CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

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

CONTENTS

1 Consolidated financial statements

1.1 Consolidated statements of financial position

In millions of euros	Note	December 31, 2016	December 31, 2015
Non-current assets			
Intangible assets, net	10	4,223.0	4,213.6
Goodwill	9	3,646.9	3,479.5
Property, plant and equipment net	11	8,279.8	8,274.9
Available-for-sale securities	13	138.3	180.1
Loans and receivables carried at amortized cost	13	739.9	767.4
Derivative financial instruments	13	198.2	197.0
Investments in joint ventures	12.1	915.7	584.6
Investments in associates	12.2	980.8	760.4
Other assets		292.2	302.9
Deferred tax assets	7	783.1	832.1
TOTAL NON-CURRENT ASSETS		**20,197.9**	**19,592.5**
Current assets			
Loans and receivables carried at amortized cost	13	139.4	130.3
Derivative financial instruments	13	31.2	6.1
Trade and other receivables	13	4,041.4	3,966.5
Inventories		262.7	274.0
Other assets		1,492.6	1,523.3
Financial assets measured at fair value through income	13	62.3	59.9
Cash and cash equivalents	13	2,924.7	2,079.0
TOTAL CURRENT ASSETS		**8,954.3**	**8,039.1**
Assets classified as held for sale	11	131.8	-
TOTAL ASSETS		**29,284.0**	**27,631.6**
Shareholders' equity, Group share		5,495.9	5,419.8
Non-controlling interests	16	1,869.9	1,385.6
TOTAL SHAREHOLDERS' EQUITY		**7,365.8**	**6,805.4**
Non-current liabilities			
Provisions	17	1,573.7	1,458.0
Long-term borrowings	13	8,665.5	8,501.1
Derivative financial instruments	13	45.6	45.1
Other financial liabilities	13	10.4	3.0
Other liabilities		931.1	911.5
Deferred tax liabilities	7	654.5	636.6
TOTAL NON-CURRENT LIABILITIES		**11,880.8**	**11,555.3**
Current liabilities			
Provisions	17	505.8	493.8
Short-term borrowings	13	2,499.8	1,853.9
Derivative financial instruments	13	62.8	40.1
Trade and other payables	13	3,063.6	2,991.2
Other liabilities		3,812.9	3,891.9
TOTAL CURRENT LIABILITIES		**9,944.9**	**9,270.9**
Liabilities directly associated with assets classified as held for sale	11	92.5	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**29,284.0**	**27,631.6**

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.

1.2 Consolidated income statements

In millions of euros	Note	December 31, 2016	December 31, 2015
Revenues	4.1	15,322.0	15,134.7
Purchases		(2,995.9)	(2,945.5)
Personnel costs		(3,990.2)	(3,818.4)
Depreciation, amortization and provisions		(1,091.3)	(1,091.9)
Other operating expenses		(6,327.1)	(6,397.8)
Other operating income		184.1	234.0
CURRENT OPERATING INCOME	**4**	**1,101.6**	**1,115.1**
Mark-to-market on operating financial instruments		(1.3)	0.6
Impairment on property, plant and equipment, intangible and financial assets		(159.5)	(80.4)
Restructuring costs		(76.1)	(71.4)
Scope effects		182.9	0.9
Other gains and losses on disposals and non-recurring items		91.3	4.1
Costs linked to changes in the brand and visual identity		(28.1)	(27.5)
INCOME FROM OPERATING ACTIVITIES	**5**	**1,110.8**	**941.4**
Share in net income of equity-accounted companies considered as core business		179.0	266.4
of which: share in net income (loss) of joint ventures [(a)]	12.1	*84.4*	*179.8*
of which: share in net income (loss) of associates	12.2	*94.6*	*86.6*
INCOME FROM OPERATING ACTIVITIES after share in net income of equity-accounted companies considered as core business		**1,289.8**	**1,207.8**
Financial expenses		(516.9)	(510.6)
Financial income		93.4	89.1
Net financial income (loss)	**6**	**(423.5)**	**(421.5)**
Income tax expense	7	(243.5)	(173.0)
NET INCOME		**622.8**	**613.3**
of which: Group share		420.3	407.6
Non-controlling interests		202.5	205.7
Net Income (Group share) per share (in euros)	**8**	**0.72**	**0.69**
Net diluted income (Group share) per share (in euros)	**8**	**0.70**	**0.68**

(a) The SUEZ group acquired a significant shareholding in the Chongqing Water Group (CWG) in 2015. CWG shares held previously were adjusted at fair value through the income statement. The gain from revaluation amounted to EUR127 million.

1.3 Consolidated statements of comprehensive income

In millions of euros	December 31, 2016	December 31, 2016 of which Group share	December 31, 2016 of which non controlling interests	December 31, 2015	December 31, 2015 of which Group share	December 31, 2015 of which non controlling interests
Net income	**622.8**	**420.3**	**202.5**	**613.3**	**407.6**	**205.7**
Available-for-sale securities	(1.8)	(1.8)	-	(0.6)	(0.5)	(0.1)
Net investment hedges	(3.1)	(3.1)	-	(88.8)	(88.8)	-
Cash flow hedges (excluding commodities)	(15.0)	(17.8)	2.8	38.5	33.4	5.1
Commodity cash-flow hedges	6.2	6.2	-	(0.2)	(0.2)	-
Deferred taxes on items above	(0.2)	0.6	(0.8)	(1.2)	0.3	(1.5)
Share of joint ventures in reclassifiable items, net of taxes	(24.0)	(24.0)	-	(82.5)	(82.5) (a)	-
Share of associates in reclassifiable items, net of taxes	(56.3)	(56.3)	-	(8.2)	(8.2)	-
Translation adjustments	21.9	(113.5)	135.4	97.9	143.2 (b)	(45.3)
Total reclassifiable items	**(72.3)**	**(209.7)**	**137.4**	**(45.1)**	**(3.3)**	**(41.8)**
Actuarial gains and losses	(121.0)	(116.0) (c)	(5.0)	72.0	76.7	(4.7)
Deferred taxes on actuarial gains and losses	1.8	0.6	1.2	(18.5)	(19.7)	1.2
Share of joint ventures in non-reclassifiable items, net of taxes	0.5	0.5	-	-	-	-
Share of associates in non-reclassifiable items, net of taxes	(8.6)	(8.6)	-	4.0	4.0	-
Total non-reclassifiable items	**(127.3)**	**(123.5)**	**(3.8)**	**57.5**	**61.0**	**(3.5)**
COMPREHENSIVE INCOME	**423.2**	**87.1**	**336.1**	**625.7**	**465.3**	**160.4**

(a) This change was 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.

(b) This change was primarily explained by the appreciation of the American dollar.

(c) This change is explained primarily by the lowering of the discount rate in the actuarial calculation of pensions.

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, 2014 published		**540,233,829**	**2,160.9**	**4,417.4**	**(2,154.0)**	**(7.4)**	**159.7**	**(37.0)**	**938.3**	**5,477.9**	**1,518.5**	**6,996.4**
IFRIC 21 restatements [(a)]					8.3					8.3		8.3
Shareholders' equity at December 31, 2014 restated		**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)					(7.9)				(450.0)	(457.9)		(457.9)
Issue of new undated deeply subordinated note									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	9.7	(10.6)	0.9					-	-	-
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**	**2,170.6**	**4,406.8**	**(2,260.2)**	**(171.5)**	**320.6**	**(29.4)**	**982.9**	**5,419.8**	**1,385.6**	**6,805.4**

(a) Figures at December 31, 2014 have been changed for comparability purposes to reflect the application of IFRIC 21 interpretation.
(b) This corresponds primarily to SUEZ's purchase of Sembcorp's 40% interest in Sembsita Pacific.

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, 2015		**542,643,468**	**2,170.6**	**4,406.8**	**(2,260.2)**	**(171.5)**	**320.6**	**(29.4)**	**982.9**	**5,419.8**	**1,385.6**	**6,805.4**
Net income					420.3					420.3	202.5	622.8
Other comprehensive income items					(123.5)	(69.1)	(140.6)			(333.2)	133.6	(199.6)
Comprehensive income					**296.8**	**(69.1)**	**(140.6)**			**87.1**	**336.1**	**423.2**
Share-based payment					6.8					6.8		6.8
Dividends distributed in cash				(10.9)	(341.8)					(352.7)	(212.5)	(565.2)
Interests of undated deeply subordinated notes issue					(27.5)					(27.5)		(27.5)
Purchase/sale of treasury shares					(2.6)			0.8		(1.8)		(1.8)
Capital increase [(a)]	15.1	21,757,778	87.0	236.4	7.7					331.1		331.1
Susbcription of non-controlling interests [(b)]										-	16.9	16.9
Transactions betw een shareholders [(c)]					41.3					41.3	106.4	147.7
Business combinations [(d)]										-	237.8	237.8
Other changes					(8.1)					(8.2)	(0.4)	(8.6)
Shareholders' equity at December 31, 2016		**564,401,246**	**2,257.6**	**4,632.3**	**(2,287.7)**	**(240.6)**	**180.0**	**(28.6)**	**982.9**	**5,495.9**	**1,869.9**	**7,365.8**

(a) The change in the number of shares during 2016 to 21,757,778 is due to an initial issuance of 1,757,778 new shares as compensation for ENGIE's contribution to the SUEZ brand in the amount of EUR30 million and EUR0.2 million in implementation costs, and a second issuance of 20,000,000 new shares as compensation for the contribution of an additional 10.85% stake in ACEA by the Caltagirone Group of EUR303.4 million and EUR1.0 million in implementation costs. Please see Note 15.1. A EUR(1.1) million adjustment was recorded upon the acquisition of ACEA to reflect the SUEZ daily share price at the time of the capital increase.

(b) This corresponds primarily to the capital increase of Unisupper in Australia.

(c) Corresponds principally to the dilution without loss of control in some entities of the Group previously owned at 100 % and transfered to the SUEZ NWS Limited group. Please see Note 2.7.

(d) Corresponds principally to the acquisition of SUEZ NWS Limited. Please see Note 2.7.

