICSID (International Centre for Settlement of Investment Disputes) delivered its ruling and ordered the Argentine Republic to pay USD405 million to Aguas Argentinas shareholders in damages for the harm suffered in connection with the termination of the Aguas Argentinas water and wastewater concession contract in Buenos Aires.

In early August 2015, the Argentine Republic petitioned an ad hoc ICSID committee to render this decision invalid.

In 1993, the Group's subsidiary *Aguas Argentinas* was awarded the contract to manage water and wastewater services in Buenos Aires. In 2006, the Argentine government terminated the contract.

On December 4, 2015, the ICSID issued its decision and ordered the Argentine Republic to pay USD211 million to the shareholders of *Aguas Provinciales de Santa Fe* for the termination of the concession contract.

Aguas Provinciales de Santa Fe, a Group's subsidiary, was awarded the water and wastewater services contract for several cities in the province of Santa Fe in 1995. The contract had been terminated by the Argentine government in 2006.

See Note 26.

2.5 Acquisition of Nantaise des Eaux Services

On April 28, 2015, SUEZ through its subsidiary Lyonnaise des Eaux, completed the acquisition of Nantaise des Eaux Services, a company specialized in the production and distribution of drinking water and wastewater collection and treatment.

Mainly implanted in the Western part of France and in Guadeloupe, the company generated revenues in 2014 for €38 million.

2.6 SUEZ signed an agreement to launch a leading environmental group in China

On December 31, 2015, SUEZ and its partner New World Services (NWS) finalized the cooperation agreement with Chongqing Water Assets Management Co (CWA) to jointly create Derun Environment, a leading group in water and waste activities in China.

Under the agreement, CWA transferred to Derun Environment 36.6% shares in Chongqing Water Group, a listed company at Shanghai Stock Exchange and 67.1% shares in Chongqing Sanfeng which operates waste-to-energy projects and provides related equipments and services. SUEZ and NWS contributed to Derun Environment the 13.4% shares they jointly owned in Chongqing Water Group (CWG) and a cash consideration. Upon completion of the agreement, CWA owns 74.9% of Derun Environment while SUEZ and NWS own 25.1%.

Thus, Derun Environment owns a 50.04% shareholding in Chongqing Water Group, whose market capitalisation amounts to CNY44.8 billion (€6.3 billion) as at December 31, 2015 and 67.1% of Chongqing Sanfeng. Derun Environment will become a development platform to tap into China's growing environmental-related businesses.

Upon completion of this transaction, the SUEZ Group holds significant influence in Derun Environment and CWG.

In accordance with the terms of IAS 28 "Investments in Associates and Joint Ventures", the interest formerly held in Chongqing Water Group was revalued at the date when significant influence was exercised.

The revaluation gain on this date is recorded in the consolidated income statement in the amount of €127 million. See Note 12.1.

2.7 Bond issues

The 2015 financial year featured the pursuit of a financial policy whose aim is to optimize the cost of debt and to extend maturities of debt instruments.

To accomplish this, SUEZ ENVIRONNEMENT COMPANY issued several bonds amounting to a total of €750 million.

See Note 13.3.3

2.8 SUEZ strengthens its position in Australia by acquiring the Sembcorp's minority stake in Sembsita Pacific Pte Ltd

On September 18, 2015 SUEZ and Sembcorp Industries signed an agreement for the acquisition of the 40% of Sembcorp's stake in Sembsita Pacific, a company that owns 100% of Sita Australia, for the amount of AUD485 million (around €312 million).

This transaction represents an opportunity for SUEZ to accelerate its development through the full integration of its water, waste and construction activities in Australia, while simultaneously developing cross-selling activities and pursuing operational synergies in the short term.

This transaction is financially accretive for SUEZ and is compliant with the selective financial investment criteria followed by the Group.

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;
- Recycling and Recovery 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;
- **Recycling and Recovery 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 as well as Safege, a consulting subsidiary of the Group.

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.

3.2 Key indicators by operating segment

Revenues

	December 31, 2015			December 31, 2014		
In millions of euros	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,677.1	47.1	4,724.2	4,476.5	39.6	4,516.1
Recycling and Recovery Europe	6,356.8	47.4	6,404.2	6,323.5	43.7	6,367.2
International	3,997.6	22.9	4,020.5	3,422.2	25.2	3,447.4
Other	103.2	107.9	211.1	101.9	105.5	207.4
Intercompany eliminations		(225.3)	(225.3)		(214.0)	(214.0)
TOTAL REVENUES	**15,134.7**	**-**	**15,134.7**	**14,324.1**	**-**	**14,324.1**

EBITDA

In millions of euros	December 31, 2015	December 31, 2014
Water Europe	1,321.3	1,245.0
Recycling and Recovery Europe	766.4	743.0
International	797.2	728.1
Other	(133.8)	(72.5)
TOTAL EBITDA	**2,751.1**	**2,643.6**

EBIT

In millions of euros	December 31, 2015	December 31, 2014
Water Europe	637.5	574.0
Recycling and Recovery Europe	305.7	264.8
International	591.3	519.7
Other	(153.6)	(103.8)
TOTAL EBIT	**1,380.9**	**1,254.7**

Depreciation and amortization

In millions of euros	December 31, 2015	December 31, 2014
Water Europe	(454.0)	(433.1)
Recycling and Recovery Europe	(444.4)	(448.8)
International	(197.8)	(175.0)
Other	(11.5)	(10.3)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,107.7)**	**(1,067.2)**

Capital employed

In millions of euros	December 31, 2015	December 31, 2014 [(a)]
Water Europe	6,598.2	6,671.3
Recycling and Recovery Europe	4,041.7	4,099.2
International	4,229.4	3,563.0
Other	138.5	(37.3)
TOTAL CAPITAL EMPLOYED	**15,007.8**	**14,296.2**

(a) Refer to Note 1.2.1. "Impact of the first application of the new IFRIC 21 interpretation: Levies".

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

In millions of euros	December 31, 2015	December 31, 2014
Water Europe	(582.0)	(448.3)
Recycling and Recovery Europe	(434.8)	(375.9)
International	(698.8)	(353.9)
Other	(30.2)	(314.2)
TOTAL INVESTMENTS	**(1,745.8)**	**(1,492.3)**

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, 2015	December 31, 2014	December 31, 2015	December 31, 2014 restated [(a)]
France	5,119.2	5,187.0	2,411.6	2,293.4
Europe	5,351.0	5,142.7	8,123.0	8,179.4
International	4,664.5	3,994.4	4,473.2	3,823.4
TOTAL	**15,134.7**	**14,324.1**	**15,007.8**	**14,296.2**

(a) Refer to Note 1.2.1.

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, 2015	December 31, 2014
CURRENT OPERATING INCOME	**1,115.1**	**1,011.2**
(+) Share in net income of equity-accounted companies considered as core business	266.4	243.5
(-) Other	(0.6)	-
EBIT	**1,380.9**	**1,254.7**
(-) Net depreciation, amortization and provisions	1,091.9	1,097.7
(-) Share-based payments [(a)]	6.8	13.3
(-) Disbursements under concession contracts	271.5	277.9
EBITDA	**2,751.1**	**2,643.6**

(a) The impact of Share Appreciation Rights is disclosed after hedging by warrants.
Moreover, this amount doesn't include long term incentive plans 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, 2015	December 31, 2014 [(a)]
(+) Tangible and intangible assets, net	12,488.5	12,285.1
(+) Goodwill, net	3,479.5	3,261.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	182.9	163.7
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	897.8	840.0
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	586.1	421.3
(+) Investments in associates (excluding Other comprehensive income net of taxes)	762.5	747.7
(+) Trade and other receivables	3,966.5	3,790.1
(+) Inventories	274.0	262.2
(+) Other current and non-current assets	1,826.2	1,672.2
(-) Provisions and actuarial losses/gains on pensions plans	(1,658.6)	(1,625.6)
(-) Trade and other payables	(2,991.2)	(2,871.2)
(-) Other current and non-current liabilities	(4,803.4)	(4,646.5)
(-) Other financial liabilities	(3.0)	(4.7)
CAPITAL EMPLOYED	**15,007.8**	**14,296.2**

(a) Refer to Note 1.2.1.

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, 2015	December 31, 2014
Investments in property, plant and equipment and intangible assets	(1,276.5)	(1,076.6)
Takeover of subsidiaries net of cash and cash equivalents acquired	(85.8)	(73.3)
Acquisitions of interests in associates and joint-ventures	(26.5)	(105.6)
Acquisitions of available-for-sale securities	(29.2)	(15.4)
Change in share of interests in controlled entities	(327.8)	(221.4)
TOTAL INVESTMENTS	**(1,745.8)**	**(1,492.3)**

Note 4 Current operating income

In millions of euros	December 31, 2015	December 31, 2014
Revenues	15,134.7	14,324.1
Purchases	(2,945.5)	(2,833.1)
Personnel costs	(3,818.4)	(3,656.4)
Depreciation, amortization and provisions	(1,091.9)	(1,097.7)
Other operating income and expenses	(6,163.8)	(5,725.7)
CURRENT OPERATING INCOME	**1,115.1**	**1,011.2**

4.1 Revenues

The following table shows Group's revenues per category:

In millions of euros	December 31, 2015	December 31, 2014
Sale, transport and distribution of electricity	413.2	406.5
Water, Recycling and Recovery Europe	13,256.3	12,680.9
Engineering and construction contracts and other services	1,465.2	1,236.7
TOTAL	**15,134.7**	**14,324.1**

4.2 Personnel costs

In millions of euros	December 31, 2015	December 31, 2014
Short-term benefits	(3,768.3)	(3,556.1)
Share-based payments or by cash payment	(16.9)	(16.9)
Post-employment benefit obligations and other long-term benefits	(33.2)	(83.4)
TOTAL	**(3,818.4)**	**(3,656.4)**

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 €39.3 million in 2015 for the companies included in the French tax consolidation group versus €39.6 million in 2014.

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, 2015	December 31, 2014
Depreciation and amortization	(1,107.7)	(1,067.2)
Depreciation of inventories, trade receivables and other assets	(11.6)	(34.5)
Net change in provisions	27.4	4.0
TOTAL	**(1,091.9)**	**(1,097.7)**

The depreciation breakdown is €707.1 million for property, plant and equipment and €400.6 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, 2015	December 31, 2014
Other operating income	**234.0**	**227.9**
Other operating expenses	**(6,397.8)**	**(5,953.6)**
Sub-contracting	(2,079.8)	(1,905.3)
Taxes excluding corporate income tax	(755.9)	(691.0)
Other expenses	(3,562.1)	(3,357.3)
TOTAL	**(6,163.8)**	**(5,725.7)**

“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, 2015	December 31, 2014
CURRENT OPERATING INCOME	**1,115.1**	**1,011.2**
MtM on operating financial instruments	0.6	(0.6)
Impairment on property, plant and equipment, intangible and financial assets	(80.4)	(105.2)
Restructuring costs	(71.4)	(58.0)
Scope effects	0.9	82.4
Other gains and losses on disposals and non-recurring items	4.1	0.2
Costs linked to changes in the brand and visual identity	(27.5)	-
INCOME FROM OPERATING ACTIVITIES	**941.4**	**930.0**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a gain of +€0.6 million at December 31, 2015, versus a loss of -€0.6 million in 2014 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, 2015	December 31, 2014
Impairments		
Goodwill	-	-
Property, plant and equipment and other intangible assets	(56.6)	(70.3)
Financial assets	(33.8)	(42.2)
Total	**(90.4)**	**(112.5)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	6.9	3.9
Financial assets	3.1	3.4
Total	**10.0**	**7.3**
TOTAL	**(80.4)**	**(105.2)**

5.2.1 Impairments of goodwill

No impairment on goodwill was recognized in 2015, pursuant to the procedure described in Note 9.3.

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

In 2015, as for 2014, this item mainly recognized impairment of property, plant and equipment in the Recycling and Recovery Europe and Water Europe operating segments.