1.5 Consolidated statements of cash flows

In millions of euros	Note	December 31, 2016	December 31, 2015
Net income		**622.8**	**613.3**
- Share in net income (loss) of joint ventures	12.1	(84.4)	(179.8)
- Share in net income (loss) of associates	12.2	(94.6)	(86.6)
+ Dividends received from joint ventures and associates		91.9	102.4
- Net depreciation, amortization and provisions [(a)]		1,190.5	1,120.2
- Scope effects, other gains and losses on disposal and non-recurring items		(270.2)	(11.8)
- Other items with no cash impact		6.2	6.8
- Income tax expense	7	243.4	173.0
- Financial income	6	423.5	421.5
Cash flows from operations before financial income/(expense) and income tax		**2,129.1**	**2,159.0**
+ Tax paid		(147.7)	(153.8)
Change in working capital requirements		**(68.0)**	**(13.7)**
Cash flows from operating activities		**1,913.4**	**1,991.5**
Investments in property, plant and equipment and intangible assets	3.4.3	(1,086.4)	(1,276.5)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(142.9)	(85.8)
Acquisitions of interests in associates and joint-ventures	3.4.3	(25.9)	(26.5)
Acquisitions of available-for-sale securities	3.4.3	(26.2)	(29.2)
Disposals of property, plant and equipment and intangible assets	2.11	233.3	54.1
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold [(b)]		122.7	36.6
Disposals of interests in associates and joint ventures [(c)]		83.5	19.1
Disposals of available-for-sale securities [(d)]		48.0	11.9
Interest received on non-current financial assets		(4.3)	7.6
Dividends received on non-current financial assets		7.8	10.7
Change in loans and receivables issued by the Company and others		(42.6)	(72.3)
Cash flows from investing activities		**(833.0)**	**(1,350.3)**
Dividends paid [(e)]		(601.7)	(571.2)
Repayment of borrowings	13	(354.6)	(789.4)
Change in financial assets at fair value through income		(2.0)	11.5
Financial interest paid		(358.1)	(351.4)
Financial interest received on cash and cash equivalents		40.2	27.5
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(28.4)	(103.1)
Increase in financial debt	13	926.1	1,256.4
Capital increase/ reduction		17.0	-
Partial redemption of Undated deeply subordinated note	15.6	-	(457.9)
Issue of Undated deeply Subordinated Notes net of costs	15.6	-	494.5
Purchase/sale of treasury shares		(1.7)	(0.2)
Change in share of interests in controlled entities [(f)]	3.4.3	90.3	(327.8)
Cash flows from financing activities		**(272.9)**	**(811.1)**
Impact of changes in exchange rates and other		38.2	0.1
TOTAL CASH FLOWS FOR THE PERIOD		**845.7**	**(169.8)**
OPENING CASH AND CASH EQUIVALENTS		**2,079.0**	**2,248.8**
CLOSING CASH AND CASH EQUIVALENTS	**13**	**2,924.7**	**2,079.0**

(a) Relates to current and non-current depreciation.
(b) In 2016, the change can be explained by the sales of SUEZ Suomi OY and OCEA SMART Building (see Note 2.9 and 2.10).
(c) In 2016, the change is explained by the sale of the remaining non-controlling stake in Bristol Water (see Note 2.8).
(d) In 2016, the change is primarily due to the sale of the remaining stake in Aguas de Valencia (see Note 2.5).
(e) Including whitholding tax and coupon on subordinated notes.
(f) In 2016, the change can be mainly explained by the sale of 42%, without loss of control, of Sita Waste Services and Dégrémont Beijing in the framework of the takeover of SUEZ NWS Limited (see Note 2.7).
In 2015, the change was explained by the acquisition of the remaining 40% stake in Sembsita Pacific.

1.6 Notes to the consolidated financial statements

Contents

Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ, 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. At the General Meeting of 28 April 2016, the name of SUEZ ENVIRONNEMENT COMPANY became SUEZ. SUEZ is listed on the Euronext Paris (Compartment A) and Euronext Brussels markets since July 22, 2008.

On February 28, 2017, the Board of Directors of SUEZ approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2016.

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 has been provided for the last two fiscal years ended December 31, 2015 and 2016, 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, 2016 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, 2016 are consistent with those applied in preparing the financial statements of December 31, 2015, 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, 2016

The standards applied by the Group for the first time starting January 1, 2016 are the following:

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

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

1.2.2 IFRS standards and amendments applicable after 2016 that the Group has elected not to early adopt

AMENDMENTS PUBLISHED BY THE IASB AND ADOPTED BY THE EUROPEAN UNION

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

- IFRS 9 – "Financial Instruments";

  The Group does not intend to adopt this standard early. An analysis of the implications of adopting this standard is underway, focusing on the rules for accounting for credit risk in evaluating trade and other receivables, options for recording shares in non-consolidated subsidiaries and affiliates, and financial hedging instruments.

- IFRS 15 – "Revenue from Contracts with Customers;

  The Group does not intend to adopt this standard early. The impact resulting from the application of this standard is currently being assessed. Analyses already carried out by the Group have led to documenting broad convergence between the methods adopted by the Group and stipulations of IFRS 15. A

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

comprehensive cataloging of the consequences of applying IFRS 15 and the review of certain specific situations will be finalized during the first half of 2017. When this work has been finalized, the Group will be able to decide on which transition option to adopt.

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

- IFRS 16 - Leases[(1)];

The Group has not decided yet, whether to early adopt IFRS 16 or not. The impact resulting from the application of this standard is currently being assessed, as well as the transition option to be adopted.

- Annual improvements to IFRSs 2014 - 2016 Cycle[(1)];
- Amendments to IAS 7 - proposals for the disclosure[(1)];
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses[(1)];
- Amendment to IFRS 15, clarification of the standard IFRS15[(1)];
- Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions[(1)];

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

- IFRS 14 – “Regulatory Deferral Accounts” [(1)].

This standard, whose adoption by the EU is currently not considered, 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.

Assets or groups of assets held for sale

In accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, assets or groups of assets held for sale are listed on a separate line of the statement of financial position and are evaluated and recorded at their book value or market value, whichever is lower, less selling costs.

An asset is classified as an asset held for sale only where its sale is highly probable within the succeeding 12 months, if the asset is available for immediate sale in its current condition and if a sales plan has been initiated by management and is sufficiently developed. In evaluating the highly probable status of a sale, the Group takes particularly into account signs of interest and offers received from potential buyers, as well as the execution risks specific to certain transactions.

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(1) Free interpretation given that these standards and amendments have not yet been endorsed by the European Union.

1.4 Use of judgment and estimates

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

1.4.1 Estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions to determine the value of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, as well as the revenues and expenses reported during the period.

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

The key estimates used by the Group in preparing the Consolidated Financial Statements relate mainly to:

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Notes 1.5.4.1 and 1.5.7);
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits (see Note 1.5.15);
- 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, 2016 and 2015”.

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 (EUR).

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 respectively 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).

In years	Useful Life Minimum	Useful Life 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, 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»).
- The operator transfers to the grantor the cash collected from the users on behalf of the grantor. The operator may have to transfer cash to the grantor in other circumstances. If these payments are not for the right to use an asset that is separate from the infrastructure within the scope of IFRIC 12 or not for

a separate right of use that is a lease, then the operator accounts for these payments as follows:

- as a reduction of the transaction price, when the "financial asset model" applies,
- as an increase of the intangible asset for every fixed amount paid to the grantor, when "the intangible asset model" applies.

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. Where a change in expected cash flows is involved, and where such a change is analyzed as a modification of the existing asset, i.e. the asset has not been removed from the balance sheet, the value of the receivable is re-estimated by updating the expected new cash flows at the initial effective interest rate.

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 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.

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

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.

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 and in 2016 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 EUR27.5 million and EUR28.1 million in 2016

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. 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

2.1 Acquisition of Driplex in India

On March 1, 2016, SUEZ acquired a majority stake of 74% in Driplex, one of the largest market players in water treatment for industrial clients in India.

The company specializes in the engineering, design, manufacturing and commissioning of water production, processing, and wastewater treatment plants for industrial sectors such as the Power, Oil & Gas and the company achieved revenues in 2016 for about EUR35 million.

2.2 ENGIE's contribution to SUEZ of the SUEZ brand

On March 2, 2016, ENGIE and SUEZ signed an agreement under which:

- ENGIE contributes to SUEZ all the shares it holds in SUEZ IP, which owns all intellectual property rights related to the SUEZ brand;
- The valuation of the entire SUEZ IP share capital is estimated at EUR30 million;
- 1,757,778 ordinary shares of SUEZ, representing 0.3% of its share capital, have been issued as compensation to this contribution.

On March 23, 2016, the transaction as well as the corresponding capital increase was finalized.

On November 18, 2016, SUEZ IP merged into SUEZ.

2.3 New bond issues

On May 13, 2016, SUEZ completed the placement of EUR500 million in bonds maturing May 19, 2028, with a fixed annual coupon of 1.25%.

2.4 Acquisition of Perthwaste in Australia

On May 31, 2016, SUEZ completed the acquisition of Perthwaste, one of the leading waste management service providers in Western Australia, for AUD87 million (approximately EUR58 million).

The company employs 185 people and generates a revenue above AUD46 million in 2016 (approximately EUR31 million).

2.5 Sale of the remaining interests in Aguas de Valencia

On July 20, 2016, an agreement was concluded between SUEZ and Criteria to sell their stakes in Aguas de Valencia to Fomento Urbano de Castellón.

The total value of this transaction, which affects 33.1% of the shares of Aguas de Valencia, is EUR70 million. The shares sold by SUEZ represent 18.5%.

2.6 SUEZ strengthens its position in Italy by purchasing a 10.85% stake in Acea capital from Caltagirone which becomes a long term shareholder of SUEZ

On September 21, 2016, SUEZ acquired from the Caltagirone group, an additional 10.85% stake in Acea, a leading Italian operator in the water, energy and environmental sector, in exchange for EUR20 million of SUEZ new shares.

As a result of this operation, SUEZ now holds 23.33% of the capital of Acea and continues to consolidate Acea using the equity method, SUEZ is now the second-largest shareholder after the City of Rome, whose stake amounts to 51%. Caltagirone has become a long term shareholder in SUEZ, with a stake of approximately 3.5% of the share capital of SUEZ.

2.7 SUEZ consolidates its presence and activities in China by becoming the majority shareholder of Sino French Holdings

SUEZ finalized the extension of its partnership with NWS Holdings Limited in China at the end of December 2016 for all activities of the Group within their joint Sino French Holdings (SFH) entity.

Prior to this finalization, SFH was jointly controlled by SUEZ and NWS Limited and accounted for by the equity method in the SUEZ group's consolidated financial statements. In addition, SUEZ owned 100% of Sita Waste Services (SWS) and Degrémont Beijing, entities specializing respectively in recycling and recovery activities and construction.

SUEZ contributed its SWS and Degrémont Beijing activities to SFH and received new SFH shares in exchange, which enabled SUEZ to own 58% of the new SUEZ NWS Limited entity when the transaction was completed.

In accordance with the stipulations of Revised IFRS 3, SUEZ adjusted the value of shares held in SFH prior to the transaction to their fair value, generating a revaluation gain of EUR142 million before taxes and transaction fees in the consolidated income statement.

2.8 Sale of Bristol Water by SUEZ Spain

On November 14, 2016, SUEZ Spain sold the totality of its remaining interests (30%) in Bristol Water to iCon Infrastructure Partners III, L.P.

2.9 Sale of SUEZ Suomi Oy

On November 30, 2016, SUEZ Suomy Oy (Finland), owned at 100% by SUEZ Recycling AB (Sweden), was sold to the Finnish investment company Hartwall Capital Oy Ab.

2.10 Sale of OCEA SMART Building

On December 21, 2016, OCEA SMART Building (OSB), an entity owned 100% by Suez Water France was sold to the investment company Infravia, subsidiary of OFI AM.

2.11 Sale and lease-back operations

The Group completed several disposals of real property and industrial sites and of trucks during the year. These assets were leased by the Group following the disposals. These actions took place principally in Australia, France, the Netherlands and Belgium. The signed leases are treated as operating leases in accordance with the criteria of IAS 17.

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'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 as well as SUEZ Consulting, 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, 2016			December 31, 2015		
In millions of euros	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,702.8	61.8	4,764.6	4,677.1	47.1	4,724.2
Recycling and Recovery Europe	6,301.7	44.0	6,345.7	6,356.8	47.4	6,404.2
International	4,217.2	59.9	4,277.1	3,997.6	22.9	4,020.5
Other	100.3	123.0	223.3	103.2	107.9	211.1
Intercompany eliminations		(288.7)	(288.7)		(225.3)	(225.3)
TOTAL REVENUES	**15,322.0**	**-**	**15,322.0**	**15,134.7**	**-**	**15,134.7**

EBITDA

In millions of euros	December 31, 2016	December 31, 2015
Water Europe	1,277.3	1,321.3
Recycling and Recovery Europe	748.4	766.4
International	745.0	797.2
Other	(119.7)	(133.8)
TOTAL EBITDA	**2,651.0**	**2,751.1**

EBIT

In millions of euros	December 31, 2016	December 31, 2015
Water Europe	611.2	637.5
Recycling and Recovery Europe	310.3	305.7
International	496.4	591.3
Other	(136.0)	(153.6)
TOTAL EBIT	**1,281.9**	**1,380.9**

Depreciation and amortization

In millions of euros	December 31, 2016	December 31, 2015
Water Europe	(458.4)	(454.0)
Recycling and Recovery Europe	(434.9)	(444.4)
International	(204.0)	(197.8)
Other	(13.9)	(11.5)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,111.2)**	**(1,107.7)**

Capital employed

In millions of euros	December 31, 2016	December 31, 2015
Water Europe	6,914.3	6,598.2
Recycling and Recovery Europe	3,707.9	4,041.7
International	4,999.3	4,229.4
Other	65.3	138.5
TOTAL CAPITAL EMPLOYED	**15,686.8**	**15,007.8**

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

In millions of euros	December 31, 2016	December 31, 2015
Water Europe	(515.6)	(582.0)
Recycling and Recovery Europe	(365.0)	(434.8)
International	(285.2)	(698.8)
Other	(25.3)	(30.2)
TOTAL INVESTMENTS	**(1,191.1)**	**(1,745.8)**

Financial investments included in this indicator include the acquisitions and sales of additional interests in still remaining controlled entities, which are accounted for in cash flows used in financing activities in the consolidated statement of cash flows under the item “Change in share of interests in controlled entities”. 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, 2016	December 31, 2015	December 31, 2016	December 31, 2015
France	5,023.4	5,119.2	2,333.1	2,411.6
Europe	5,312.4	5,351.0	8,118.7	8,123.0
International	4,986.2	4,664.5	5,235.0	4,473.2
TOTAL	**15,322.0**	**15,134.7**	**15,686.8**	**15,007.8**

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, 2016	December 31, 2015
CURRENT OPERATING INCOME	**1,101.6**	**1,115.1**
(+) Share in net income of equity-accounted companies considered as core business	179.0	266.4
(-) Other	1.3	(0.6)
EBIT	**1,281.9**	**1,380.9**
(-) Net depreciation, amortization and provisions	1,091.3	1,091.9
(-) Share-based payments [(a)]	6.0	6.8
(-) Disbursements under concession contracts	271.8	271.5
EBITDA	**2,651.0**	**2,751.1**

(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, 2016	December 31, 2015
(+) Tangible and intangible assets, net	12,502.8	12,488.5
(+) Goodwill, net	3,646.9	3,479.5
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	142.6	182.9
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	879.3	897.8
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	916.0	586.1
(+) Investments in associates (excluding Other comprehensive income net of taxes)	984.3	762.5
(+) Trade and other receivables	4,041.4	3,966.5
(+) Inventories	262.7	274.0
(+) Other current and non-current assets	1,784.8	1,826.2
(-) Provisions and actuarial losses/gains on pensions plans	(1,656.0)	(1,658.6)
(-) Trade and other payables	(3,063.6)	(2,991.2)
(-) Other current and non-current liabilities	(4,744.0)	(4,803.4)
(-) Other financial liabilities	(10.4)	(3.0)
CAPITAL EMPLOYED	**15,686.8**	**15,007.8**

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, 2016	December 31, 2015
Investments in property, plant and equipment and intangible assets	(1,086.4)	(1,276.5)
Takeover of subsidiaries net of cash and cash equivalents acquired	(142.9)	(85.8)
Acquisitions of interests in associates and joint-ventures	(25.9)	(26.5)
Acquisitions of available-for-sale securities	(26.2)	(29.2)
Change in share of interests in controlled entities	90.3	(327.8)
TOTAL INVESTMENTS	**(1,191.1)**	**(1,745.8)**

Note 4 Current operating income

In millions of euros	December 31, 2016	December 31, 2015
Revenues	15,322.0	15,134.7
Purchases	(2,995.9)	(2,945.5)
Personnel costs	(3,990.2)	(3,818.4)
Depreciation, amortization and provisions	(1,091.3)	(1,091.9)
Other operating income and expenses	(6,143.0)	(6,163.8)
CURRENT OPERATING INCOME	**1,101.6**	**1,115.1**

4.1 Revenues

The following table shows Group's revenues per category:

In millions of euros	December 31, 2016	December 31, 2015
Sale, transport and distribution of electricity	423.1	413.2
Water, Recycling and Recovery	13,377.4	13,275.5
Engineering and construction contracts and other services	1,521.5	1,446.0
TOTAL	**15,322.0**	**15,134.7**

4.2 Personnel costs

In millions of euros	December 31, 2016	December 31, 2015
Short-term benefits	(3,889.4)	(3,768.3)
Share-based payments or by cash payment	(19.5)	(16.9)
Post-employment benefit obligations and other long-term benefits	(81.3)	(33.2)
TOTAL	**(3,990.2)**	**(3,818.4)**

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 EUR39.3 million, in 2016 and in 2015, for the companies included in the French tax consolidation group.

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, 2016	December 31, 2015
Depreciation and amortization	(1,111.2)	(1,107.7)
Depreciation of inventories, trade receivables and other assets	(43.4)	(11.6)
Net change in provisions [a]	63.3	27.4
TOTAL	**(1,091.3)**	**(1,091.9)**

(a) *Excluding post employment benefit obligations and other long term benefits presented in section 4.2.*

The depreciation breakdown is EUR709.8 million for property, plant and equipment and EUR401.4 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, 2016	December 31, 2015
Other operating income	**184.1**	**234.0**
Other operating expenses	**(6,327.1)**	**(6,397.8)**
Sub-contracting	(2,124.9)	(2,079.8)
Taxes excluding corporate income tax	(759.9)	(755.9)
Other expenses	(3,442.3)	(3,562.1)
TOTAL	**(6,143.0)**	**(6,163.8)**

“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, 2016	December 31, 2015
CURRENT OPERATING INCOME	**1,101.6**	**1,115.1**
MtM on operating financial instruments	(1.3)	0.6
Impairment on property, plant and equipment, intangible and financial assets	(159.5)	(80.4)
Restructuring costs	(76.1)	(71.4)
Scope effects	182.9	0.9
Other gains and losses on disposals and non-recurring items	91.3	4.1
Costs linked to changes in the brand and visual identity	(28.1)	(27.5)
INCOME FROM OPERATING ACTIVITIES	**1,110.8**	**941.4**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a loss of -EUR1.3 million at December 31, 2016, versus a gain of +EUR0.6 million in 2015 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, 2016	December 31, 2015
Impairments		
Property, plant and equipment and other intangible assets	(144.6)	(56.6)
Financial assets	(23.7)	(33.8)
Total	**(168.3)**	**(90.4)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	1.9	6.9
Financial assets	6.9	3.1
Total	**8.8**	**10.0**
TOTAL	**(159.5)**	**(80.4)**

5.2.1 Impairments of goodwill

No impairment on goodwill was recognized in 2016, pursuant to the procedure described in Note 9.3.

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

In 2016, this item includes mainly loss of value of property, plant and equipment and intangible assets in the operational sectors of Recycling and Recovery Europe and Water Europe related to difficulties in the market, especially in France.

5.2.3 Impairments of financial assets

In 2016, the evolution in this item is connected mainly with the evolution of financial receivables relating to an International concession contract and with financial assets in the Recycling and Recovery Europe sector.

5.3 Restructuring costs

In 2016, as in 2015, this item mainly includes the reorganization costs in the three operating segments.

5.4 Scope effects

At December 31, 2016, this item includes several operations completed in the Group's three operational sectors (see Note 2.) The most significant operation concerns the takeover of SUEZ NWS Limited, which resulted in an adjustment gain of EUR142 million following the adjustment to fair value of SUEZ NWS Limited shares that the SUEZ group held prior to the transaction. Residual impact is related to the sale of Suez Suomi Oy, Bristol Water and Ocea Smart Building.

At December 31, 2015, this item only included amounts that were individually insignificant.

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

In millions of euros	**December 31, 2016**	**December 31, 2015**
Disposals of property, plant and equipment and intangible assets	89.7	2.1
Disposals of shares	1.6	2.0
Total	**91.3**	**4.1**

In 2016, this item mainly registers disposals of property, plant and equipment as part of the sale and lease back of real estate assets and truck fleets in France, the Netherlands, Germany, Belgium and Australia (see Note 2.11).

At December 31, 2015, this item only included amounts that were individually insignificant.

5.6 Costs linked to changes of brand and visual identity

In 2016, as 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 EUR28.1 million as at December 31, 2016.

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, 2016 Expenses	Income	Total	December 31, 2015 Expenses	Income	Total
Cost of net debt	(414.3)	54.1	(360.2)	(415.3)	51.9	(363.4)
Other financial income and expenses	(102.6)	39.3	(63.3)	(95.3)	37.2	(58.1)
Financial income/(loss)	**(516.9)**	**93.4**	**(423.5)**	**(510.6)**	**89.1**	**(421.5)**

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, 2016 Expenses	Income	Total	December 31, 2015 Expenses	Income	Total
Interest expense on gross borrowings	(359.0)	-	(359.0)	(354.4)	-	(354.4)
Exchange gain/(loss) on borrowings and hedges	(30.3)	-	(30.3)	(31.4)	-	(31.4)
Unrealized income/(expense) from economic hedges on borrowings	-	0.4	0.4	-	0.4	0.4
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	42.1	42.1	-	35.9	35.9
Capitalized borrowing costs	-	1.4	1.4	-	4.5	4.5
Financial income (expense) relating to a financial debt or receivable restructuring	(25.0)	10.2	(14.8)	(29.5)	11.1	(18.4)
Cost of net debt	**(414.3)**	**54.1**	**(360.2)**	**(415.3)**	**51.9**	**(363.4)**

The stability of the cost of debt between December 31, 2016 and December 31, 2015 may be explained mainly by a controlled financial debt in a context of low rates that benefit variable or varied rate debts and newly issued debts.

6.2 Other financial income and expenses

In millions of euros	December 31, 2016 Expenses	Income	Total	December 31, 2015 Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(17.3)	-	(17.3)	(18.6)	-	(18.6)
Unwinding of discounting adjustment to long term provisions (except post employment)	(53.7)	-	(53.7)	(50.1)	-	(50.1)
Change in fair value of derivatives not included in net debt	-	1.1	1.1	-	0.3	0.3
Income from available-for-sale securities	-	7.9	7.9	-	9.7	9.7
Other	(31.6)	30.3	(1.3)	(26.6)	27.2	0.6
Other Financial Income and Expenses	**(102.6)**	**39.3**	**(63.3)**	**(95.3)**	**37.2**	**(58.1)**

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 EUR243.5 million (compared to EUR173.0 million in 2015) and breaks down as follows:

In millions of euros	December 31, 2016	December 31, 2015
Current income tax	(199.5)	(176.2)
Deferred taxes	(44.0)	3.2
Total income tax expense recognized in income	**(243.5)**	**(173.0)**

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, 2016	December 31, 2015
Net income	**622.8**	**613.3**
- Share in net income of associates and joint ventures	179.0	266.4
- Income tax expense	(243.5)	(173.0)
Income before income tax and share in net income of associates and joint ventures (A)	**687.3**	**519.9**
Of which French companies	*82.8*	*(27.7)*
Of which companies outside France	*604.5*	*547.6*
Statutory income tax rate of SUEZ (B) [(a)]	34.43%	38.00%
Theoretical income tax expense (C) = (A) x (B)	**(236.6)**	**(197.6)**
Difference between the normal tax rate applicable to SUEZ and the normal tax rate applicable in jurisdictions in France and outside France [(b)]	59.3	55.8
Permanent differences [(c)]	7.3	(43.4)
Income taxed at a reduced rate or tax-exempt	(1.7)	(3.8)
Additional tax expense [(d)]	(61.2)	(46.2)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences [(e)]	(82.9)	(56.9)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences [(f)]	46.3	32.4
Impact of changes in tax rates [(g)]	(29.4)	0.3
Tax savings and credits [(h)]	49.0	68.9
Other [(i)]	6.4	17.3
Actual income tax expense	**(243.5)**	**(173.0)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)	**35.4%**	**33.3%**

(a) The overall corporate tax rate in France is 34.43%. Under current law, this rate will remain in place until the end of year 2019.