5.2.3 Impairments of financial assets

In 2015, as for 2014, 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, 2015, this item mainly includes the reorganization costs in the three operating segments. At December 31, 2014, this item mainly included the costs of adaptation plans related to the business slowdown in the Recycling and Recovery Europe and International segments.

5.4 Scope effects

At December 31, 2015, this item includes mainly insignificant individual amounts.

At December 31, 2014, this item mainly included a revaluation gain for €64.5 million due to the assessment at fair value of Acea securities already held at January 1, 2014 following the gain of significant influence occurred in 2014.

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

In millions of euros	December 31, 2015	December 31, 2014
Disposals of property, plant and equipment and intangible assets	2.1	5.5
Disposals of shares	2.0	(5.3)
Total	**4.1**	**0.2**

In 2015, as for 2014, this item shows only insignificant individual amounts.

5.6 Costs linked to changes of brand and visual identity

In 2015, external service providers worked on the rebranding and change of visual identity. The fees for this work and the costs incurred through the rebranding and change of visual identity reached a total of €27.5 million as at December 31, 2015.

Expenses of an unusual nature and a significant amount are presented on a separate line in the income statement, between the current operating income and the income from operating activities.

Note 6 Net financial income/loss

In millions of euros	December 31, 2015 Expenses	Income	Total	December 31, 2014 Expenses	Income	Total
Cost of net debt	(415.3)	51.9	(363.4)	(432.8)	58.0	(374.8)
Other financial income and expenses	(95.3)	37.2	(58.1)	(83.8)	52.9	(30.9)
Financial income/(loss)	**(510.6)**	**89.1**	**(421.5)**	**(516.6)**	**110.9**	**(405.7)**

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, 2015 Expenses	Income	Total	December 31, 2014 Expenses	Income	Total
Interest expense on gross borrowings	(354.4)	-	(354.4)	(351.5)	-	(351.5)
Exchange gain/(loss) on borrowings and hedges	(31.4)	-	(31.4)	(49.6)	-	(49.6)
Unrealized income/(expense) from economic hedges on borrowings	-	0.4	0.4	(0.1)	-	(0.1)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	35.9	35.9	-	34.1	34.1
Capitalized borrowing costs	-	4.5	4.5	-	12.6	12.6
Financial income (expense) relating to a financial debt or receivable restructuring	(29.5)	11.1	(18.4)	(31.6)	11.3	(20.3)
Cost of net debt	**(415.3)**	**51.9**	**(363.4)**	**(432.8)**	**58.0**	**(374.8)**

6.2 Other financial income and expenses

In millions of euros	December 31, 2015 Expenses	Income	Total	December 31, 2014 Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(18.6)	-	(18.6)	(20.9)	-	(20.9)
Unwinding of discounting adjustment to long term provisions (except post employment)	(50.1)	-	(50.1)	(45.5)	-	(45.5)
Change in fair value of derivatives not included in net debt	-	0.3	0.3	-	0.5	0.5
Income from available-for-sale securities	-	9.7	9.7	-	24.5	24.5
Other	(26.6)	27.2	0.6	(17.4)	27.9	10.5
Other Financial Income and Expenses	**(95.3)**	**37.2**	**(58.1)**	**(83.8)**	**52.9**	**(30.9)**

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 €173.0 million (compared to €173.1 million in 2014) and breaks down as follows:

In millions of euros	**December 31, 2015**	**December 31, 2014**
Current income tax	(176.2)	(157.9)
Deferred taxes	3.2	(15.2)
Total income tax expense recognized in income	**(173.0)**	**(173.1)**

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, 2015	December 31, 2014
Net income	**613.3**	**600.5**
- Share in net income of associates and joint ventures	266.4	249.3
- Income tax expense	(173.0)	(173.1)
Income before income tax and share in net income of associates and joint ventures (A)	**519.9**	**524.3**
Of which French companies	*(27.7)*	*(2.2)*
Of which companies outside France	*547.6*	*526.5*
Statutory income tax rate of SUEZ ENVIRONNEMENT COMPANY (B) [(a)]	38.0%	38.0%
Theoretical income tax expense (C) = (A) x (B)	**(197.6)**	**(199.2)**
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)]	55.8	63.4
Permanent differences [(c)]	(43.4)	(24.7)
Income taxed at a reduced rate or tax-exempt [(d)]	(3.8)	5.8
Additional tax expense [(e)]	(46.2)	(68.4)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences [(f)]	(56.9)	(32.4)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences [(g)]	32.4	17.5
Impact of changes in tax rates [(h)]	0.3	(16.7)
Tax savings and credits [(i)]	68.9	40.3
Other [(j)]	17.3	41.3
Actual income tax expense	**(173.0)**	**(173.1)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)	**33.3%**	**33.0%**

(a) The overall corporate tax rate in France is 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 2015 between Chile (22.5%) and France. The corporate tax rate in Chile in 2014 was 21%.

(c) It includes the impact of the limitation on the deductibility of financial expenses to 75% in France in 2015 and 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 2014, this included the impact of taxation at the reduced rate of gains on the disposal of investments.

(e) Additional taxes in 2015 and 2014 are mainly attributable to the application in France of the 3% contribution on dividends paid out, to withholding taxes on dividends received. Moreover, in 2014, this items included the effect of residual tax on transfers of shareholdings within the Group.

(f) In 2015, this item includes an impact of -€30 million from the capping of deferred tax assets withint the French tax consolidation group (see 7.3.2).

(g) In 2015, the recognition of deferred tax within the Australian tax consolidation group amounts to €2.8 million (compared with €4.4 million in 2014). Furthermore, in 2015, this amount also includes reversals of deferred tax in assets, which having expired and gone unused, were then written off.

(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. Moreover, in 2015, this item includes tax credits perceived in Spain.

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

Stabilization of the effective tax rate at December 31, 2015 compared to that of 2014 can be explained by two contrary impacts that offset each other:

- The impact of the cap on deferred tax assets within the French tax consolidation group in 2015.
- The use of tax credits in Spain in 2015.

The relative low effective tax rate at December 31, 2015, as for 2014, 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, 2015	December 31, 2014
Deferred tax assets		
Loss carryforwards and tax credit	6.3	2.3
Pension obligations	(16.9)	(2.3)
Concessions arrangements	0.1	4.9
Non-deductible provisions	7.0	(9.3)
Differences between the carrying amount of PPE and their tax bases	24.4	38.2
Measurement of financial instruments at fair value (IAS 32/39)	(25.5)	(2.0)
Other	62.7	3.4
TOTAL	**58.1**	**35.2**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(3.0)	(31.1)
Concessions arrangements	(16.6)	(15.5)
Tax-driven provisions	(0.4)	(1.1)
Measurement of assets and liabilities at fair value (IAS 32/39)	(3.3)	(4.3)
Other	(31.6)	1.6
Total	**(54.9)**	**(50.4)**
Net Deferred Taxes	**3.2**	**(15.2)**

In 2015, the amounts appearing under "Other" in assets are primarily related to the recognition of deferred tax assets on tax credits received in Spain.

In 2015, as 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).

In 2014, the amounts reported in liabilities under «Differences between the carrying amount of PPE and their tax bases» included in addition:

- 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 accounting amortization is over a longer period;
- and the revaluation of deferred tax liabilities due to tax rate changes in Chile and Spain.

In 2015 and 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, 2015	December 31, 2014
Available-for-sale securities	0.1	(0.1)
Actuarial gains and losses	(18.6)	43.3
Net investment hedges	1.7	1.4
Cash flow hedges	(2.9)	1.5
Total excluding share of associates and joint ventures	**(19.7)**	**46.1**
Share of associates	2.2	7.9
Share of joint ventures	33.8	(14.7)
TOTAL	**16.3**	**39.3**

The impact in 2015 is primarily due to the tax effect of:

- actuarial gains on pension obligations and other long-term benefits in the International operating segment in the amount of €18.6 million;
- The reversal of the "Other comprehensive income" revaluation of Chongqing Water Group securities in the amount of €34 million, which were classified as available-for-sale securities in 2014 and are now consolidated via the equity method (see Notes 2 and 12).

The impact in 2014 came from 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, for €14.7million.

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, 2014 [(a)]	**790.7**	**(576.8)**	**213.9**
From income statement	58.1	(54.9)	3.2
From other comprehensive income	(31.5)	11.8	(19.7)
Scope effects	2.8	(7.7)	(4.9)
Translation adjustments	22.3	(30.5)	(8.2)
Other impacts	(2.4)	13.6	11.2
Deferred tax netting off by tax entity	(7.9)	7.9	-
At December 31, 2015	**832.1**	**(636.6)**	**195.5**

(a) See Note 1.2.1.

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, 2015	December 31, 2014 [(a)]
Deferred tax assets		
Loss carry-forwards and tax credit	424.5	400.1
Pension obligations	209.1	232.7
Concessions arrangements	113.9	102.1
Non-deductible provisions	189.7	188.3
Differences between the carrying amount of PPE and their tax bases	129.6	113.3
Measurement of financial instruments at fair value (IAS 32/39)	(35.3)	16.9
Other	319.7	248.8
Total	**1,351.3**	**1,302.2**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(937.0)	(896.1)
Concessions arrangements	(54.4)	(37.8)
Tax-driven provisions	(11.3)	(10.8)
Measurement of assets and liabilities at fair value (IAS 32/39)	(31.8)	(30.7)
Other	(121.3)	(112.8)
Total	**(1,155.8)**	**(1,088.2)**
Net Deferred Taxes	**195.5**	**213.9**

(a) See Note 1.2.1.

The deferred tax assets recognized on loss carry-forwards amounted to €424.5 million as of December 31, 2015 *versus* €400.1 million as of December 31, 2014.

In 2015, the Group generated net deferred tax assets within the French tax consolidation group. These assets are capped for an amount of €57 million, including €30million 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 2015 compared to December 31, 2014, and amounted to €301.4 million *versus* €308.0 million as of December 31, 2014.

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 as previously) 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, 2015, 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 €225.3 million for ordinary tax loss carry-forwards, *versus* €159.2 million as of December 31, 2014.

OTHER TEMPORARY DIFFERENCES NOT RECOGNIZED

The amount of deferred tax assets on other unrecognized temporary differences amounted to €55.2 million as of December 31, 2015, compared to €69.4 million as of December 31, 2014.

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, 2015	December 31, 2014
Numerator (in millions of euros)		
Net income, Group share	**407.6**	**417.2**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010	(6.4)	(32.5)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in June 2014	(15.0)	-
(+) expenses related to the partial redemption of the undated deeply subordinated notes	(12.6)	(15.5)
Adjusted Net Income, Group Share	**373.6**	**369.2**
Denominator (in millions)		
Weighted average number of outstanding shares	**539.0**	**518.2**
Earnings per share (in euros)		
Net income Group share per share	**0.69**	**0.71**
Net diluted income Group share per share	**0.68**	**0.69**

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 SUEZ ENVIRONNEMENT COMPANY stock options plans;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense of €6.3 million in 2015.

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, 2013	**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**
Scope effects	55.0	2.1	57.1
Impairment losses	-	-	-
Translation adjustments	115.9	(1.1)	114.8
Other	44.4	1.3	45.7
At December 31, 2015	**3,576.3**	**(96.8)**	**3,479.5**

In 2015, the net change in goodwill came to +EUR217.6 million. This is mainly the result of:

- the takeover of Poseidon for +EUR12.6 million and the acquisition of B&V Group for +EUR10.5 million in the International operating sector (refer to Note 2.1) ;
- translation adjustments (mainly related to fluctuations in the US dollar, the pound sterling, and Hong Kong dollar for +EUR111.1 million).

In 2014, the net change in goodwill came to +EUR167.0 million. This was mainly the result of:

- the takeover of Process Group in the International business for +EUR42.5 million;
- translation adjustments (mainly related to fluctuations in the US dollar, the pound sterling, and Hong Kong dollar for +EUR117,4 million).