(b) It mainly reflects the impact of the rate difference in 2016 between Chile (24%) and France. The corporate tax rate in Chile in 2015 was 22.5%.

(c) In 2016 this item includes mainly the impact of the taxation at a reduced rate of the reevaluation gain on SUEZ NWS Limited securities. Moreover, this item also includes, as in 2015, the limitation on the deductibility of financial expenses to 75% in France, and the impact of the non-deductibility of expenses related to share-based payments.

(d) Additional taxes in 2016 and 2015 are mainly attributable to the application in France of the 3% contribution on dividends paid out and to withholding taxes on dividends received. Moreover, in 2016, these items include the tax impact of gains on disposal of shares.

(e) In 2016, this item includes an impact of -EUR61.3 million which corresponds to the impairment of deferred tax assets within the French, Spanish, and Dutch tax consolidation group. In 2015, this item included mainly an impact of -EUR30 million from the impairment of deferred tax assets within the french tax consolidation group.

(f) In 2016, the recognition of deferred tax within the Australian tax consolidation group amounts to EUR31 million (compared with EUR2.8 million in 2015). In 2015, this amount mainly included reversals of deferred tax in assets, which having expired and gone unused, were then written off.

(g) In 2016, this mainly includes the impact of the revaluation of deferred tax of the entities based in France and UK following the gradual change in the corporate tax rate in these two countries on 2020. The impact of the change of corporate tax rate from 34.43% to 28.93% starting from 2020 in France is of -EUR30 million in the income statement.

(h) It includes the impact of the tax credit for Competitiveness and Employment (CICE), tax credit for Corporate Sponsorship in France, and the reimbursement of federal and state taxes in USA. Moreover, as in 2015, this item includes tax credits perceived in Spain.

(i) It mainly includes the impact of the tax savings generated by the tax consolidation group in France and the impact of tax adjustments on prior years.

Increase of the effective tax rate at December 31, 2016 compared to that of 2015 can be explained by the impairment of deferred tax assets within French, Spanish and Dutch consolidation tax group.

This effect is partially offset by the reversal of deferred tax assets on the Australian consolidation tax group and the taxation at reduced rate of the revaluation gain on SUEZ NWS Limited securities.

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

In millions of euros	December 31, 2016	December 31, 2015
Deferred tax assets		
Loss carryforwards and tax credit	(16.0)	6.3
Pension obligations	(18.4)	(16.9)
Concessions arrangements	9.1	0.1
Non-deductible provisions	(8.3)	7.0
Differences between the carrying amount of PPE and their tax bases	3.3	24.4
Measurement of financial instruments at fair value (IAS 32/39)	12.2	(25.5)
Other	(1.0)	62.7
TOTAL	**(19.1)**	**58.1**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	22.4	(3.0)
Concessions arrangements	(22.0)	(16.6)
Tax-driven provisions	(3.7)	(0.4)
Measurement of assets and liabilities at fair value (IAS 32/39)	(3.7)	(3.3)
Other	(17.9)	(31.6)
Total	**(24.9)**	**(54.9)**
Net Deferred Taxes	**(44.0)**	**3.2**

In 2016, the amounts appearing under "Loss carryforwards and tax credit" mainly refers to the impact of the impairment of deferred tax assets within French, Spanish and Dutch consolidation tax group and the reversal of deferred tax assets on the Australian consolidation tax group. Moreover, 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.

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, 2016	December 31, 2015
Available-for-sale securities	-	0.1
Actuarial gains and losses	1.8	(18.5)
Net investment hedges	1.7	1.7
Cash flow hedges	(1.9)	(3.0)
Total excluding share of associates and joint ventures	**1.6**	**(19.7)**
Share of associates	11.2	2.2
Share of joint ventures	(0.2)	33.8
TOTAL	**12.6**	**16.3**

The impact in 2016 is primarily due to the tax effect of:

- cash flow hedge income, in associates within R&R UK operating segment, in the amount of EUR9.7 million;

The impact in 2015 came from the tax effect of:

- actuarial gains on pension obligations and other long-term benefits in the international operating segment in the amount of EUR18.5 million;
- the reversal of the "Other comprehensive income" revaluation of Chongqing Water Group securities in the amount of EUR34 million, which were classified as available-for-sale securities in 2014 and were considered as equity method since 2015

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, 2015	**832.1**	**(636.6)**	**195.5**
From income statement	(19.1)	(24.9)	(44.0)
From other comprehensive income	(12.1)	13.7	1.6
Scope effects	3.0	(22.9)	(19.9)
Translation adjustments	22.9	(35.5)	(12.6)
Other impacts	(21.3)	29.3	8.0
Deferred tax netting off by tax entity	(22.4)	22.4	-
At December 31, 2016	**783.1**	**(654.5)**	**128.6**

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, 2016	December 31, 2015
Deferred tax assets		
Loss carry-forwards and tax credit	370.1	424.5
Pension obligations	196.8	209.1
Concessions arrangements	125.9	113.9
Non-deductible provisions	188.2	189.7
Differences between the carrying amount of PPE and their tax bases	135.3	129.6
Measurement of financial instruments at fair value (IAS 32/39)	3.7	(35.3)
Other	304.9	319.7
Total	**1,324.9**	**1,351.3**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(942.7)	(937.0)
Concessions arrangements	(77.5)	(54.4)
Tax-driven provisions	(14.5)	(11.3)
Measurement of assets and liabilities at fair value (IAS 32/39)	(38.4)	(31.8)
Other	(123.2)	(121.3)
Total	**(1,196.3)**	**(1,155.8)**
Net Deferred Taxes	**128.6**	**195.5**

The deferred tax assets recognized on loss carry-forwards amounted to EUR370.1 million as of December 31, 2016 *versus* EUR424.5 million as of December 31, 2015.

In 2016, the Group has used up deferred tax assets within the French tax consolidation group and booked a complementary impact of -EUR30 million in regards to the reevaluation of future taxable income. Besides, the reduced corporate tax rate voted in 2016 in France, which will be applied on year 2020, generated a decrease of the net deferred tax asset of EUR41 million, of which EUR30 million are booked in the income statement. The total amount of net deferred tax assets within the French tax consolidation group, including all temporary differences, is of EUR226 million as of December 31, 2016 and amounted to EUR301.4 million as of December 31, 2015.

Management considers that the French tax consolidation group will be able to use up its deferred tax assets on loss carry-forwards over the 6-year medium-term plan (approximately 65% of them) or beyond.

7.4 Unrecognized deferred taxes

7.4.1 Deductible temporary differences not recognized

TEMPORARY DIFFERENCES ON LOSSES CARRIED FORWARD

As of December 31, 2016, 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 EUR232.0 million for ordinary tax loss carry-forwards, *versus* EUR225.3 million as of December 31, 2015.

OTHER TEMPORARY DIFFERENCES NOT RECOGNIZED

The amount of deferred tax assets on other unrecognized temporary differences amounted to EUR108.4 million as of December 31, 2016, compared to EUR55.2 million as of December 31, 2015.

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, 2016	December 31, 2015
Numerator (in millions of euros)		
Net income, Group share	**420.3**	**407.6**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in September 2010		(6.4)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014	(15.0)	(15.0)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015	(12.5)	
(+) expenses related to the partial redemption of the undated deeply subordinated notes		(12.6)
Adjusted Net Income, Group Share	**392.8**	**373.6**
Denominator (in millions)		
Weighted average number of outstanding shares	**547.3**	**539.0**
Earnings per share (in euros)		
Net income Group share per share	**0.72**	**0.69**
Net diluted income Group share per share	**0.70**	**0.68**

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

- the SUEZ bonus share plans;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense of EUR6.4 million in 2016.

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

Note 9 Goodwill

9.1 Movements in the carrying amount of goodwill

In millions of euros	Gross amount	Impairment Losses	Carrying amount
At December 31, 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**
Scope effects	188.8	2.0	190.8
Impairment losses	-	-	-
Translation adjustments	(30.4)	2.0	(28.4)
Other	6.6	(1.6)	5.0
At December 31, 2016	**3,741.3**	**(94.4)**	**3,646.9**

In 2016, the net change in goodwill comes to +EUR167.4 million. This is mainly the result of:

- the takeover of SUEZ NWS Limited by SUEZ which generates a preliminary goodwill of +EUR131.6 million (refer to Note 2.7);
- the acquisitions of Nantaise des Eaux in France for +EUR18.6 million, Ecoltecnica in Italia for +EUR16.6 million, Edifi Nord in France for +EUR13.1 million, DETS in the UK for +EUR10.9 million, Driplex in India for +EUR10.4 million (refer to Note 2.1) and Perthwaste in Australia for +EUR9.5 million (refer to Note 2.4);
- the sale of SUEZ Suomi Oy for -EUR30.8 million (refer to Note 2.9);
- translation adjustments (mainly related to fluctuations in the pound sterling, the US dollar and Hong Kong dollar for -EUR32.9 million).

In 2015, the net change in goodwill came to +EUR217.6 million. This was 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;
- translation adjustments mainly related to fluctuations in the US dollar, the pound sterling, and Hong Kong dollar for +EUR111.1 million.

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

In millions of euros	Operating segment	December 31, 2016	December 31, 2015
Material CGUs			
SUEZ RV France	Recycling and Recovery Europe	616.2	578.6
Agbar	Water Europe	587.0	565.7
R&R News	Recycling and Recovery Europe	506.4	506.4
SUEZ Water Inc.- regulated activity	International	496.1	480.4
R&R UK	Recycling and Recovery Europe	363.2	423.7
SUEZ Water France	Water Europe	330.6	311.6
Sita Waste Services	International	208.6	202.2
R&R Australia	International	176.5	163.3
Other CGUs (individual goodwill of less than €150 million or about 10% of total amount)		362.3	247.6
TOTAL		**3,646.9**	**3,479.5**

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[2] (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 2016 range from 4.5% to 6.5%.