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

In millions of euros	Operating segment	December 31, 2015	December 31, 2014
Material CGUs			
Sita France	Recycling and Recovery Europe	578.6	531.6
Agbar	Water Europe	565.7	537.9
Sita News	Recycling and Recovery Europe	506.4	505.2
United Water - regulated activity	International	480.4	430.7
Sita UK	Recycling and Recovery Europe	423.7	399.3
Lyonnaise des Eaux	Water Europe	311.6	306.2
Sita Waste Services	International	202.2	181.3
Sita Australia	International	163.3	160.2
Other CGUs (individual goodwill of less than €150 million or about 5% of total amount)		247.6	209.4
TOTAL		**3,479.5**	**3,261.9**

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, on the following year budget and on the medium-term plan (MTP) over four 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 2% and 3% depending on the activity, to normalized free cash flow[3] (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 2015 range from 4.7% to 6.6%.

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 [a]	5.3%
Sita News	DCF + confirmation by multiple [a]	5.4%
United Water - regulated activity	multiples [a] + DCF	4.7%
Agbar	DCF + confirmation by multiple [a]	5.8%
Sita UK	DCF + confirmation by multiple [a]	5.8%
Lyonnaise des Eaux	DCF + confirmation by multiple [a]	4.9%
Sita Waste Services	DCF + confirmation by multiple [a]	6.5%
Sita Australia	DCF + confirmation by multiple [a]	6.6%

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

(3) 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).

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:

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	33%	-24%	-21%	29%
Sita News	48%	-36%	-31%	41%
United Water - regulated activity	133%	-72%	-31%	56%
Agbar	53%	-41%	-35%	46%
Sita UK	42%	-32%	-27%	36%
Lyonnaise des Eaux	34%	-24%	-21%	30%
Sita Waste Services	38%	-31%	-26%	32%
Sita Australia	16%	-13%	-11%	14%

Moreover, we have ensured that, in 2015, 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, 2015**	**December 31, 2014**
Water Europe	887.3	853.9
Recycling and Recovery Europe	1,642.8	1,567.1
International	946.7	838.2
Other	2.7	2.7
Total	**3,479.5**	**3,261.9**

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, 2013	**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) (b)	5.2	(39.1)
Other	100.4 (d)	50.0 (c)	(87.2) (d)	63.2
At December 31, 2014	**634.5**	**5,384.2**	**1,155.4**	**7,174.1**
Acquisitions	47.8	210.1	85.6	343.5
Disposals	(2.7)	(101.9) (a)	2.2	(102.4)
Translation adjustments	(1.7)	18.0	26.5	42.8
Changes in scope of consolidation	0.3	25.3	7.5	33.1
Other	20.3	(7.4)	(98.5)	(85.6)
At December 31, 2015	**698.5**	**5,528.3**	**1,178.7**	**7,405.5**
B. Accumulated depreciation and impairment at December 31, 2013	**(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 (b)	(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)**
Depreciation	(58.9)	(283.3)	(58.4)	(400.6)
Impairment losses	-	(3.3)	(7.4)	(10.7)
Disposals	2.2	95.0 (a)	(2.4)	94.8
Translation adjustments	1.2	(3.2)	(8.5)	(10.5)
Changes in scope of consolidation	(0.1)	0.8	0.2	0.9
Other	(7.5)	13.0	26.8	32.3
At December 31, 2015	**(466.5)**	**(2,189.5)**	**(535.9)**	**(3,191.9)**
C. Carrying Amount				
At December 31, 2014	**157.3**	**3,424.8**	**731.9**	**4,314.0**
At December 31, 2014	**231.1**	**3,375.7**	**669.2**	**4,276.0**
At December 31, 2015	**232.0**	**3,338.8**	**642.8**	**4,213.6**

(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 2014 were 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 .

(c) The line "Other" of intangible rights arising on concession contracts in 2014 corresponded mainly to the revaluation of Lydec concession rights following the contract renegociation.

(d) These were 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 €95 million as of December 31, 2015, *versus* €120 million as of December 31, 2014, and were included in the column “Other”.

No significant impairment was posted in this asset category in 2015.

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 2014.

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, 2013	**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**
Acquisitions	14.5	78.3	173.7	58.9	-	532.0	58.9	916.3
Disposals	(16.2)	(65.0)	(190.3)	(113.2)	-	-	(63.8)	(448.5)
Translation adjustments	22.6	3.1	212.8	14.5	6.9	9.6	17.7	287.2
Changes in scope of consolidation	3.8	(4.1)	(9.3)	17.5	7.3	5.0	3.6	23.8
Other	75.5	45.7	272.5	62.8	4.5	(517.3)	2.7	(53.6)
At December 31, 2015	**1,944.3**	**3,353.4**	**7,717.2**	**1,509.9**	**552.4**	**683.9**	**471.9**	**16,233.0**
B. Accumulated depreciation and impairment								
At December 31, 2013	**(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)**
Depreciation	(58.2)	(129.3)	(338.8)	(119.0)	(0.2)	-	(61.6)	(707.1)
Impairment losses	(4.3)	(9.9)	(29.3)	(1.6)	-	(0.6)	(0.2)	(45.9)
Disposals	11.5	53.7	181.2	100.7	-	-	53.6	400.7
Translation adjustments	(22.9)	(6.2)	(58.6)	(10.7)	(6.9)	(1.2)	(10.4)	(116.9)
Changes in scope of consolidation	(2.6)	6.1	13.2	(11.6)	(7.3)	(0.6)	(1.8)	(4.6)
Other	(18.0)	25.6	(7.9)	(1.1)	(4.5)	-	20.3	14.4
At December 31, 2015	**(1,030.9)**	**(1,430.0)**	**(3,513.9)**	**(1,100.5)**	**(549.4)**	**(16.4)**	**(317.0)**	**(7,958.1)**
C. Carrying Amount								
At December 31, 2013	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
At December 31, 2015	**913.4**	**1,923.4**	**4,203.3**	**409.4**	**3.0**	**667.5**	**154.9**	**8,274.9**

In 2015, the main changes were as follows:

- Disposals include the scrap of fully amortized assets and sale of assets that are individually not significant;
- the main translation adjustments on the carrying amount of property, plant and equipment concern the Chilean peso (-€86 million), the US dollar (+€225 million) and the pound sterling (+€25 million).

In 2014, the main changes were as follows:

- the lines “Other” included in particular the recognition of new assets relating to finance leases in accordance with IAS 17 and have no impact on cash flow;
- the main translation adjustments on the carrying amount of property, plant and equipment concerned the Chilean peso (-€71 million), the US dollar (+€229 million) and the pound sterling (+€28 million).

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to €9.4 million at December 31, 2015 against €124.7 million at December 31, 2014. This significant decrease is primarily due to the cancelling of guarantees concerning the financing of the Zorbau incinerator by SE Deutschland following repayment of this loan.

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 €546.5 million at December 31, 2015, against €302.8 million at December 31, 2014. This change is mainly due to the increase in investment commitments for property, plant and equipment in Agbar totaling €142 million, for the Mapocho facility in Chile, and totaling €94.4 million for Sita UK for the Surrey Eco Park project, where construction began in 2015.

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		Share in net income/ (loss) of joint ventures	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
SFH group	259.8	251.3	27.0	152.2
Suyu group	257.0	216.6	142.6	10.8
Other	67.8	60.0	10.2	10.2
TOTAL	**584.6**	**527.9**	**179.8**	**173.2**

In millions of euros	December 31, 2015	December 31, 2014
Net income	179.8	173.2
Other comprehensive income (OCI)	(82.5)	102.9
Comprehensive income	**97.3**	**276.1**

The Group's largest joint ventures are Sino-French Holdings (SFH), based in Hong Kong, in which the Group has a 50% stake and Suyu, based in China, 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. At December 31, 2014, Suyu owned Chongqing Water securities in China, which were not in the scope of consolidation and were revalued in other comprehensive income.

At December 31, 2015, Suyu acquired a significant influence in Derun Environment, which now owns 50.04% of Chongqing Water Group. At this time, the Chongqing Water Group securities were revalued by the income statement (see Note 2).

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, 2015 [(a)]	December 31, 2014 [(a)]
Non-current assets	621.3	586.4
Current assets	81.9	129.7
of which Cash and cash equivalents	*53.1*	*99.0*
Total assets	**703.2**	**716.1**
Shareholders' equity, Group share	519.6	502.7
Non-controlling interests	4.3	3.8
Total shareholders' equity	**523.9**	**506.5**
Non-current liabilities	159.5	143.4
Current liabilities	19.8	66.2
Total shareholders' equity and liabilities	**703.2**	**716.1**

(a) *Includes chinese joint ventures held at 50% and equity accounted.*

Summarized Income Statement at 100%

In millions of euros	December 31, 2015 [(a)]	December 31, 2014 [(a)]
Revenues	72.5	60.1
Current operating income	(6.2)	(1.5)
Net income - group share [(b)]	54.0	304.5
Net income - non-controlling interests	1.1	1.0
Net income	55.1	305.5
Other comprehensive income (OCI)	35.5	82.8
Comprehensive income	90.5	388.3

(a) Chinese joint ventures are presented under equity method.

(b) of which the net disposal gain on Companhia de Electricidade de Macau (CEM) for an amount of € 129.6 million in 2014.

Dividends at 100%

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by SFH Group	460.4	18.8

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).

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

Summarized Statement of financial position at 100%

In millions of euros	December 31, 2015	December 31, 2014
Non-current assets [(a)]	806.0	504.2
Current assets	3.8	2.1
of which Cash and cash equivalents	*3.8*	*2.1*
Total assets	**809.8**	**506.3**
Shareholders' equity, Group share	513.9	433.3
Total shareholders' equity	**513.9**	**433.3**
Non-current liabilities	222.5	73.0
Current liabilities	73.4	0.0
Total shareholders' equity and liabilities	**809.8**	**506.3**

(a) Includes Derun held at 25.1% by Suyu and equity accounted for the year ended December 31st, 2015.

Summarized Income Statement at 100%

In millions of euros	December 31, 2015	December 31, 2014
Revenues	-	-
Current operating income	-	-
Net income [(a)]	285.2	21.6
Other comprehensive income (OCI) [(b)]	(204.6)	128.4
Comprehensive income	**80.6**	**150.0**

(a) At December 31, 2015, Suyu's income includes the revaluation of Chongqing Water Group's securities (see Note 2).

(b) At December 31, 2015, this amount may be explained by the reclassification of revaluations of Chongqing Water Group securities at fair market value in the income statement in 2015, which were formerly recognized in other comprehensive income in 2014. Please refer to Note 2.

Dividends at 100%

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by Suyu Group	-	21.5

12.2 Investments in associates

In millions of euros	Carrying amount of investments in associates		Share in net income/ (loss) of associates	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
In Agbar group	314.6	295.4	34.3	24.7
In Acea group	236.4	225.9	22.2	14.1
In the company Aquasure Holding [(a)]	100.6	105.1	16.5	21.4
In the company Arte SA de CV [(a)]	9.0	9.5	1.4	1.5
In the company Aquasystema Maribor [(a)]	5.8	6.0	0.7	1.3
In the company Degremont WTS Beijing [(a)]	2.5	2.3	-	-
In the company Brnenske Vodarny A Kanalizace	34.2	32.8	1.2	1.7
In Sita UK group	7.4	11.6	6.4	3.5
In Sita Belgium group	17.9	25.0	3.0	3.3
In United Water group	4.2	8.2	-	(0.2)
In Sita France group	7.4	3.7	(1.0)	(3.6)
Other	20.4	20.1	1.9	8.4
TOTAL	**760.4**	**745.6**	**86.6**	**76.1**

(a) These companies were presented in a single line named "Degrémont group" in 2014.

In millions of euros	December 31, 2015	December 31, 2014
Net income	86.6	76.1
Other comprehensive income (OCI)	(8.0)	(13.3)
Comprehensive income	**78.6**	**62.8**

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

The book value of Acea in the statement of financial position as of December 31, 2015 is €236.4 million. Its market value is €377.5 million.