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
SUEZ RV France	DCF + confirmation by multiple [a]	5.2%
R&R News	DCF + confirmation by multiple [a]	5.3%
SUEZ Water Inc.- regulated activity	multiples [a] + DCF	4.5%
Agbar	DCF + confirmation by multiple [a]	5.9%
R&R UK	DCF + confirmation by multiple [a]	5.6%
SUEZ Water France	DCF + confirmation by multiple [a]	4.7%
Sita Waste Services	DCF + confirmation by multiple [a]	6.3%
R&R Australia	DCF + confirmation by multiple [a]	6.5%

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

9.4 Sensitivity to interest rate and operational assumptions

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

The table below shows the sensitivity of the measurements of recoverable value exceeding book value, in response

(2) 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).

to changes in discount rates and growth rates:

Impact in % on excess of recoverable value over book value	Discount rates		Free Cash Flow	
	- 50 pb	+ 50 pb	- 50 pb	+ 50 pb
SUEZ RV France	34%	-25%	-22%	30%
R&R News	45%	-33%	-29%	39%
SUEZ Water Inc.- regulated activity	75%	-38%	-18%	35%
Agbar	59%	-46%	-39%	51%
R&R UK	39%	-29%	-25%	33%
SUEZ Water France	35%	-24%	-21%	31%
Sita Waste Services	42%	-34%	-29%	37%
R&R Australia	18%	-15%	-12%	15%

Moreover, we have ensured that, in 2016, 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, 2016	December 31, 2015
Water Europe	927.5	887.3
Recycling and Recovery Europe	1,587.1	1,642.8
International	1,129.6	946.7
Other	2.7	2.7
Total	**3,646.9**	**3,479.5**

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, 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**
Acquisitions	54.0	158.0	84.6	296.6
Disposals	(34.8)	(158.4) (a)	(11.0)	(204.2)
Translation adjustments	5.9	(13.8)	51.9	44.0
Changes in scope of consolidation	(12.1)	67.1 (b)	96.2 (c)	151.2
Other	45.1	(19.0)	(42.4)	(16.3)
At December 31, 2016	**756.6**	**5,562.2**	**1,358.0**	**7,676.8**
B. Accumulated depreciation and impairment 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)**
Depreciation	(64.0)	(287.0)	(50.4)	(401.4)
Impairment losses	(8.4)	(4.0)	(36.9)	(49.3)
Disposals	32.9	155.1 (a)	10.1	198.1
Translation adjustments	(4.2)	(1.9)	(2.9)	(9.0)
Changes in scope of consolidation	6.1	0.7	(1.1)	5.7
Other	(3.0)	12.4	(15.4)	(6.0)
At December 31, 2016	**(507.1)**	**(2,314.2)**	**(632.5)**	**(3,453.8)**
C. Carrying Amount				
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**
At December 31, 2016	**249.5**	**3,248.0**	**725.5**	**4,223.0**

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

(b) Changes in the scope of consolidation in 2016 were mainly due to the takeover of SUEZ NWS Limited group

(c) Changes in the scope of consolidation in 2016 were mainly due to the takeover of SUEZ NWS Limited group and of the brand name SUEZ for EUR30 million.

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 EUR78 million as of

December 31, 2016, *versus* EUR95 million as of December 31, 2015, and were included in the column “Other”.

No significant impairment was posted in this asset category in 2016.

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 EUR74 million, unchanged from 2015.

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, 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**
Acquisitions	11.7	39.0	127.5	52.1	-	554.0	24.3	808.6
Disposals	(117.4)	(129.1)	(198.2)	(137.4)	(0.2)	-	(20.2)	(602.5)
Translation adjustments	(50.1)	89.0	209.1	(16.7)	(14.9)	(12.9)	2.6	206.1
Changes in scope of consolidation	39.4	12.2	(76.2)	3.3	7.4	(2.0)	7.1	(8.8)
Other[(a)]	22.9	(52.7)	304.6	49.4	(6.6)	(477.7)	26.1	(134.0)
At December 31, 2016	**1,850.8**	**3,311.8**	**8,084.0**	**1,460.6**	**538.1**	**745.3**	**511.8**	**16,502.4**
B. Accumulated depreciation and impairment								
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)**
Depreciation	(67.9)	(129.4)	(332.1)	(117.8)	(0.4)	-	(62.2)	(709.8)
Impairment losses	(11.6)	(8.8)	(57.8)	(16.9)	-	(0.1)	(0.1)	(95.3)
Disposals	71.4	95.5	171.6	103.4	0.3	-	19.0	461.2
Translation adjustments	58.5	(11.4)	(41.5)	13.4	14.9	(0.3)	-	33.6
Changes in scope of consolidation	(7.8)	(3.9)	40.0	4.3	(7.5)	(0.1)	(1.8)	23.2
Other[(a)]	6.9	13.3	(23.9)	3.7	6.5	0.6	15.5	22.6
At December 31, 2016	**(981.4)**	**(1,474.7)**	**(3,757.6)**	**(1,110.4)**	**(535.6)**	**(16.3)**	**(346.6)**	**(8,222.6)**
C. Carrying Amount								
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
At December 31, 2016	**869.4**	**1,837.1**	**4,326.4**	**350.2**	**2.5**	**729.0**	**165.2**	**8,279.8**

(a) Following the signature of a sales contract for Torre Agbar in Barcelona at the end of December 2016 with no conditions precedent, this asset was reclassified as an "asset held for sale" in accordance with IFRS 5, for a total amount of EUR131.8 million. The corresponding finance-lease liability was also classified as a liability directly related to an asset held for sale in the amount of EUR92.5 million.

In 2016, the main changes are as follows:

- Disposals include the sale and leaseback of sites and trucks mainly carried out in Australia, France, the Netherlands and Belgium (refer to Note 2.11). The assets concerned by these disposals have a net book value of EUR105 million.
- the main translation adjustments on the carrying amount of property, plant and equipment concern the Chilean peso (+EUR256 million), the US dollar (+EUR77 million) and the pound sterling (-EUR59 million).

In 2015, the main changes were as follows:

- Disposals included 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 concerned the Chilean peso (-EUR86 million), the US dollar (+EUR225 million) and the pound sterling (+EUR25 million).

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to EUR12.3 million at December 31, 2016 against EUR9.4 million at December 31, 2015.

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 EUR432.9 million at December 31, 2016, against EUR546.5 million at December 31, 2015. This change is mainly due to the decrease in investment commitments for property, plant and equipment in SUEZ Spain totaling -EUR94.0 million, and totaling -EUR41.8 million for R&R UK for the Surrey Eco Park project.

Note 12 Investments in joint ventures and associates

12.1 Investments in joint ventures

In millions of euros	Carrying amount of investments in joint ventures December 31, 2016	Carrying amount of investments in joint ventures December 31, 2015	Share in net income/ (loss) of joint ventures December 31, 2016	Share in net income/ (loss) of joint ventures December 31, 2015
SUEZ NWS Limited group [(a)]	558.9	259.8	23.1	27.0
Suyu group	288.0	257.0	35.1	142.6
Other	68.8	67.8	26.2	10.2
TOTAL	**915.7**	**584.6**	**84.4**	**179.8**

(a) All of the contributions of the Chinese joint ventures, as well as Sino French Water Development (SFWD), Macao Water, and SUEZ NWS Limited were included in the total at December 31, 2015. At December 31, 2016, the amounts relate only to the Chinese joint-ventures.

In millions of euros	December 31, 2016	December 31, 2015
Net income [(a)]	84.4	179.8
Other comprehensive income (OCI)	(24.0)	(82.5)
Comprehensive income	**60.4**	**97.3**

(a) At December 31, 2015, Suyu's income included the revaluation of Chongqing Water Group's (CWG) securities.

SUEZ finalized the takeover of the SUEZ NWS Limited Group on December 30, 2016, which is now 58% owned, controlled by the Group and fully consolidated in its accounts. Please see Note 2.7.

The most significant joint ventures of the Group are now those Chinese ventures with whom SUEZ NWS Limited, based in Hong Kong, is a 50% partner. The distribution of stakes in the Chinese joint ventures is 50% to SUEZ NWS Limited (operator) and 50% to the local authorities (grantors). In view of the full consolidation of SUEZ NWS Limited in SUEZ, the shares of the Chinese joint ventures are accounted for by the equity method up to 50% in the consolidated statement of financial position at December 31, 2016 in the amount of EUR 558.9 million, and no longer at 25% as was done at December 31, 2015.

Another major joint venture is with the Suyu Group based in China, which is 50% owned.

At December 31, 2015 Suyu had acquired a significant influence in Derun Environment, which owns 50.04% of the Chongqing Water Group (CWG). On this occasion, CWG shares were re-evaluated by the income statement.

The summarized financial information at 100% of Chinese joint ventures held at 50% by SUEZ NWS group are presented below.

Summarized Statement of financial position at 100%

In millions of euros	**December 31, 2016**	**December 31, 2015**
Non-current assets	636.2	660.9
Current assets	263.2	245.9
of which Cash and cash equivalents	*156.5*	*138.7*
Total assets	**899.4**	**906.8**
Shareholders' equity, Group share	543.1	525.7
Non-controlling interests	3.9	10.7
Total shareholders' equity	**547.0**	**536.4**
Non-current liabilities	139.0	164.4
Current liabilities	213.4	206.0
Total shareholders' equity and liabilities	**899.4**	**906.8**

Summarized Income Statement at 100%

In millions of euros	**December 31, 2016**	**December 31, 2015**
Revenues	321.4	324.6
Current operating income	78.0	77.6
Net income - group share	58.1	58.8
Net income - non-controlling interests	0.9	1.2
Net income	59.0	60.0
Other comprehensive income (OCI) [(a)]	(19.2)	32.2
Comprehensive income	**39.7**	**92.2**

(a) *This amount corresponds to translation adjustments*

Dividends at 100%

In millions of euros	**Dividends related to 2015**	**Dividends related to 2014**
Dividends paid by Chinese joint ventures	46.9	62.0

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, 2016**	**December 31, 2015**
Non-current assets [(a)]	789.0	806.0
Current assets	1.3	3.8
of which Cash and cash equivalents	*1.3*	*3.8*
Total assets	**790.3**	**809.8**
Shareholders' equity, Group share	575.9	513.9
Total shareholders' equity	**575.9**	**513.9**
Non-current liabilities	214.4	222.5
Current liabilities	0.0	73.4
Total shareholders' equity and liabilities	**790.3**	**809.8**

(a) Includes Derun Environnement shares equity accounted.

Summarized Income Statement at 100%

In millions of euros	**December 31, 2016**	**December 31, 2015**
Net income [(a)]	119.0	285.2
Other comprehensive income (OCI) [(b)]	(24.1)	(204.6)
Comprehensive income	**94.9**	**80.6**

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

(b) At December 31, 2015, this amount was 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, after Suyu acquired significant influence in Derun Environnement.

Dividends at 100%

In millions of euros	**Dividends related to 2015**	**Dividends related to 2014**
Dividends paid by Suyu Group	20.4	-

12.2 Investments in associates

In millions of euros	Carrying amount of investments in associates December 31, 2016	December 31, 2015	Share in net income/ (loss) of associates December 31, 2016	December 31, 2015
In Acea group	559.1	236.4	35.1	22.2
In Agbar group [(a)]	200.0	314.6	21.4	34.3
In the company Aquasure Holding	99.2	100.6	17.4	16.5
In the company Brnenske Vodarny A Kanalizace	34.2	34.2	1.3	1.2
In R&R Belgium group	18.9	17.9	4.8	3.0
In the company Aguas de Saltillo S.A. de C.V.	17.0	-	1.1	-
In R&V France group	10.3	7.4	(3.3)	(1.0)
In the company Arte SA de CV	7.8	9.0	1.2	1.4
In the company Aquasystema Maribor	5.5	5.8	1.6	0.7
In the R&R UK group	2.5	7.4	11.3	6.4
In the company Degrémont WTE Praha v.o.s.	4.2	0.8	3.4	-
In SUEZ Water Inc. group	4.1	4.2	(0.3)	-
In the company SUEZ Treatment Solutions Beijing	2.4	2.5	-	-
Other	15.6	19.6	(0.4)	1.9
TOTAL	**980.8**	**760.4**	**94.6**	**86.6**

(a) The change from December 31, 2015 to December 31, 2016 is primarily due to the sale of Bristol Water. Refer to section 2.8.

In millions of euros	December 31, 2016	December 31, 2015
Net income	94.6	86.6
Other comprehensive income (OCI)	(56.3)	(8.2)
Comprehensive income	**38.3**	**78.4**

The Group's largest individual associate is the Acea Group, based in Rome. On September 21, 2016, SUEZ acquired from the Caltagirone group, an additional 10.85% stake in Acea. At December 31, 2016, SUEZ holds 23.33% of the capital of Acea and still continues to consolidate Acea with the equity method. Refer to section 2.6.