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

Summarized Statement of financial position at 100%

In millions of euros	September 30, 2015 [(a)]	December 31, 2014
Non-current assets	4,404.3	4,271.1
Current assets	2,140.0	2,640.5
of which Cash and cash equivalents	*595.8*	*1,018.0*
Total assets	**6,544.3**	**6,911.6**
Shareholders' equity, Group share	1,481.2	1,430.6
Non-controlling interests	72.6	71.8
Total shareholders' equity	**1,553.8**	**1,502.4**
Non-current liabilities	3,267.5	3,598.7
Current liabilities	1,723.0	1,810.5
Total shareholders' equity and liabilities	**6,544.3**	**6,911.6**

(a) The consolidated financial statements of Acea group at December 31, 2015 are not available at the date of publication of the Group's 2015 consolidated financial statements.
In compliance with IAS 28 " Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2015 corresponds to the latest available information.

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

In millions of euros	September 30, 2015 [(a)]	September 30, 2014
Revenues	2,167.7	2,280.7
Gross operating profit	530.9	504.9
Operating profit /(loss)	284.8	274.5
Net income - group share	136.6	112.8
Net income - non-controlling interests	5.1	4.9
Net income	141.7	117.7
Other comprehensive income (OCI)	10.3	(14.0)
Comprehensive income	152.0	103.7

(a) The consolidated financial statements of Acea group at December 31, 2015 are not available at the date of publication of the Group's 2015 consolidated financial statements.
In compliance with IAS 28 " Investments in Associates and Joint Ventures", the summarized income statement at September 30, 2015 corresponds to the latest available information.

Dividends (at 100%)

In millions of euros	Dividends related to 2014	Dividends related to 2013
Dividends paid by Acea	95.8	89.4

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":

In millions of euros	December 31, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	180.1	-	180.1	163.7	-	163.7
Loans and receivables carried at amortized cost	767.4	4,096.8	4,864.2	722.7	3,909.8	4,632.5
Loans and receivables carried at amortized cost (excluding trade and other receivables)	767.4	130.3	897.7	722.7	119.7	842.4
Trade and other receivables	-	3,966.5	3,966.5	-	3,790.1	3,790.1
Financial assets measured at fair value	197.0	66.0	263.0	194.1	70.1	264.2
Derivative financial instruments	197.0	6.1	203.1	194.1	7.6	201.7
Financial assets measured at fair value through income	-	59.9	59.9	-	62.5	62.5
Cash and cash equivalents	-	2,079.0	2,079.0	-	2,248.8	2,248.8
TOTAL	**1,144.5**	**6,241.8**	**7,386.3**	**1,080.5**	**6,228.7**	**7,309.2**

13.1.1 Available-for-sale securities

In millions of euros	
AT DECEMBER 31, 2014	163.7
Acquisitions	29.2
Net book value of disposals	(2.7)
Changes in fair value posted to equity as other comprehensive income	(0.6)
Changes in fair value posted to income statement	(12.6)
Changes in scope, exchange rates and other	3.1
AT DECEMBER 31, 2015	**180.1**

The value of available-for-sale securities held by the Group amounts to €180.1 million as of December 31, 2015, which is divided between €23.4 million for listed securities and €156.7 million for unlisted securities (versus €15.1 million and €148.6 million respectively in 2014).

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			Profit (loss) on disposals
		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity [(a)]		(0.6)	-		
Net income	9.7	-		(12.6)	2.0
TOTAL AT DECEMBER 31, 2015	**9.7**	**(0.6)**	**-**	**(12.6)**	**2.0**
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)**

(a) *Excluding tax impact*

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.

13.1.2 Loans and receivables carried at amortized cost

	December 31, 2015			December 31, 2014		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**767.4**	**130.3**	**897.7**	**722.7**	**119.7**	**842.4**
Loans granted to affiliated companies [(a)]	218.3	43.2	261.5	195.6	44.1	239.7
Other receivables at amortized cost	85.7	54.4	140.1	104.2	25.5	129.7
Concession receivables	462.3	32.6	494.9	422.9	50.1	473.0
Finance lease receivables	1.1	0.1	1.2	-	-	-
Trade and other receivables	**-**	**3,966.5**	**3,966.5**	**-**	**3,790.1**	**3,790.1**
TOTAL	**767.4**	**4,096.8**	**4,864.2**	**722.7**	**3,909.8**	**4,632.5**

(a) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to €220.0 million as of December 31, 2015,versus €228.1 million as of December 31, 2014.

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

	December 31, 2015			December 31, 2014		
In millions of euros	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	986.4	(88.7)	897.7	922.8	(80.4)	842.4
Trade and other receivables	4,256.8	(290.3)	3,966.5	4,076.5	(286.4)	3,790.1
TOTAL	**5,243.2**	**(379.0)**	**4,864.2**	**4,999.3**	**(366.8)**	**4,632.5**

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):

		Remeasurement post-acquisition	
In millions of euros	Interests	Translation adjustment	Impairment
At December 31, 2014	50.7	0.6	(51.5)
At December 31, 2015	**68.8**	**0.1**	**(27.2)**

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:

In millions of euros	December 31, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	**197.0**	**6.1**	**203.1**	**194.1**	**7.6**	**201.7**
Debt-related derivatives (see Note 13.3.1)	164.6	4.6	169.2	180.6	6.5	187.1
Derivative hedging commodities (see Note 14.1.1.2)	-	0.4	0.4	-	0.5	0.5
Derivative hedging other items [(a)]	32.4	1.1	33.5	13.5	0.6	14.1
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	**-**	**59.9**	**59.9**	**-**	**62.5**	**62.5**
Financial assets measured at fair value through income (see Note 13.3.1)	-	59.9	59.9	-	62.5	62.5
TOTAL	**197.0**	**66.0**	**263.0**	**194.1**	**70.1**	**264.2**

(a) includes derivative financial instruments:

- for net investment hedging for €9.5 million at December 31, 2015, compared with €5.3 million at December 31, 2014.

- for the interest rate futures portion of debt-related derivatives not designated as hedges for €7.1 million at December 31, 2015, compared with €6.9 million at December 31, 2014.

- for forward interest pre-rate hedges maturing in 9 years with deferred start dates in 2017 and 2018, designated as cash flow hedge, for €7.6 million at December 31, 2015.

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, 2015 was €6.6 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 €2,079.0 million as of December 31, 2015 versus €2,248.8 million as of December 31, 2014.

This item mainly includes term deposits of less than three months in the amount of €543.7 million, versus €528.7 million as of December 31, 2014, and cash in the amount of €1,465.9 million versus €1,632.6 milion as of December 31, 2014.

In addition, restricted cash amounted to €32.2 million as of December 31, 2015.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2015 amounted to €29.3 million versus €33.9 million as of December 31, 2014.

13.1.5 Pledged and mortgaged assets

In millions of euros	December 31, 2015	December 31, 2014
Pledge and mortgaged assets	**108.7**	**120.8**

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, 2015, as well as their breakdown as "non-current" and "current":

In millions of euros	December 31, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,501.1	1,853.9	10,355.0	7,721.6	1,926.7	9,648.3
Derivative financial instruments	45.1	40.1	85.2	65.6	42.3	107.9
Trade and other payables	-	2,991.2	2,991.2	-	2,871.2	2,871.2
Other financial liabilities	3.0	-	3.0	4.7	-	4.7
TOTAL	**8,549.2**	**4,885.2**	**13,434.4**	**7,791.9**	**4,840.2**	**12,632.1**

13.2.1 Borrowings and debt

En millions d'euros	December 31, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	7,350.2	84.8	7,435.0	6,423.3	39.1	6,462.4
Commercial paper	-	786.5	786.5	-	854.0	854.0
Draw downs on credit facilities	112.4	14.8	127.2	190.9	81.2	272.1
Borrowings under finance leases	282.4	51.4	333.8	321.5	49.3	370.8
Other bank borrowings	585.8	141.8	727.6	607.2	111.0	718.2
Other borrowings	89.6	92.5	182.1	78.6	40.4	119.0
BORROWINGS (gross amounts)	**8,420.4**	**1,171.8**	**9,592.2**	**7,621.5**	**1,175.0**	**8,796.5**
Overdrafts and current cash accounts	-	570.1	570.1	-	647.1	647.1
OUTSTANDING FINANCIAL DEBT	**8,420.4**	**1,741.9**	**10,162.3**	**7,621.5**	**1,822.1**	**9,443.6**
Impact of measurement at amortized cost	(49.9)	112.0	62.1	(49.4)	104.6	55.2
Impact of fair value hedge	130.6	-	130.6	149.5	-	149.5
BORROWINGS AND DEBT	**8,501.1**	**1,853.9**	**10,355.0**	**7,721.6**	**1,926.7**	**9,648.3**

The fair value of borrowings and debt as of December 31, 2015 was €11,548.2 million for a net book value of €10,355.0 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 "Net financial income/loss". 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:

In millions of euros	December 31, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	6.9	29.4	36.3	8.3	29.9	38.2
Derivatives hedging commodities	-	7.8	7.8	-	7.7	7.7
Derivatives hedging other items [(a)]	38.2	2.9	41.1	57.3	4.7	62.0
TOTAL	**45.1**	**40.1**	**85.2**	**65.6**	**42.3**	**107.9**

(a) mainly includes derivative financial instruments: :
- for net investment hedge for € 11.0 million at December 31, 2015, compared with € 22.6 million at December 31, 2014.
- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for € 18.0 million at December 31, 2015, compared with € 32.5 million at December 31, 2014.

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, 2015	December 31, 2014
Trade payables	2,712.7	2,525.1
Payables on fixed assets	278.5	346.1
Total	**2,991.2**	**2,871.2**

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, 2015			December 31, 2014		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,420.4	1,741.9	10,162.3	7,621.5	1,822.1	9,443.6
Impact of measurement at amortized cost [(a)]	(49.9)	112.0	62.1	(49.4)	104.6	55.2
Impact of fair value hedge [(b)]	130.6	-	130.6	149.5	-	149.5
Borrowings and debts	**8,501.1**	**1,853.9**	**10,355.0**	**7,721.6**	**1,926.7**	**9,648.3**
Debt-related derivatives under liabilities [(c)]	6.9	29.4	36.3	8.3	29.9	38.2
Gross debt	**8,508.0**	**1,883.3**	**10,391.3**	**7,729.9**	**1,956.6**	**9,686.5**
Assets related to financing [(d)]	-	-	-	(2.5)	-	(2.5)
Assets related to financing	**-**	**-**	**-**	**(2.5)**	**-**	**(2.5)**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(59.9)	(59.9)	-	(62.5)	(62.5)
Cash and cash equivalents	-	(2,079.0)	(2,079.0)	-	(2,248.8)	(2,248.8)
Debt-related derivatives under assets [(c)]	(164.6)	(4.6)	(169.2)	(180.6)	(6.5)	(187.1)
Net cash	**(164.6)**	**(2,143.5)**	**(2,308.1)**	**(180.6)**	**(2,317.8)**	**(2,498.4)**
Net debt	**8,343.4**	**(260.2)**	**8,083.2**	**7,546.8**	**(361.2)**	**7,185.6**
Outstanding borrowings	8,420.4	1,741.9	10,162.3	7,621.5	1,822.1	9,443.6
Assets related to financing [(d)]	-	-	-	(2.5)	-	(2.5)
Financial assets measured at fair value through income excluding financial derivative instruments	-	(59.9)	(59.9)	-	(62.5)	(62.5)
Cash and cash equivalents	-	(2,079.0)	(2,079.0)	-	(2,248.8)	(2,248.8)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**8,420.4**	**(397.0)**	**8,023.4**	**7,619.0**	**(489.2)**	**7,129.8**

(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 increase in the non current portion of outstanding borrowings at December 31, 2015 is mainly due to bond issues presented in Note 13.3.3

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

13.3.2 Issue of Undated Deeply Subordinated Notes

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY has issued Undated Deeply Subordinated Notes amounting to €500 million with a coupon of 2.5%. Simultaneously, SUEZ ENVIRONNEMENT COMPANY has totally redeemed Undated Deeply Subordinated Notes from the tranche issued in 2010, for which the residual par value was €450 million.

As was the case for the 2010 and 2014 issues, this new issue is not recognized in financial debt, as it satisfies the conditions for recognition in shareholders' equity provided for by IAS 32 (See Note 2.3 "New issue and redemption of outstanding undated deeply subordinated notes" of the present chapter).

13.3.3 Bond and Commercial paper issues

In 2015, the Group continued a financial policy favoring optimization of the cost of debt and the extension of maturities.

As a result, on January 14, 2015, the Company's Board of Directors authorized renewal of the €6 billion Euro Medium-Term Note program and the use of a €1.5 billion issuance package. SUEZ ENVIRONNEMENT COMPANY issued several bonds under this policy:

- On June 26, 2015, SUEZ ENVIRONNEMENT COMPANY issued a €200 million bond with a variable coupon (Euribor 3M + 0.2%) maturing in 2017;
- On June 30, 2015, SUEZ ENVIRONNEMENT COMPANY issued a private placement of €50 million with a coupon of 2.25% maturing in 2030;
- On September 10, 2015, SUEZ ENVIRONNEMENT COMPANY issued a €500 million bond with a coupon of 1.75% maturing in 2025;
- In addition, on December 2, 2015, SUEZ ENVIRONNEMENT COMPANY restructured a private placement issued in 2009 in the amount of €250 million with a coupon of 5.20% maturing in 2017. This placement will now mature in 2027 and will have a coupon of 5.20% until 2017, then of 1.904% until maturity.

COMMERCIAL PAPER ISSUES

SUEZ ENVIRONNEMENT COMPANY has a commercial paper program. This program was renewed on June 15, 2015 and increased to €1,750.0 million. At December 31, 2015, the outstanding notes totaled €786.5 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, 2015, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

13.3.4 Securitization of receivables

Context

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

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 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, 2015, 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 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 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 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, 2015 are presented below:

In millions of euros		
Total of receivables sold over the period	2,523.3	
Gain / (loss) arising from sale over the period	(29.5)	*(b)*
Remuneration for CC1	1.0	*(c)*
Remuneration of services for follow-up and recovery of receivables transferred over the period	11.7	*(d)*
Outstanding receivables transferred as of December 31, 2015	409.8	*(a)*
Book value of CC1 as of December 31, 2015	42.1	*(e)*
Fair value of CC1	42.1	
Book value of CC2	*	
Residual maturity of CC1	17 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**351.0**	***(a) + (b) + (c) + (d) - (e)***

* *no security deposit known as "CC2" had been made as of December 31, 2015; payment of this deposit is subject to the conditions described above.*

13.3.5 Change in net debt

Net debt increased by €897.6 million during the year 2015, mainly for the following reasons:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €360.8 million (including the 3% tax on dividends distributed, for €10.5 million);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to €183.9 million (witholding taxes included);
- the purchase of Sembcorp's 40% interest in Sembsita Pacific amounting to €311.7 million (AUD 485 million);
- the exchange rate variations resulted in an increase of €203.5 million in net debt;
- the losses realized on the derivative financial instruments qualified as net investment hedge generated a €103.1 million increase of the net financial debt ;
- excess cash generated by the Group's activities generated a decrease in net debt of €471.1 million.

13.3.6 Debt/equity ratio

In millions of euros	December 31, 2015	December 31, 2014 restated
Net debt	8,083.2	7,185.6
Total equity	6,805.4	7,004.7
Debt/equity ratio	**118.8%**	**102.6%**

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 €23.4 million at December 31, 2015. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at €156.7 million at December 31, 2015 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, 2015, the change in Level 3 available-for-sale securities breaks down as follows:

In millions fo euros	
AT DECEMBER 31, 2014	**148.6**
Acquisitions	20.1
Disposals (book value of assets disposed)	(2.7)
Gains and losses posted to equity	(0.2)
Gains and losses posted to income	(12.6)
Changes in scope, exchange rates and other	3.6
AT DECEMBER 31, 2015	**156.7**

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a -€4.3 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 €897.7 million at December 31, 2015, may contain elements that contribute to a fair value hedging relationship. At December 31, 2015, 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, 2015 for €203.1 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 €59.9 million at December 31, 2015, 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, 2015				December 31, 2014			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	11,548.2	5,941.2	5,607.0		11,462.5	5,478.3	5,984.2	
Derivative financial instruments	85.2		85.2		107.9		107.9	
Debt-related derivatives	36.3		36.3		38.2		38.2	
Derivatives hedging commodities	7.8		7.8		7.7		7.7	
Derivatives hedging other items	41.1		41.1		62.0		62.0	
TOTAL	**11,633.4**	**5,941.2**	**5,692.2**	**-**	**11,570.4**	**5,478.3**	**6,092.1**	**-**

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, 2015, as at December 31, 2014, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, SUEZ 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, 2015				December 31, 2014			
	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)]	202.7	(77.4)	0.4	(7.8)	201.2	(100.2)	0.5	(7.7)
AMOUNT AFTER OFFSETTING	**180.2**	**(54.9)**	**0.4**	**(7.8)**	**180.8**	**(79.8)**	**0.5**	**(7.7)**

(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, 2015 and 2014 is presented in the table below:

	December 31, 2015				December 31, 2014			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	0.4	-	7.8	-	0.5	-	7.7	-
TOTAL	**0.4**	**-**	**7.8**	**-**	**0.5**	**-**	**7.7**	**-**

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

	December 31, 2015				December 31, 2014			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
ELECTRICITY	**0.4**	**-**	**-**	**-**	**0.5**	**-**	**-**	**-**
Swaps	0.4	-	-	-	0.5	-	-	-
OIL	**-**	**-**	**7.8**	**-**	**-**	**-**	**7.7**	**-**
Swaps	-	-	7.8	-	-	-	7.7	-
TOTAL	**0.4**	**-**	**7.8**	**-**	**0.5**	**-**	**7.7**	**-**

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 outside the eurozone (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, 50% of net debt was denominated in euro, 19% in US dollar, 5% in pound sterling, 14% in Chilean peso and 7% in Hong-Kong dollar at the end of 2015, compared to 53% in euro, 18% in US dollar, 6% in pound sterling, 14% in Chilean peso and 4% in Hong-Kong dollar at the end of 2014.

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, 2015		December 31, 2014	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	73%	56%	73%	61%
US$ zone	8%	15%	7%	13%
£ zone	4%	5%	4%	5%
CLP (Chilean peso)	12%	12%	11%	11%
AUD (Australian dollar)	0%	6%	0%	3%
Other currencies	3%	6%	5%	7%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2015		December 31, 2014	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	72%	50%	70%	53%
US$ zone	9%	19%	9%	18%
£ zone	4%	5%	5%	6%
CLP (Chilean peso)	14%	14%	14%	14%
AUD (Australian dollar)	0%	7%	0%	4%
Other currencies	1%	5%	2%	5%
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 derivative financial instruments), 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 of foreign currencies against euro would generate a gain or a loss of €7.3 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 of foreign currencies against euro would have a negative or positive impact on equity of €143.8 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 swaps), to protect itself from increases in rates in the currencies in which the debt is denominated.

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 Hong-Kong dollar, which represented 95% of net debt as of December 31, 2015.

In 2014 and 2015, 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

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, 2015		December 31, 2014	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	24%	33%	26%	33%
Fixed rate	67%	58%	65%	58%
Fixed rate indexed to inflation	9%	9%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2015		December 31, 2014	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	2%	13%	0%	10%
Fixed rate	87%	76%	88%	78%
Fixed rate indexed to inflation	11%	11%	12%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**

The inflation-linked debt corresponds exclusively to securities issued by Aguas Andinas in Chile. It involves fixed-rate bonds denominated in Unidad de Fomento (a Chilean monetary adjusted for inflation).

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 financial instruments with an interest rate component).

For **interest rate risk,** the sensitivity 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, inflation-linked debt included, and the floating-rate component of derivatives would have a negative or positive impact of €20.0 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €9.2 million in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would a contrario generate a loss of €9.8 million.

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 €45.8 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 €52.1 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, 2015		December 31, 2014	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	(1.3)	336.3	-	213.0
Cash-flow hedges	0.5	410.4	(2.2)	77.4
Net investment hedges	(0.7)	1,379.8	(17.3)	1,237.8
Derivative instruments not qualifying for hedge accounting	(22.6)	1,865.6	(23.3)	1,227.5
Total	**(24.1)**	**3,992.1**	**(42.8)**	**2,755.7**

Interest rate derivatives

	December 31, 2015		December 31, 2014	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	159.6	1,150.0	176.6	1,050.0
Cash-flow hedges	(10.6)	181.2	(33.1)	537.4
Derivative instruments not qualifying for hedge accounting	0.4	100.0	0.3	127.0
TOTAL	**149.4**	**1,431.2**	**143.8**	**1,714.4**

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, 2015, the net impact of fair value hedges recognized in the income statement, including compensation payments and redemption premium was -€0.6 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, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
Fair value of derivatives by maturity date	**(10.1)**	-	(2.7)	(4.3)	(0.4)	(1.3)	(1.4)

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)

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2015 amounted to €23.2 million (including impacts on associates).

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

Net investment hedges

No ineffective portion of derivatives must be recognized in income for net investment hedges.

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, 2015	183.5	21.5	54.9	259.9	406.9	3,590.0	**4,256.8**
At December 31, 2014	157.4	10.9	46.4	214.7	318.6	3,543.2	**4,076.5**

(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.* €7,206.2 million at December 31, 2015, and €7,1455 million at December 31, 2014).

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:

Loans and receivables carried at amortized cost (excluding trade and other receivables)	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	
In millions of euros	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2015	-	1.5	-	1.5	97.7	887.0	**986.2**
At December 31, 2014	-	-	0.3	0.3	106.3	815.8	**922.4**

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€88.7 million as of December 31, 2015 and €80.4 million as of December 31, 2014) or amortized cost (€0.2 million as of December 31, 2015 and €0.4 million as of December 31, 2014). 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, 2015, "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, 2015				December 31, 2014			
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	2,282.1	94%	3%	3%	2,450.5	92%	2%	6%

(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, 2015, the Group's total net cash stood at €2,308.1 million, consisting of cash and cash equivalents of €2,079.0 million, financial assets at fair value through income of €59.9 million, and debt-related derivatives recorded as assets of €169.2 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2015, the Group specifically had €2,148.3 million in confirmed credit facilities, including €127.2 million already drawn; unused credit facilities therefore totaled €2,021.1 million, €125.5 million of which will be maturing in 2016.

81% of total credit lines and 87% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As of December 31, 2015, bank funding accounted for 8.9% 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 77.5% and commercial paper for 8.2%) represented 85.7% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

At December 31, 2015, available cash, composed of cash and cash equivalents (€2,079.0 million) and financial assets measured at fair value through income (€59.9 million), net of bank overdrafts and liability current accounts (€570.1 million), amounted to €1,568.8 million versus €1,664.2 million at December 31, 2014.