The book value of Acea in the statement of financial position as of December 31, 2016 is EUR559.1 million. Its market value is EUR573.9 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, 2016 [(a)]	December 31, 2015
Non-current assets	4,633.9	4,467.0
Current assets	2,108.8	2,240.0
of which Cash and cash equivalents	*590.3*	*814.7*
Total assets	**6,742.7**	**6,707.0**
Shareholders' equity, Group share	1,607.3	1,523.9
Non-controlling interests	74.9	72.1
Total shareholders' equity	**1,682.2**	**1,596.0**
Non-current liabilities	3,256.1	3,258.1
Current liabilities	1,804.4	1,852.9
Total shareholders' equity and liabilities	**6,742.7**	**6,707.0**

(a) The consolidated financial statements of Acea group at December 31, 2016 are not available at the date of publication of the Group's 2016 consolidated financial statements.
In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2016 corresponds to the latest available information.

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

In millions of euros	September 30, 2016 [(a)]	September 30, 2015
Revenues	2,047.5	2,167.7
Gross operating profit	646.1	530.9
Operating profit /(loss)	378.1	284.8
Net income - group share	200.9	136.6
Net income - non-controlling interests	6.6	5.1
Net income	207.5	141.7
Other comprehensive income (OCI)	(9.9)	10.3
Comprehensive income	**197.6**	**152.0**

(a) The consolidated financial statements of Acea group at December 31, 2016 are not available at the date of publication of the Group's 2016 consolidated financial statements.
In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2016 corresponds to the latest available information.

Dividends (at 100%)

In millions of euros	Dividends related to 2015	Dividends related to 2014
Dividends paid by Acea	106.4	95.8

Note 13 Financial instruments

13.1 Financial assets

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

	December 31, 2016			December 31, 2015		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	138.3	-	138.3	180.1	-	180.1
Loans and receivables carried at amortized cost	739.9	4,180.8	4,920.7	767.4	4,096.8	4,864.2
Loans and receivables carried at amortized cost (excluding trade and other receivables)	739.9	139.4	879.3	767.4	130.3	897.7
Trade and other receivables	-	4,041.4	4,041.4	-	3,966.5	3,966.5
Financial assets measured at fair value	198.2	93.5	291.7	197.0	66.0	263.0
Derivative financial instruments	198.2	31.2	229.4	197.0	6.1	203.1
Financial assets measured at fair value through income	-	62.3	62.3	-	59.9	59.9
Cash and cash equivalents	-	2,924.7	2,924.7	-	2,079.0	2,079.0
TOTAL	**1,076.4**	**7,199.0**	**8,275.4**	**1,144.5**	**6,241.8**	**7,386.3**

13.1.1 Available-for-sale securities

In millions of euros	
AT DECEMBER 31, 2015	**180,1**
Acquisitions	26,2
Net book value of disposals	(46,9) [(a)]
Changes in fair value posted to equity as other comprehensive income	(1,8)
Changes in fair value posted to income statement	(2,3)
Changes in scope, exchange rates and other	(17,0)
AT DECEMBER 31, 2016	**138,3**

(a) In July 2016, SUEZ sold its remaining shares in Aguas de Valencia. See Note 2.5.

The value of available-for-sale securities held by the Group amounts to EUR138.3 million as of December 31, 2016, which is divided between EUR24.2 million for listed securities and EUR114.1 million for unlisted securities (versus EUR23.4 million and EUR156.7 million respectively in 2015).

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:

		Post acquisition remeasurement			
In millions of euros	Dividends	Change in fair value	Impact of exchange rates	Impairment	Profit (loss) on disposals
Shareholders' equity [(a)]		(1.8)	-		
Net income	7.9	-		(2.3)	3.2
TOTAL AT DECEMBER 31, 2016	**7.9**	**(1.8)**	**-**	**(2.3)**	**3.2**
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**

(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, 2016			December 31, 2015		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**739.9**	**139.4**	**879.3**	**767.4**	**130.3**	**897.7**
Loans granted to affiliated companies [(a)]	229.7	91.6	321.4	218.3	43.2	261.5
Other receivables at amortized cost	89.9	27.4	117.3	85.7	54.4	140.1
Concession receivables	419.4	20.3	439.6	462.3	32.6	494.9
Finance lease receivables	0.9	0.1	1.0	1.1	0.1	1.2
Trade and other receivables	**-**	**4,041.4**	**4,041.4**	**-**	**3,966.5**	**3,966.5**
TOTAL	**739.9**	**4,180.8**	**4,920.7**	**767.4**	**4,096.8**	**4,864.2**

(a) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to EUR285.9 million as of December 31, 2016, versus EUR220.0 million as of December 31, 2015.

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

	December 31, 2016			December 31, 2015		
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)	1,051.2	(171.9)	879.3	986.4	(88.7)	897.7
Trade and other receivables	4,358.1	(316.7)	4,041.4	4,256.8	(290.3)	3,966.5
TOTAL	**5,409.3**	**(488.6)**	**4,920.7**	**5,243.2**	**(379.0)**	**4,864.2**

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, 2015	68.8	0.1	(27.2)
At December 31, 2016	**73.8**	**3.5**	**(56.5)**

TRADE AND OTHER RECEIVABLES

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

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

13.1.3 Financial assets measured at fair value

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

In millions of euros	December 31, 2016			December 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	**198.2**	**31.2**	**229.4**	**197.0**	**6.1**	**203.1**
Debt-related derivatives (see Note 13.3.1)	175.8	1.8	177.6	164.6	4.6	169.2
Derivative hedging commodities (see Note 14.1.1.2)	-	1.1	1.1	-	0.4	0.4
Derivative hedging other items [(a)]	22.4	28.3	50.7	32.4	1.1	33.5
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	**-**	**62.3**	**62.3**	**-**	**59.9**	**59.9**
Financial assets measured at fair value through income (see Note 13.3.1)	-	62.3	62.3	-	59.9	59.9
TOTAL	**198.2**	**93.5**	**291.7**	**197.0**	**66.0**	**263.0**

(a) includes derivative financial instruments:

- for net investment hedging for EUR9.9 million at December 31, 2016, compared with EUR9.5 million at December 31, 2015.

- for the interest rate futures portion of debt-related derivatives not designated as hedges for EUR6.1 million at December 31, 2016, compared with EUR7.1 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 14.1.1.

Financial assets measured at fair value through income (excluding derivatives) are mainly UCITS and negotiable 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, 2016 was EUR0.4 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 EUR2,924.7 million as of December 31, 2016 versus EUR2,079.0 million as of December 31, 2015.

This item mainly includes term deposits of less than three months in the amount of EUR657.7 million, versus EUR543.7 million as of December 31, 2015, and cash in the amount of EUR2,213.5 million versus EUR1,465.9 million as of December 31, 2015.

In addition, restricted cash amounted to EUR18.8 million as of December 31, 2016.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2016 amounted to EUR41.0 million versus EUR29.3 million as of December 31, 2015.

13.1.5 Pledged and mortgaged assets

In millions of euros	December 31, 2016	December 31, 2015
Pledge and mortgaged assets	**141.3**	**108.7**

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, 2016, as well as their breakdown as "non-current" and "current":

In millions of euros	December 31, 2016			December 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,665.5	2,499.8	11,165.3	8,501.1	1,853.9	10,355.0
Derivative financial instruments	45.6	62.8	108.4	45.1	40.1	85.2
Trade and other payables	-	3,063.6	3,063.6	-	2,991.2	2,991.2
Other financial liabilities	10.4	-	10.4	3.0	-	3.0
TOTAL	**8,721.5**	**5,626.2**	**14,347.7**	**8,549.2**	**4,885.2**	**13,434.4**

13.2.1 Borrowings and debt

	December 31, 2016			December 31, 2015		
En millions d'euros	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	7,641.7	431.5	8,073.2	7,350.2	84.8	7,435.0
Commercial paper	-	764.0	764.0	-	786.5	786.5
Draw downs on credit facilities	46.5	44.4	90.9	112.4	14.8	127.2
Borrowings under finance leases	150.0	49.0	199.0	282.4	51.4	333.8
Other bank borrowings	670.6	119.8	790.4	585.8	141.8	727.6
Other borrowings	111.4	115.7	227.1	89.6	92.5	182.1
BORROWINGS (gross amounts)	**8,620.2**	**1,524.4**	**10,144.6**	**8,420.4**	**1,171.8**	**9,592.2**
Overdrafts and current cash accounts	-	845.4	845.4	-	570.1	570.1
OUTSTANDING FINANCIAL DEBT	**8,620.2**	**2,369.8**	**10,990.0**	**8,420.4**	**1,741.9**	**10,162.3**
Impact of measurement at amortized cost	(69.0)	125.5	56.5	(49.9)	112.0	62.1
Impact of fair value hedge	114.3	4.5	118.8	130.6	-	130.6
BORROWINGS AND DEBT	**8,665.5**	**2,499.8**	**11,165.3**	**8,501.1**	**1,853.9**	**10,355.0**

The fair value of borrowings and debt as of December 31, 2016 was EUR12,404.3 million for a net book value of EUR11,165.3 million (for details see Note 13.4.2).

Borrowings are analyzed in Note 13.3 "Net debt".

13.2.2 Derivative financial instruments (including commodities)

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

	December 31, 2016			December 31, 2015		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	5.5	35.3	40.8	6.9	29.4	36.3
Derivatives hedging commodities	-	2.3	2.3	-	7.8	7.8
Derivatives hedging other items [(a)]	40.1	25.2	65.3	38.2	2.9	41.1
TOTAL	**45.6**	**62.8**	**108.4**	**45.1**	**40.1**	**85.2**

(a) mainly includes derivative financial instruments: :

- for net investment hedge for EUR10.7 million at December 31, 2016, compared with EUR11.0 million at December 31, 2015.

- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for EUR11.9 million at December 31, 2016, compared with EUR18.0 million at December 31, 2015.

- for forward interest pre-rate hedges maturing in 9 years with deferred start dates in 2018, designated as cash flow hedge, for EUR10.4 million at December 31, 2016.

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, 2016	December 31, 2015
Trade payables	2,788.7	2,712.7
Payables on fixed assets	274.9	278.5
Total	**3,063.6**	**2,991.2**

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

13.2.4 Other financial liabilities

In millions of euros	December 31, 2016	December 31, 2015
Payables on acquisition of shares	9.5	3.0
Other financial liabilities	0.9	-
Total	**10.4**	**3.0**

13.3 Net debt

13.3.1 Analysis by type of debt

	December 31, 2016			December 31, 2015		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,620.2	2,369.8	10,990.0	8,420.4	1,741.9	10,162.3
Impact of measurement at amortized cost [(a)]	(69.0)	125.5	56.5	(49.9)	112.0	62.1
Impact of fair value hedge [(b)]	114.3	4.5	118.8	130.6	-	130.6
Borrowings and debts	**8,665.5**	**2,499.8**	**11,165.3**	**8,501.1**	**1,853.9**	**10,355.0**
Debt-related derivatives under liabilities [(c)]	5.5	35.3	40.8	6.9	29.4	36.3
Gross debt	**8,671.0**	**2,535.1**	**11,206.1**	**8,508.0**	**1,883.3**	**10,391.3**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(62.3)	(62.3)	-	(59.9)	(59.9)
Cash and cash equivalents	-	(2,924.7)	(2,924.7)	-	(2,079.0)	(2,079.0)
Debt-related derivatives under assets [(c)]	(175.8)	(1.8)	(177.6)	(164.6)	(4.6)	(169.2)
Net cash	**(175.8)**	**(2,988.8)**	**(3,164.6)**	**(164.6)**	**(2,143.5)**	**(2,308.1)**
Net debt	**8,495.2**	**(453.7)**	**8,041.5**	**8,343.4**	**(260.2)**	**8,083.2**
Outstanding borrowings	8,620.2	2,369.8	10,990.0	8,420.4	1,741.9	10,162.3
Financial assets measured at fair value through income excluding financial derivative instruments	-	(62.3)	(62.3)	-	(59.9)	(59.9)
Cash and cash equivalents	-	(2,924.7)	(2,924.7)	-	(2,079.0)	(2,079.0)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**8,620.2**	**(617.2)**	**8,003.0**	**8,420.4**	**(397.0)**	**8,023.4**

(a) Includes accrued interest on gross debt as well as premiums and fees for setting up borrowings to be amortized.
(b) This item corresponds to the remeasurement of the interest rate component of debt in a designated fair value hedging relationship.
(c) It corresponds to the fair value of debt-related derivatives, regardless of whether or not they are designated as hedges.