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, 2015, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

At December 31, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
Bonds issues	7,435.0	84.8	423.5	206.8	837.1	456.9	5,425.9
Commercial paper	786.5	786.5					
Draw downs on credit facilities	127.2	14.8	26.7	29.1	35.1		21.5
Borrowings under finance leases	333.8	51.4	51.8	81.4	41.0	23.0	85.2
Other bank borrowings	727.6	141.8	116.9	120.1	127.5	85.0	136.3
Other borrowings	182.1	92.5	13.5	9.4	8.4	7.7	50.6
Overdrafts and current accounts	570.1	570.1					
Outstanding borrowings	**10,162.3**	**1,741.9**	**632.4**	**446.8**	**1,049.1**	**572.6**	**5,719.5**
Financial assets relating to financing							-
Financial assets measured at fair value through income	(59.9)	(59.9)	-	-	-	-	-
Cash and cash equivalents	(2,079.0)	(2,079.0)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**8,023.4**	**(397.0)**	**632.4**	**446.8**	**1,049.1**	**572.6**	**5,719.5**

At December 31, 2014

In millions of euros	Total	2015	2016	2017	2018	2019	Beyond 5 years
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, Financial assets measured at fair value through income and Cash and cash equivalents	(2,313.8)	(2,311.3)	-	-	-	-	(2.5)
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**

As of December 31, 2015, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,908.3**	360.7	362.5	326.5	298.2	239.6	1,320.8

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, 2015 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, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
Derivatives (excluding commodities)	**(90.7)**	17.8	(21.4)	(19.2)	(23.6)	(9.0)	(35.3)

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)

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

In millions of euros	**Total**	**2016**	**2017**	**2018**	**2019**	**2020**	**Beyond 5 years**
At December 31, 2015	**2,021.1**	125.5	28.5	79.9	127.5	1,650.9	8.8

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

Confirmed but unused lines of credit include a €1.5 billion multi-currency club deal (maturing in 2020).

As of December 31, 2015, no counterparty represented more than 7% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2015, available-for-sale securities held by the Group amounted to €180.1 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 €2.3 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, 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**
Purchase and disposal of treasury shares		(547,491)	547,491			(7.6)
Delivery of 2013 performance share plan	895,111		895,111	3.6	(3.6)	
Delivery of worldwide incentive share scheme 2013	1,514,528		1,514,528	6.1	(6.1)	
Allocation to the legal reserve					(0.9)	
At December 31, 2015	**542,643,468**	**1,959,749**	**540,683,719**	**2,170.6**	**4,406.8**	**29.4**

Changes in the number of shares during 2015 to 2,409,639 is due to the disbursement of free shares under the January 17, 2013 worldwide incentive share plan and SUEZ ENVIRONNEMENT COMPANY performance shares for the March 27, 2013 plan.

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 1,959,749 treasury shares held for the bonus share allocation plans as of December 31, 2015, compared to 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.

15.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (€3,856 million as of December 31, 2015), 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 2013 and 2014, the Board will propose a dividend, in this case €0.65 per share for a total of €351.4 million in cash based on the number of outstanding shares as of December 31, 2015, to the SUEZ ENVIRONNEMENT COMPANY ’s Shareholders’ Meeting convened to approve the financial statements for the fiscal year ended December 31, 2015.

Subject to approval by the Shareholders’ Meeting, this dividend will be paid out during the first half of 2016. This dividend is not recognized under liabilities in the financial statements at December 31, 2015 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, 2015	Change	Dec. 31, 2014	Change	Change [a]	January 1st, 2014
Available-for-sale securities	(0.8)	(0.5)	(0.3)	(68.4)	-	68.1
Net investment hedges	(152.1)	(88.8)	(63.3)	(80.3)	4.4	12.6
Cash-flow hedges (excluding commodities)	0.9	33.4	(32.5)	(8.4)	(0.8)	(23.3)
Commodity cash-flow hedges	(7.4)	(0.2)	(7.2)	(6.9)	-	(0.3)
Deferred tax on available-for-sale securities and hedges	12.7	0.3	12.4	2.1	-	10.3
Share of associates on reclassifiable items, net of tax	107.4	(82.5)	189.9	96.6	-	93.3
Share of joint ventures on reclassifiable items, net of tax	(4.8)	(8.2)	3.4	(12.9)	-	16.3
Translation adjustments	193.1	143.2	49.9	163.7	(8.1)	(105.7)
TOTAL reclassifiable items	**149.0**	**(3.3)**	**152.3**	**85.5**	**(4.5)**	**71.3**
Actuarial gains and losses	(290.4)	76.7	(367.1)	(174.9)	(1.0)	(191.2)
Deferred tax on actuarial gains and losses	78.9	(19.7)	98.6	41.9	0.3	56.4
Share of joint ventures on non reclassifiable items, net of tax	(0.5)	-	(0.5)	6.3	-	(6.8)
Share of associates on non reclassifiable items, net of tax	3.6	4.0	(0.4)	(0.4)	-	-
TOTAL non reclassifiable items	**(208.4)**	**61.0**	**(269.4)**	**(127.1)**	**(0.7)**	**(141.6)**
TOTAL	**(59.4)**	**57.7**	**(117.1)**	**(41.6)**	**(5.2)**	**(70.3)**

[a] *Changes in 2014 include the impact of Agbar other comprehensive income reclassification previously recognized in non controlling interests, 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 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 milion,for a total of €312.4 million;
- an issue of undated deeply subordinated notes of €500 million with an initial fixed coupon of 3%.

On March 30, 2015, SUEZ ENVIRONNEMENT COMPANY completed a third issue of undated deeply subordinated notes, for a total amount of €500 million. The new notes will bear interest at a fixed rate of 2.5%, which will be revised for the first time seven years after issuance on the basis of the 5-year swap rate, and then every five years.

The funds raised are partly used for the redemption and repayment of hybrid bonds issued in September 2010 for a nominal amount of €450 million.

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

As a result of these two transactions, the Group's outstanding hybrid bonds amounted to €1.0 billion as at December 31, 2015.

15.7 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

The change in "Non-controlling interests" between 2014 and 2015 may be explained primarily by the purchase of Sempcorp's interest in Sembsita Pacific for €120.9 million (see Note 2.8).

SUEZ fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 100% at December 31, 2015.

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 Group with a percentage of interest of 28.4%.

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%) are presented below.

They are extracted from the data published by the company.

Summarized Statement of financial position at 100%

In millions of euros	September 30, 2015 [(a)]	December 31, 2014
Non-current assets	1,918.2	2,016.7
Current assets	172.4	173.3
of which Cash and cash equivalents	*31.0*	*35.7*
Total assets	**2,090.6**	**2,190.0**
Shareholders' equity, Group share	800.7	832.6
Non-controlling interests	70.4	75.8
Total shareholders' equity	**871.1**	**908.4**
Non-current liabilities	1,010.9	1,040.9
Current liabilities	208.6	240.6
Total shareholders' equity and liabilities	**2,090.6**	**2,190.0**
Closing exchange rate CLP / EUR	778.1	733.6

(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, 2015 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

In millions of euros	**September 30, 2015** [(a)]	**30 September 2014**
Revenues	486.4	417.8
Operating profit /(loss)	215.3	189.1
Net income - group share	130.2	107.1
Net income - non-controlling interests	3.2	3.5
Net income	133.4	110.6
Other comprehensive income (OCI)	-	-
Comprehensive income	**133.4**	**110.6**
Average exchange rate CLP / EUR	712.8	760.0

(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 income statement at September 30, 2015 is extracted from the most recent published data (not audited).

Dividends (100%)

In millions of euros	**Dividends related to 2014**	**Dividends related to 2013**
Dividends paid by Aguas Andinas	167.5	153.5

The contribution of the Agbar group to “non-controlling interests” of the Group consolidated statement of financial position reaches €1,072.8 million out of a total of €1,385.6 million at December 31, 2015, *versus* €1,100.8 million out of a total of €1,518.5 million at December 31, 2014.

The contribution of €1,072.8 million at December 31, 2015 is primarily the result of the 71.6% non-controlling interest in Aguas Andinas in Chile.

Note 17 Provisions

As of December 31, 2015:

In millions of euros	December 31, 2014	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	December 31, 2015
Post-employment benefit obligations and other long-term benefits	774.3	45.6	(63.8)	(56.6)	1.0	18.7	23.9	(72.0)	671.1
Sector-related risks	113.6	3.7	(13.9)	(2.1)	-	-	0.1	(16.0)	85.4
Warranties	24.9	9.1	(11.9)	(0.9)	-	-	0.4	2.4	24.0
Tax risks, other disputes and claims	172.2	42.1	(53.1)	(0.3)	1.0	-	(0.9)	7.6	168.6
Site restoration	556.6	29.9	(63.5)	-	6.3	27.3	9.5	5.0	571.1
Restructuring costs	25.4	29.2	(10.6)	(0.1)	0.7	-	(0.2)	2.6	47.0
Other contingencies [(b)]	327.7	101.0	(74.9)	(1.6)	3.3	6.6	0.9	21.6	384.6
TOTAL PROVISIONS	**1,994.7**	**260.6**	**(291.7)**	**(61.6)**	**12.3**	**52.6**	**33.7**	**(48.8)**	**1,951.8**

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

(b) Provisions for "other contingencies" include a provision for onerous contracts for €100.0 million in 2015 versus €114.1 million in 2014, following the acquisition of WSN by Sita Australia in 2010.

As of December 31, 2015, the variation of total provisions mainly derives from:

- the decrease in provisions for post-employment and other long-term benefits of -€145.8 million excluding exchange rate impacts and unwinding discount adjustments. This variation takes into account actuarial gains about -€72.0 million, posted in the column «Other» of the above table;
- the decrease in provisions for sector-related risks of -€28.3 million excluding exchange rate impact;
- the translation adjustments of +€33.7 million, which are primarily generated by the American and British subsidiaries;
- the +€52.6 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 2015:

In millions of euros	(Reversals) / net allowances
Income from operating activities	(85.8)
Other financial income and expenses	52.6
Income tax expense	(6.9)
TOTAL	**(40.1)**

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, 2015, the Projected Benefit Obligation (PBO) for this senior executives’ plan was €81.8 million, *versus* €67.2 million at December 31, 2014. The average duration of the actuarial liability for the senior executives’ plans is 15 years. It should be noted that these plans are partially funded (28% of gross debt at December 31, 2015).

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, 2015, the PBO for the United Water defined-benefit pension plans was €394.1 million, *versus* €361.4 million at December 31, 2014. The average duration of the actuarial liability for the United Water plans is 15 years. It should be noted that these plans are funded up to 68% at December 31, 2015.

In addition, United Water commits to support a portion of healthcare costs of retirees. The corresponding actuarial liability amounted to € 84.6 million against € 1407 million at 31 December 2014. The change over 2015 is mainly explained by the fact that United Water has chosen to outsource management of its medical plan for retirees via a shared platform (OneExchange) which is responsible for overall management of medical records of the beneficiary population. In this context, United Water will no longer reimburse directly to the beneficiaries, medical expenses as given in the plan prior to its amendment but shall pay to the selected platform, a fixed annual premium covering all services offered. This plan amendment has the effect of reducing the commitment of €56.6 million.

Finally, 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, 2015, the PBO for the Sita UK retirement plans was €131.0 million, *versus* €129.2 million at December 31, 2014. 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 98% at December 31, 2015.

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 2016.

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, 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)**
Translation gains and losses	0.4	(23.9)	(23.5)
Actuarial gains and losses [(a)]	(0.9)	72.9	72.0
Changes in scope of consolidation and other	(0.4)	(2.4)	(2.8)
Expense of the period [(b)]	(0.1)	8.3	8.2
Contributions	0.4	48.3	48.7
BALANCE AT DECEMBER 31, 2015	**5.4**	**(671.1)**	**(665.7)**

(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 income for the year amounted to €8.2 million in 2014, against an expense of €50.7 million in 2014. In 2015, the main components are explained in section 18.2.3.

Accumulated actuarial gains and losses recognized in equity amounted -€293.3 million at December 31, 2015, against -€369.2 million at December 31, 2014. 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, 2015	Dec. 31, 2014
OPENING BALANCE	**(369.2)**	**(196.1)**
Actuarial gains and (losses) generated during the year [(a)]	72.0	(179.8)
Equity-accounted companies and other	3.9	6.7
CLOSING BALANCE	**(293.3)**	**(369.2)**

(a) on employee benefits.

The closing balance of actuarial gains and losses presented above includes actuarial gains and losses recognized in equity-accounted affiliates.

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 Group SUEZ, 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, 2015				December 31, 2014			
		Pension benefit obligations [(a)]	Other post-employment benefits [(b)]	Other long term benefits [(c)]	Total	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		**(1,050.0)**	**(291.3)**	**(21.2)**	**(1,362.5)**	**(826.8)**	**(224.9)**	**(21.1)**	**(1,072.8)**
Service Cost		(33.9)	(8.2)	(1.8)	(43.9)	(28.6)	(7.1)	(1.6)	(37.3)
Interest cost		(30.4)	(9.4)	(0.3)	(40.1)	(33.1)	(9.9)	(0.6)	(43.6)
Contributions paid		(1.5)	-	-	(1.5)	(1.5)	-	-	(1.5)
Amendments		0.8	56.6	-	57.4	3.5	-	0.3	3.8
Acquisitions/Disposals of subsidiaries		(2.3)	-	-	(2.3)	0.1	0.1	-	0.2
Curtailments/settlements		14.2	3.6	0.7	18.5	17.8	-	-	17.8
Special terminations		-	-	-	-	-	-	-	-
Financial actuarial gains and losses		80.2	15.4	1.0	96.6	(134.4)	(47.1)	(1.8)	(183.3)
Demographic actuarial gains and losses		(30.1)	8.8	(0.4)	(21.7)	(30.0)	7.1	2.6	(20.3)
Benefits paid		39.5	8.0	1.1	48.6	31.9	7.6	1.0	40.5
Other		(50.9)	(15.6)	(0.1)	(66.6)	(48.9)	(17.1)	-	(66.0)
Projected benefit obligation at the end of period	**A**	**(1,064.4)**	**(232.1)**	**(21.0)**	**(1,317.5)**	**(1,050.0)**	**(291.3)**	**(21.2)**	**(1,362.5)**
Change in fair value of plan assets									
Fair value of plan assets at the beginning of the period		**524.1**	**70.1**	**-**	**594.2**	**447.2**	**53.2**	**-**	**500.4**
Expected return on plan assets		18.6	3.3		21.9	19.8	3.0	-	22.8
Contributions received		45.2	6.9		52.1	48.1	10.2	0.9	59.2
Acquisitions/Disposals of subsidiaries		-	-		-	-	-	-	-
Curtailments/settlements		(6.4)	-		(6.4)	(15.0)	-	-	(15.0)
Actuarial gains and losses		2.5	(4.9)		(2.4)	21.5	3.1	-	24.6
Benefits paid		(42.7)	(8.0)		(50.7)	(33.7)	(7.6)	(0.9)	(42.2)
Other		35.2	7.9		43.1	36.2	8.2	-	44.4
Fair value of plan assets at the end of period	**B**	**576.5**	**75.3**	**-**	**651.8**	**524.1**	**70.1**	**-**	**594.2**
Funded status	**A+B**	**(487.9)**	**(156.8)**	**(21.0)**	**(665.7)**	**(525.9)**	**(221.2)**	**(21.2)**	**(768.3)**
Unrecognized past service cost					-				-
Net benefit obligation		**(487.9)**	**(156.8)**	**(21.0)**	**(665.7)**	**(525.9)**	**(221.2)**	**(21.2)**	**(768.3)**
TOTAL LIABILITIES		**(493.3)**	**(156.8)**	**(21.0)**	**(671.1)**	**(531.9)**	**(221.2)**	**(21.2)**	**(774.3)**
TOTAL ASSETS		**5.4**			**5.4**	**6.0**			**6.0**

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

In 2015, the decrease of the net liability is mainly attributable to higher discount rates over the period, resulting in an actuarial gain in equity of around €72 million, and by the recognition of an income primarily due to the healthcare plan amendment in the United States whose consequence is a decrease in liability for about €56.6 million. These items are partially offset by a foreign exchange effect that increases the commitment for about €24 million.

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

18.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2015 and 2014 breaks down as follows:

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Current service cost	(43.9)	(37.3)
Net interest expense on the net defined benefit liability	(18.7)	(20.9)
Actuarial gains or losses	0.6	0.8
Past service cost	57.4	3.9
Gains or losses on pension plan curtailments, terminations and settlements	12.8	2.8
Special terminations	-	-
Total	**8.2**	**(50.7)**
Of which recognized in current operating income	26.9	(29.8)
Of which recognized in financial income/(loss)	(18.7)	(20.9)

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	(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)**
Underfunded plans	(909.7)	600.5	-	-	(309.2)
Overfunded plans	(45.9)	51.3	-	-	5.4
Unfunded plans	(361.9)	-	-	-	(361.9)
Total December 31, 2015	**(1,317.5)**	**651.8**	**-**	**-**	**(665.7)**

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

	2015	2014
Securities	43%	39%
Bonds	30%	43%
Real Estate	2%	2%
Other (including money market securities)	25%	16%
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	19%	59%	76%	47%	21%
Bonds	41%	21%	24%	49%	43%
Real Estate	9%	0%	0%	0%	0%
Other (including money market securities)	31%	20%	0%	4%	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	
	2015	2014	2015	2014	2015	2014	2015	2014
Discount rate	3.3%	3.3%	3.8%	3.9%	2.3%	2.1%	3.4%	3.4%
Estimated future increase in salaries	2.9%	3.3%	2.3%	2.6%	2.7%	2.9%	2.8%	3.1%
Inflation Rate	2.1%	2.2%	2.2%	2.1%	2.1%	2.0%	2.1%	2.1%
Average remaining working lives of participating employees	17 years	14 years	18 years	16 years	19 years	19 years	17 years	14 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, 2014, the 2015 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 13%.

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 7%.

18.2.6 Geographical breakdown of obligations

In 2015, 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)]	(318.7)	(112.1)	(2.5)	0.0	(127.6)	(9.4)	(39.1)	(56.3)
Discount rate	2.2%	2.6%	3.9%	0.0%	4.6%	4.6%	2.6%	4.4%
Estimated future increase in salaries	2.3%	1.3%	4.1%	0.0%	3.3%	3.3%	3.3%	2.5%
Inflation Rate	2.0%	2.0%	3.1%	0.0%	2.2%	2.2%	1.3%	2.5%
Average remaining working lives of participating employees	19	20	19	0	15	18	17	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 2016

The Group expects to contribute to defined benefit plans in 2016 and to pay benefits for a total approximate amount of €86 million.

18.3 Defined contribution plans

In 2015, the Group SUEZ recorded a €60.1 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, 2015	Dec. 31, 2014
Amounts due from customers under construction contracts	141.4	95.6
Amounts due to customers under construction contracts	155.8	163.6
NET POSITION	**(14.4)**	**(68.0)**

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, 2015	Dec. 31, 2014
Cumulated cost incurred and margins recognized	3,063.0	3,362.7
Advances received	57.0	50.0
Retentions	23.7	32.2

For the design and construction contracts, the Group guarantees, by contract, its customers on the delivery of plants ready for operation. 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, 2015		Future minimum lease payments at Dec. 31, 2014	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	54.5	53.9	51.1	50.6
During years 2 to 5 inclusive	207.1	200.7	236.6	226.7
Beyond year 5	97.0	79.7	115.9	94.3
TOTAL FUTURE MINIMUM LEASE PAYMENTS [(a)]	**358.6**	**334.3**	**403.6**	**371.6**

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)]	334.3	53.9	200.7	79.7
Impact of discounting future repayments of principal and interest	24.3	0.6	6.4	17.3
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	**358.6**	**54.5**	**207.1**	**97.0**

(a) *Including amortized cost.*

Note 21 Operating leases

Operating lease income and expenses recognized for fiscal years 2015 and 2014 break down as follows:

In millions of euros	December 31, 2015	December 31, 2014
Minimum lease payments	(370.7)	(372.0)
Contingent lease payments	(7.3)	(9.3)
Sub-letting income	0.3	-
Sub-letting expense	(4.0)	(3.0)
Other operating lease expenses	(21.1)	(12.8)
TOTAL	**(402.8)**	**(397.1)**

Future minimum lease payments due under non-cancelable operating leases can be analyzed as follows:

In millions of euros	December 31, 2015	December 31, 2014
During year 1	211.8	231.7
During years 2 to 5 inclusive	504.3	410.4
Beyond year 5	401.5	356.8
TOTAL	**1,117.6**	**998.9**

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 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 €222 million at December 31, 2015 *versus* €263 million at December 31, 2014 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:

In millions of euros	Note	(Expense) for the period 2015	2014
Stock-option plans	23.1	-	(0.1)
Performance share plans [(a)]	23.2	0.4	-
Worldwide financial incentive scheme	23.3	(7.1)	(10.4)
Employees share issues [(b)]	23.4	(0.1)	(2.7)
Long-term incentive plan	23.5	(10.1)	(3.7)
TOTAL		**(16.9)**	**(16.9)**

(a) Expenses presented for performance share plans take into account the partial achievement of performance conditions of SUEZ ENVIRONNEMENT COMPANY plans. (Refer to 23.2.2)

(b) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the 2015 expense related to capital increases reserved for employees amounts to -€3.0 million and 2014 expense amounts to -€4.6 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 2015 are described in previous GDF SUEZ (became ENGIE) 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 12/31/2014	Exercised [(b)]	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2015	Expiration date	Residual life
12/17/2009 [(a)]	05/26/2009	12/17/2013	15.49	1,534,008	292,489	-	27,209	1,214,310	12/16/2017	2.0
12/16/2010 [(a)]	05/26/2009	12/16/2014	14.20	826,444	145,291		4,400	676,753	12/15/2018	3.0
TOTAL				**2,360,452**	**437,780**	**-**	**31,609**	**1,891,063**		

(a) Exercisable plans.

(b) Under specific circumstances such as retirement or death, the anticipated exercice of options is authorized.

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2015 was €16.93.

ENGIE 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 12/31/2014	Exercised [(b)]	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2015	Expiration date	Residual life
1/17/2007	04/27/2004	01/16/2011	36.62	1,579,604			1,579,604	-	1/16/2015	-
11/14/2007	05/04/2007	11/13/2011	41.78	1,248,941			1,248,941	-	11/13/2015	-
11/12/2008 [(a)]	07/16/2008	11/12/2012	32.74	1,009,410			1,400	1,008,010	11/11/2016	0.9
11/10/2009 [(a)]	05/04/2009	11/10/2013	29.44	379,506			700	378,806	11/9/2017	1.9
TOTAL				**4,217,461**	**-**	**-**	**2,830,645**	**1,386,816**		

(a) Exercisable plans.

(b) Under specific circumstances such as retirement or death, the anticipated exercice of options is authorized.

The average share price for ENGIE in 2015 was €17.32.

23.1.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

In 2015, no expense has been recorded in relation to the SUEZ ENVIRONNEMENT COMPANY stock option plans.

In millions of euros		Weighted average fair value	(Expense) for the period 2015	2014
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	3.3 €	-	-
SUEZ ENVIRONNEMENT COMPANY plan	12/16/2010	2.9 €	-	(0.1)
TOTAL			**-**	**(0.1)**

ENGIE PLANS

In 2015, as for 2014, no expense has been recorded in relation to the ENGIE stock option plans.

23.2 Performance share plans

23.2.1 Arrangements and grants

No performance share plan was granted since 2013. Arrangements relating to plans still in force in 2015 are described in previous GDF SUEZ (became ENGIE) 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 are not 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 2015, a profit of €1.8 million was recognized on the 2012 and 2013 SUEZ ENVIRONNEMENT COMPANY performance share plan to reflect the achievement level of performance conditions and consequently to cancel the expenses recognized in previous years.

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.

23.2.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, a net income of €0.4 million was recognized for the SUEZ ENVIRONNEMENT COMPANY performance share plans.

	Number of shares granted	Outstanding number of shares at 12/31/2015	Weighted average fair value	(Expense) for the period 2015	2014
December 2010 [(a)]	829,080	-	11.6 €	-	2.8
March 2012 [(a)]	828,710	248,453	8.8 €	1.5	0.7
March 2013	1,315,100	369,580	6.5 €	(1.1)	(3.5)
TOTAL				**0.4**	**-**

(a) *Taking into account in 2015 of a profit of € 1.8 million for partial achievement of the performance conditions.*

ENGIE PLANS

During the period, the impact of the performance share plans is not significant on the Group's accounts.