The increase in the current portion of outstanding borrowings at December 31, 2016 is mainly due to:

- the bond issued by SUEZ maturing in January 2017 for EUR200.0 million;
- the bond issued by SUEZ maturing in October 2017 for EUR150.0 million;
- an increase in cash liabilities of EUR275.3 million.

The increase in the non-current portion of outstanding financial debt at December 31, 2016 after accounting for issues that mature in 2017, which are classified as current assets amounting to EUR350 million, is explained by the transactions 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

In 2014 and 2015, SUEZ has issued two Undated Deeply Subordinated Notes amounting to EUR1,000 million.

These instruments are not recognized in financial debt as they satisfy the conditions for recognition in shareholders' equity stated in IAS 32.

13.3.3 Bond and Commercial paper issues

As part of its EMTN program, on May 19, 2016, SUEZ issued a EUR 500 million bond maturing on May 19, 2028 with a fixed annual coupon of 1.25%.

COMMERCIAL PAPER ISSUES

SUEZ has a commercial paper program. At December 31, 2016, the outstanding notes totaled EUR764 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, 2016, 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 R&R France, IWS France, R&R Netherlands, R&R UK and R&R Germany.

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 or to the non-respect by the Group of its contractual obligations. At December 31, 2016, 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, 2016 are presented below:

In millions of euros		
Total of receivables sold over the period	2,400.8	
Gain / (loss) arising from sale over the period	(24.9)	*(b)*
Remuneration for CC1	1.0	*(c)*
Remuneration of services for follow-up and recovery of receivables transferred over the period	11.0	*(d)*
Outstanding receivables transferred as of December 31, 2016	419.8	*(a)*
Book value of CC1 as of December 31, 2016	26.3	*(e)*
Fair value of CC1	26.3	
Book value of CC2	*	
Residual maturity of CC1	5 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	**380.6**	***(a) + (b) + (c) + (d) - (e)***

** No security deposit known as "CC2" had been made as of December 31, 2016; payment of this deposit is subject to the conditions described above.*

13.3.5 Change in net debt

Net debt decreased by EUR41.7 million during the year 2016, mainly for the following reasons:

- the payment of cash dividends to shareholders of SUEZ amounting to EUR363.2 million (including the 3% tax on dividends distributed, for EUR10.5 million);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR211 million (withholding taxes included);
- the takeover of SUEZ NWS Ltd resulted in an increase in net financial debt of EUR127.7 million;
- the other principal acquisitions of the year represent an increase in net financial debt of EUR121.3 million;
- the disposals carried out during the year, including SUEZ Suomi, Bristol Water and Ocea Smart Building, resulted in a decrease in net financial debt of EUR380.4 million;
- the exchange rate variations resulted in an increase of EUR119.7 million in net debt, mainly linked to the appreciation of the US dollar and the Chilean peso;
- besides, a securitization of CICE (tax credit for competitiveness and employment) receivables for years 2013, 2014 and 2015 was completed, contributing to a reduction of EUR107.2 million in financial debt.
- excess cash generated by the Group's activities generated a decrease in net debt of EUR530.4 million.

13.3.6 Debt/equity ratio

In millions of euros	December 31, 2016	December 31, 2015
Net debt	8,041.5	8,083.2
Total equity	7,365.8	6,805.4
Debt/equity ratio	**109.2%**	**118.8%**

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 EUR24.2 million at December 31, 2016. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR114.1 million at December 31, 2016 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, 2016, the change in Level 3 available-for-sale securities breaks down as follows:

In millions fo euros	
AT DECEMBER 31, 2015	**156.7**
Acquisitions	25.9
Disposals (book value of assets disposed)	(46.9) (a)
Gains and losses posted to equity	(1.1)
Gains and losses posted to income	(2.3)
Changes in scope, exchange rates and other	(18.3)
AT DECEMBER 31, 2016	**114.1**

(a) In July 2016, SUEZ sold its remaining shares in Aguas de Valencia. See Note 2.5.

The net value of 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 EUR879.3 million at December 31, 2016, may contain elements that contribute to a fair value hedging relationship. At December 31, 2016, 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, 2016 for EUR229.4 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 EUR62.3 million at December 31, 2016, 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, 2016				December 31, 2015			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	12,404.3	6,556.4	5,847.9		11,548.2	5,941.2	5,607.0	
Derivative financial instruments	108.4		108.4		85.2		85.2	
Debt-related derivatives	40.8		40.8		36.3		36.3	
Derivatives hedging commodities	2.3		2.3		7.8		7.8	
Derivatives hedging other items	65.3		65.3		41.1		41.1	
TOTAL	**12,512.7**	**6,556.4**	**5,956.3**	**-**	**11,633.4**	**5,941.2**	**5,692.2**	**-**

BONDS AND BORROWINGS:

Only listed bonds issued by SUEZ 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, 2016, as at December 31, 2015, 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, 2016				December 31, 2015			
	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)]	228.3	(106.1)	1.1	(2.3)	202.7	(77.4)	0.4	(7.8)
AMOUNT AFTER OFFSETTING	**191.3**	**(69.1)**	**0.0**	**(1.2)**	**180.2**	**(54.9)**	**0.4**	**(7.8)**

(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, 2016 and 2015 is presented in the table below:

	December 31, 2016				December 31, 2015			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	1.1	-	2.3	-	0.4	-	7.8	-
TOTAL	**1.1**	**-**	**2.3**	**-**	**0.4**	**-**	**7.8**	**-**

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

	December 31, 2016				December 31, 2015			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
ELECTRICITY	**-**	**-**	**2.3**	**-**	**0.4**	**-**	**-**	**-**
Swaps	-	-	2.3	-	0.4	-	-	-
OIL	**1.1**	**-**	**-**	**-**	**-**	**-**	**7.8**	**-**
Swaps	1.1	-	-	-	-	-	7.8	-
TOTAL	**1.1**	**-**	**2.3**	**-**	**0.4**	**-**	**7.8**	**-**

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, 53% of net debt was denominated in euro, 21% in US dollar, 4% in pound sterling, 15% in Chilean peso and 1% in Hong-Kong dollar at the end of 2016, compared to 50% 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.

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

In %	December 31, 2016		December 31, 2015	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	73%	59%	73%	56%
US$ zone	7%	16%	8%	15%
£ zone	3%	4%	4%	5%
CLP (Chilean peso)	12%	12%	12%	12%
HKD (Hong-Kong dollar)	2%	4%	0%	6%
Other currencies	3%	5%	3%	6%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

In %	December 31, 2016		December 31, 2015	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	72%	53%	72%	50%
US$ zone	9%	21%	9%	19%
£ zone	4%	4%	4%	5%
CLP (Chilean peso)	15%	15%	14%	14%
HKD (Hong-Kong dollar)	-3%	1%	0%	7%
Other currencies	3%	6%	1%	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 EUR3.4 million.

Impact on equity after taking into account foreign exchange derivatives:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform +/- 10% change of foreign currencies against euro would have a negative or positive impact on equity of EUR109.2 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 94% of net debt as of December 31, 2016.

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, 2016		December 31, 2015	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	24%	36%	24%	33%
Fixed rate	66%	54%	67%	58%
Fixed rate indexed to inflation	10%	10%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2016		December 31, 2015	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-7%	11%	2%	13%
Fixed rate	94%	76%	87%	76%
Fixed rate indexed to inflation	13%	13%	11%	11%
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 EUR18.1 million on net interest expense.

A 1% increase in all interest rates (uniform for all currencies) would generate a loss of EUR2.3 million in the income statement due to the change in fair value of non-qualified derivatives. On the opposite a 1% decrease in interest rates would generate a gain of EUR2.5 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 EUR29.1 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 EUR33.2 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, 2016		December 31, 2015	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	(1.2)	629.7	(1.3)	336.3
Cash-flow hedges	4.0	68.2	0.5	410.4
Net investment hedges	(1.1)	1,335.8	(0.7)	1,379.8
Derivative instruments not qualifying for hedge accounting	(7.0)	1,786.1	(22.6)	1,865.6
Total	**(5.3)**	**3,819.8**	**(24.1)**	**3,992.1**

Interest rate derivatives

	December 31, 2016		December 31, 2015	
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	147.4	1,550.0	159.6	1,150.0
Cash-flow hedges	(17.9)	400.0	(10.6)	181.2
Derivative instruments not qualifying for hedge accounting	(4.5)	146.8	0.4	100.0
TOTAL	**125.0**	**2,096.8**	**149.4**	**1,431.2**

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, 2016, the net impact of fair value hedges recognized in the income statement, including compensation payments and redemption premium was EUR1.0 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, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Fair value of derivatives by maturity date	**(13.9)**	2.6	(0.8)	(0.2)	(0.8)	(4.3)	(10.4)

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)

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2016 amounted to -EUR74.3 million (including impacts on associates).

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

Net investment hedges

As of December 31, 2016, the recycling of net investment hedge reserves recorded in the income statement amounts to -EUR4.2 million, following the sale of Bristol Water. See Note 2.8.

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, 2016	225.6	40.0	47.4	313.0	450.1	3,595.0	**4,358.1**
At December 31, 2015	183.5	21.5	54.9	259.9	406.9	3,590.0	**4,256.8**

(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.* EUR8,137.1 million at December 31, 2016, and EUR7,206.2 million at December 31, 2015).

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, 2016	-	-	0.5	0.5	201.3	848.6	**1,050.4**
At December 31, 2015	-	1.5	-	1.5	97.7	887.0	**986.2**

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (EUR171.9 million as of December 31, 2016 and EUR88.7 million as of December 31, 2015) or amortized cost (EUR0.8 million as of December 31, 2016 and EUR0.2 million as of December 31, 2015). 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, 2016, "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, 2016				December 31, 2015			
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	3,094.1	93%	6%	1%	2,253.4	94%	3%	3%

(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, 2016, the Group's total net cash stood at EUR3,164.7 million, consisting of cash and cash equivalents of EUR2,924.7 million, financial assets at fair value through income of EUR62.3 million, and debt-related derivatives recorded as assets of EUR177.6 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2016, the Group specifically had EUR2,196.2 million in confirmed credit facilities, including EUR90.9 million already drawn; unused credit facilities therefore totaled EUR2,105.3 million, EUR36.8 million of which will be maturing in 2017.

90% of total credit lines and 94% 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, 2016, bank funding accounted for 8.7% 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 79.6% and commercial paper for 7.5%) represented 87.1% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

At December 31, 2016, available cash, composed of cash and cash equivalents (EUR2,924.7 million) and financial assets measured at fair value through income (EUR62.3 million), net of bank overdrafts and liability current accounts (EUR845.4 million), amounted to EUR2,141.6 million versus EUR1,568.8 million at December 31, 2015.