23.3 Worldwide incentive scheme

23.3.1 Arrangements and grant

No worldwide incentive scheme has been granted since 2013. Arrangements relating to plans still in force in 2015 are described in previous GDF SUEZ (became ENGIE) and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.3.2 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, an expense of -€4.8 million was recognized for the SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme.

	Number of shares granted	Outstanding number of shares at 12/31/2015	Weighted average fair value	(Expense) for the period 2015	2014
January 2013	3,018,720	1,504,192	6.2 €	(4.8)	(5.4)
TOTAL				**(4.8)**	**(5.4)**

ENGIE PLANS

During the period, an expense of -€2.3 million was recognized for the ENGIE worldwide incentive schemes.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2015	2014
June 2011 [(a)]	749,655	19.9 €	1.0	(1.4)
October 2012	1,140,525	11.7 €	(3.3)	(3.6)
TOTAL			**(2.3)**	**(5.0)**

(a) To reflect the definitive deliveries on the worldwide financial incentive scheme launched by ENGIE in June, 2011, a profit of € 1,7 million was recorded in 2015.

23.4 Employee share issues

The expense recorded during the period on current plans is as follows:

			(Expense) for the period 2015	2014
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share issue and matching shares in France	July 2014	-	(3.2)
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share Incentive Plan	July 2014	-	(0.1)
SUEZ ENVIRONNEMENT Sharing 2014 plan	Matching shares - International	July 2014	(0.2)	(0.1)
SUEZ ENVIRONNEMENT Sharing 2014 plan	Share Appreciation Rights	July 2014	0.6	1.0
SUEZ ENVIRONNEMENT Sharing 2011 plan	Matching shares - International	December 2011	(0.2)	(0.1)
SUEZ ENVIRONNEMENT Sharing 2011 plan	Share Appreciation Rights	December 2011	(0.3)	-
ENGIE Link 2010 plan	Matching shares - International	August 2010	-	(0.1)
ENGIE Link 2010 plan	Share Appreciation Rights	August 2010	-	(0.1)
TOTAL [(a)]			**(0.1)**	**(2.7)**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the expense of the year 2015 related to capital increases reserved for employees amounts to -€ 3.0 million versus -€ 4,6 million in the year 2014.

There was no employee share issue in 2015. The only impacts on 2015 income linked to employee share issues came from SARs and the amortization of international matching contributions for the Link 2010, Sharing 2011 and Sharing 2014 plans.

In 2015, the accounting impact of employee share issues was not material.

The arrangements relating to Sharing 2014, Sharing 2011 and Link 2010 plans are described in more detail in previous GDF SUEZ (became ENGIE) and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.5 Long-term incentive plan

The Board of Directors, in its meeting of January 14, 2015, has decided to implement a long-term incentive plan in the form of a cash bonus, whose total budget amounts to €15.2 million, which concerns 1,780 beneficiaries.

The vesting period runs from January 14, 2015 to March 30, 2018 included.

This cash bonus plan is conditional upon the following performance conditions:

For 607 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, concerning the trend of the Total Shareholder Return of SUEZ ENVIRONNEMENT COMPANY over the period between January 1, 2015 and December 31, 2017 included, compared with the trend in the Total Shareholder Return of the Eurostoxx Utilities indices over the same period;
- a non-market performance condition based on the Group's cumulative recurring net Income (defined as net income, Group share, excluding exceptional items) from January 1, 2015 to December 31, 2017 included;
- a non-market performance condition based on the Group's cumulative EBITDA from January 1, 2015 to December 31, 2017 included.

Furthermore, the amount of the payment to these 607 beneficiaries, can be increased or decreased by 10 % according to the level of the man / woman parity rate in the Group management on December 31, 2017.

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, 2015 and December 31, 2017 included.

Market performance condition is measured using Monte Carlo simulations.

The fair value of this plan, determined as of December 31, 2015, results in a total expense of -€11.4 million, recognized on a straight line basis over the duration of the plan.

During the exercise 2015, both long-term incentive plans 2014 and 2015 generated an expense of -€10,1 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, 2015 and 2014”. Only material transactions are described below.

24.1 Transactions with ENGIE and related entities

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Transactions with ENGIE		
Purchases/sales of goods and services	(0.3)	5.7
Non financial payables	3.0	0.3
Non financial receivables	0.7	0.4
Receivables carried at amortized cost [(a)]	19.5	21.1
Transactions with companies linked to ENGIE		
Purchases/sales of goods and services	2.2	0.6
Non financial receivables	27.9	29.7
Non financial payables	2.1	3.2
Borrowings excluding financial instruments	1.1	0.9
Commodity derivatives (Liabilities)	4.7	2.5
Guarantees and commitments given	-	0.5

(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 (Australia). 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 2015.

Note 25 Executive compensation

The Group's key executives were the nine members of the Management Committee at December 31, 2015. Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2015	Dec. 31, 2014
Short-term benefits	7.3	6.9
Post-employment benefit [(a)]	0.8	1.1
Share-based payments [(b)]	0.2	(0.2)
Long Term Incentive Plan	0.9	0.2
TOTAL	**9.2**	**8.0**

(a) Post-employment benefits relate to the SUEZ 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.

Note 26 Legal and arbitration proceedings

26.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €168.6 million as of December 31, 2015 (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 ENGIE – 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 USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE 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.

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. Regarding the Buenos Aires concession, ICSID rendered its decision on April 9, 2015 ordering the Argentine Republic to pay Aguas Argentinas shareholders USD 405 million in damages (including USD 346 million to SUEZ and its subsidiaries). In early August 2015, the Republic of Argentina petitioned an ad hoc ICSID committee to render this decision invalid.

The ICSID ruled against the Republic of Argentina on December 4, 2015, ordering it to pay USD 211 million regarding the termination of the Santa Fe concession contract. The Republic of Argentina may initiate proceedings to invalidate the ruling.

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

26.2 Tax litigation

Sociedad General de Aguas de Barcelona

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

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million.

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

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

- Agbar obtained a court ruling in its favor with regard to the 1995-1998 fiscal years and the situation may be summarized as follows:
  - Fiscal year 1995: Proceedings ended with a ruling in favor of Agbar.
  - Fiscal year 1996: Proceedings ended with a ruling in favor of Agbar, which already received a repayment of € 4.1 million, in addition to €1 million in interest.
  - Fiscal year 1997: Proceedings ended with a ruling in favor of Agbar.
  - Fiscal year 1998: Proceedings ended with a ruling in favor of Agbar.

- With regard to the reassessments notified for 1999-2001:

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 Appeals 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.

- With regard to the reassessments notified for 2002-2004:

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.

In July 2015, Agbar was awarded a partially favorable decision in the Court of Appeals and submitted an appeal on points of law to the Supreme Court with regard to the reassessments that were upheld.

Note 27 Subsequent events

There is no significant subsequent event.

Note 28 List of the main consolidated companies at December 31, 2015 and 2014

This note aims 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. 2015	Dec. 2014	Dec. 2015	Dec. 2014	Dec. 2015	Dec. 2014
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	100.0	99.4	100.0	99.4	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
SERAMM	35 boulevard du Capitaine Gèze, 13014 Marseille - France	100.0	100.0	100.0	100.0	FC	FC
AGBAR	Edificio D38 – Passeig Zona Franca 08038 Barcelona – Spain	100.0	99.5	100.0	99.5	FC	FC
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso 4, Santiago – Chile	28.4	28.2	50.1	50.1	FC	FC
UTILITY SERVICES CO, Inc	1230 Peachtree Street NE, Suite 1100, Promenade II Building, Atlanta, GA 30309 – United States of America	100.0	100.0	100.0	100.0	FC	FC
	RECYCLING AND RECOVERY EUROPE						
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES – United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999 Köln – Germany	100.0	100.0	100.0	100.0	FC	FC
SITA NEDERLAND BV	Meester E.N. van Kleffensstraat 10, 6842 CV Arnhem – Netherlands	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	Avenue Charles-Quint 584 7 1082 Berchem, Sainte-Agathe – Belgium	100.0	100.0	100.0	100.0	FC	FC
SOCALUX	Lamesch SA ZI Wolser Nord BP 75 - L3201 Bettembourg, Luxembourg	100.0	100.0	100.0	100.0	FC	FC
SITA CZ	Spanelska 10/1073, 12000 Praha 2, Vinohrady - Czech Republic	100.0	100.0	100.0	100.0	FC	FC
SITA POLSKA	Zawodzie 5, 02-981 Warszawa – Poland	100.0	100.0	100.0	100.0	FC	FC
SITA SVERIGE AB.	Kungsgardsleden, 26271 Angelholm – Sweden	100.0	100.0	100.0	100.0	FC	FC
SITA SUOMI OY	Sahaajankatu 49 - 00880 Helsinki - Finland	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. 2015	Dec. 2014	Dec. 2015	Dec. 2014	Dec. 2015	Dec. 2014
	INTERNATIONAL						
SITA WASTE SERVICES	Room 702, 7/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay – Hong Kong	100.0	100.0	100.0	100.0	FC	FC
SITA AUSTRALIA	Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australia	100.0	60.0	100.0	60.0	FC	FC
AQUASURE HOLDING Ltd	492 St Kilda Road - level 7 Melbourne, VIC 3004 – Australia	20.8	20.8	20.8	20.8	EM	EM
SEAH	Level 7, 5 Rider Blvd Rhodes Sydney, New South Wales, 2138 - Australia	100.0	100.0	100.0	100.0	FC	FC
SUEZ Water Inc.	461 From Road Suite 400, Paramus 07652 New Jersey – United States of America	100.0	100.0	100.0	100.0	FC	FC
MACAO WATER	718 avenida do Conselheiro, Macao – China	42.5	42.5	Consolida-ted via SFH	Consolida-ted via SFH	EM	EM
DEGREMONT SAS	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
DEGREMONT France	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 – Morocco	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
PT PAM LYONNAISE JAYA	Dipo Tower 16th Floor Jl. Jend. Gatot Subroto Kav 51-52, Jakarta Pusat 10260 – Indonesia	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
SAFEGE SAS	15, rue du Port, Nanterre - France	100.0	100.0	100.0	100.0	FC	FC

(a) FC : Full consolidation.
EM : Equity method of consolidation.

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 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	2015	2014	2015	2014	2015	2014	2015	2014
Audit								
Statutory Audits, attest engagements, review of individual and consolidated accounts								
SUEZ ENVIRONNEMENT COMPANY SA	705	703	9%	9%	581	580	10%	11%
Fully consolidated subsidiaries and joint operations	5,181	5,250	69%	64%	4,890	4,342	83%	81%
Other audit procedures and incidental assigments in relation to Auditor's engagement to the Statutory Auditor's mission								
SUEZ ENVIRONNEMENT COMPANY SA	293	375	4%	5%	110	272	2%	5%
Fully consolidated subsidiaries and joint operations	1,044	1,290	14%	16%	309	153	5%	3%
SUB-TOTAL	**7,223**	**7,618**	**96%**	**94%**	**5,890**	**5,347**	**100%**	**100%**
Other Services								
Tax	324	496	4%	6%	-	6	-	0%
Other	-	-	-	-	-	-	-	-
SUB-TOTAL	**324**	**496**	**4%**	**6%**	**-**	**6**	**-**	**0%**
TOTAL	**7,547**	**8,114**	**100%**	**100%**	**5,890**	**5,353**	**100%**	**100%**

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, 2015

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, 2015

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, 2015, 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 your group as at December 31, 2015 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.

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, your 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 your 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, your 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 your 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 23, 2016

The statutory auditors
French original signed by

MAZARS		ERNST & YOUNG ET AUTRES	
Isabelle Massa	Gonzague Senlis	Jean-Pierre Letartre	Stéphane Pédron