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, 2016, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

At December 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Bonds issues	8,073.2	431.5	216.8	841.2	459.5	1,018.8	5,105.4
Commercial paper	764.0	764.0					
Draw downs on credit facilities	90.9	44.4	6.2	23.5		16.8	
Borrowings under finance leases	199.0	49.0	75.3	35.2	15.3	6.2	18.0
Other bank borrowings	790.4	119.8	283.3	145.1	93.0	63.9	85.3
Other borrowings	227.1	115.7	8.2	16.1	7.4	6.6	73.1
Overdrafts and current accounts	845.4	845.4					
Outstanding borrowings	**10,990.0**	**2,369.8**	**589.8**	**1,061.1**	**575.2**	**1,112.3**	**5,281.8**
Financial assets relating to financing							-
Financial assets measured at fair value through income	(62.3)	(62.3)	-	-	-	-	-
Cash and cash equivalents	(2,924.7)	(2,924.7)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**8,003.0**	**(617.2)**	**589.8**	**1,061.1**	**575.2**	**1,112.3**	**5,281.8**

At December 31, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
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 and Cash and cash equivalents	(2,138.9)	(2,138.9)	-	-	-	-	-
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**

As of December 31, 2016, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,532.4**	331.7	320.3	293.5	232.4	224.4	1,130.1

At December 31, 2015

In millions of euros	Total	2016	2017	2018	2019	2020	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,616.8**	320.7	321.7	293.9	275.7	218.2	1,186.6

At December 31, 2016, 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, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Derivatives (excluding commodities)	**(99.5)**	37.1	(55.1)	(34.5)	(21.4)	(20.2)	(5.4)

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)

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

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
At December 31, 2016	**2,105.3**	36.8	107.0	138.1	159.8	1,583.6	80.0

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

Confirmed but unused lines of credit include a EUR1.5 billion multi-currency club deal (maturing in 2021).

As of December 31, 2016, no counterparty represented more than 7% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2016, available-for-sale securities held by the Group amounted to EUR138.3 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 EUR2.4 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, 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**
Purchase and disposal of treasury shares	-	(44,953)	44,953			(0.8)
Contribution by ENGIE to the SUEZ brand [(a)]	1,757,778		1,757,778	7.0	22.0	
Contribution to ACEA shares [(b)]	20,000,000		20,000,000	80.0	214.4	
Deduction from additional paid-in capital for the 2015 dividend payment					(10.9)	
At December 31, 2016	**564,401,246**	**1,914,796**	**562,486,450**	**2,257.6**	**4,632.3**	**28.6**

(a) *See 2.4.*

(b) *See 2.6.*

The change in the number of shares during 2016 to 21,757,778 is due to a first issuance of 1,757,778 ordinary shares, on March 23, 2016, as compensation of ENGIE's contribution to SUEZ of all the shares it holds in SUEZ IP, which owns all intellectual property rights related to the SUEZ brand and of a second issuance of 20,000,000 new shares, on September 21, 2016, as compensation of an additional 10.85% stake in Acea by the group Caltagirone.

15.2 Treasury shares

A tacitly renewable EUR40 million liquidity contract is managed by Rothschild & Cie Banque. The aim of this contract is to reduce the volatility of the SUEZ'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.

For the bonus share allocation plans, there were 1,914,796 treasury shares held as of December 31, 2016, compared to 1,959,749 treasury shares as of December 31, 2015.

15.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (EUR4,529 million as of December 31, 2016), incorporate the SUEZ legal reserve. In accordance with French law, SUEZ'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 2014 and 2015, the Board will propose a dividend, in this case EUR0.65 per share for a total of EUR365.6 million in cash based on the number of outstanding shares as of December 31, 2016, to the SUEZ's Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2016.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2017. This dividend is not recognized under liabilities in the financial statements at December 31, 2016 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, 2016	Change	Dec. 31, 2015
Available-for-sale securities	(2.6)	(1.8)	(0.8)
Net investment hedges	(155.2)	(3.1)	(152.1)
Cash-flow hedges (excluding commodities)	(16.9)	(17.8)	0.9
Commodity cash-flow hedges	(1.2)	6.2	(7.4)
Deferred tax on available-for-sale securities and hedges	13.3	0.6	12.7
Share of associates on reclassifiable items, net of tax	83.4	(24.0)	107.4
Share of joint ventures on reclassifiable items, net of tax	(61.1)	(56.3)	(4.8)
Translation adjustments	79.6	(113.5)	193.1
TOTAL reclassifiable items	**(60.7)**	**(209.7)**	**149.0**
Actuarial gains and losses	(406.4)	(116.0)	(290.4)
Deferred tax on actuarial gains and losses	79.5	0.6	78.9
Share of joint ventures on non reclassifiable items, net of tax	-	0.5	(0.5)
Share of associates on non reclassifiable items, net of tax	(5.0)	(8.6)	3.6
TOTAL non reclassifiable items	**(331.9)**	**(123.5)**	**(208.4)**
TOTAL	**(392.6)**	**(333.2)**	**(59.4)**

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 issued undated deeply subordinated notes in the amount of EUR750 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 simultaneously launched:

- a partial redemption of hybrids issued in 2010 for EUR300 million with a redemption premium of EUR12.4 million, for a total of EUR312.4 million;
- an issue of undated deeply subordinated notes of EUR500 million with an initial fixed coupon of 3%.

On March 30, 2015, SUEZ completed a third issue of undated deeply subordinated notes, for a total amount of EUR500 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 EUR450 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 EUR1.0 billion as at December 31, 2015 and remain unchanged as at December 31, 2016.

15.7 Equity management

SUEZ 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

Changes in “Non-controlling interests” between 2015 and 2016 for the amount of EUR361.6 million are principally due to:

-The takeover of SUEZ NWS Limited Group, held at 58 % at December 31, 2016, which was formerly consolidated by the equity method;

-The simultaneous sale of non-controlling interests in the activities of the Group in China, especially Sita Waste Services, without loss of control of the entities concerned (see Note 2.7).

The Agbar group is nonetheless the primary contributor to the “Non-controlling interests” in the consolidated statement of financial position of the Group. This contribution amounts to EUR1,164.2 million out of a total of EUR1,869.9 million at December 31, 2016, compared to EUR1,072.8 million out of a total of EUR1,385.6 million at December 31, 2015.

The contribution of EUR1,164.2 million at December 31, 2016 is primarily the result of the 71.6% non-controlling interest in Aguas Andinas in Chile.

SUEZ fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 100% at December 31, 2016.

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, 2016** [(a)]	**December 31, 2015**
Non-current assets	2,110.9	2,006.6
Current assets	171.1	193.3
of which Cash and cash equivalents	*18.2*	*42.9*
Total assets	**2,282.0**	**2,200.0**
Shareholders' equity, Group share	850.3	802.9
Non-controlling interests	72.3	70.8
Total shareholders' equity	**922.6**	**873.6**
Non-current liabilities	1,188.8	1,024.0
Current liabilities	170.5	302.3
Total shareholders' equity and liabilities	**2,281.9**	**2,200.0**
Closing exchange rate CLP / EUR	738.9	768.7

(a) The Aguas Andinas group's consolidated financial statements as at December 31, 2016 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, 2016 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

In millions of euros	September 30, 2016 [(a)]	30 September 2015
Revenues	475.4	486.4
Operating profit /(loss)	215.1	215.3
Net income - Group share	131.3	130.2
Net income - non-controlling interests	3.9	3.2
Net income	135.1	133.4
Other comprehensive income (OCI)	-	-
Comprehensive income	**135.1**	**133.4**
Average exchange rate CLP / EUR	758.3	712.8

(a) The Aguas Andinas group's consolidated financial statements as at December 31, 2016 were not yet available on the date when the Group's annual consolidated financial statements were published.

The summarized income statement at September 30, 2016 is extracted from the most recent published data (not audited).

Dividends (100%)

In millions of euros	Dividends related to 2015	Dividends related to 2014
Dividends paid by Aguas Andinas	170.1	167.5

Note 17 Provisions

As of December 31, 2016:

In millions of euros	December 31, 2015	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	December 31, 2016
Post-employment benefit obligations and other long-term benefits	671.1	38.4	(60.5)	-	10.2	17.3	5.4	119.2	801.1
Sector-related risks	85.4	9.5	(1.6)	(0.1)	(1.3)	-	(0.2)	(3.2)	88.5
Warranties	24.0	3.1	(5.9)	-	(0.1)	-	(0.2)	(0.5)	20.4
Tax risks, other disputes and claims	168.6	27.4	(43.5)	(20.7)	2.8	0.1	0.3	(0.9)	134.1
Site restoration	571.1	26.4	(59.2)	-	8.1	38.5	(13.8)	(4.1)	567.0
Restructuring costs	47.0	32.8	(33.6)	(0.2)	1.4	-	(0.9)	0.4	46.9
Other contingencies [(b)]	384.6	86.5	(81.2)	(0.1)	18.8	5.3	5.4	2.2	421.5
TOTAL PROVISIONS	**1,951.8**	**224.1**	**(285.5)**	**(21.1)**	**39.9**	**61.2**	**(4.0)**	**113.1**	**2,079.5**

(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 €93.6 million in 2016 versus €100 million in 2015, following the acquisition of WSN by SUEZ R&R Australia in 2010.

As of December 31, 2016, the variation of total provisions mainly derives from:

- the increase in provisions for post-employment and other long-term benefits of +EUR107.3 million excluding exchange rate impacts and unwinding discount adjustments. This variation takes into account actuarial gains about +EUR119.7 million, posted in the column «Other» of the above table;
- the translation adjustments of -EUR4 million, which are primarily generated by the American and British subsidiaries;
- the +EUR61.2 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, as well as provisions for onerous contracts, classidied as provisions for other contingencies.

The transformation plan of the Group's support functions had no impact on the financial year 2016.

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 2016:

In millions of euros	(Reversals) / net allowances
Income from operating activities	(65.1)
Other financial income and expenses	61.2
Income tax expense	(17.4)
TOTAL	**(21.3)**

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, 20 years in France starting the application of the ministerial decree of February 15, 2016 with a renewable 5 years monitoring period, and 60 years in Great-Britain) 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, SUEZ Groupe, SUEZ Eau France and Eau et Force apply to those companies’ senior executives. At December 31, 2016, the Projected Benefit Obligation (PBO) for this senior executives’ plan was EUR106.5 million, *versus* EUR81.8 million at December 31, 2015. The average duration of the actuarial liability for the senior executives’ plans is 13 years. It should be noted that these plans are partially funded (24% of gross debt at December 31, 2016).

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, 2016, the PBO for the United Water defined-benefit pension plans was EUR422.7 million, *versus* EUR394.1 million at December 31, 2015. The average duration of the actuarial liability for the United Water plans is 14 years. It should be noted that these plans are funded up to 67% at December 31, 2016.

In addition, United Water commits to support a portion of healthcare costs of retirees. The corresponding actuarial liability amounted to EUR90.3 million against EUR84.6 million at 31 December 2015.

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

In the United Kingdom, SUEZ R&R UK has several defined-benefit retirement plans, most of which are closed to new hires, except for the Sita Final Salary Pension Scheme. SUEZ R&R 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 SUEZ R&R UK must maintain. At December 31, 2016, the PBO for the SUEZ R&R UK retirement plans was EUR144.6 million, *versus* EUR131.0 million at December 31, 2015. The average duration of the actuarial liability for the SUEZ R&R UK plans is 20 years. It should be noted that these plans are funded up to 88% at December 31, 2016.

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 EUR3 million are expected in 2017.

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

In addition to the supplementary pension schemes mentioned above, most of the 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, 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)**
Translation gains and losses	(0.2)	(5.4)	(5.6)
Actuarial gains and losses [(a)]	(0.9)	(118.8)	(119.7)
Changes in scope of consolidation and other		(10.6)	(10.6)
Expense of the period [(b)]	-	(36.5)	(36.5)
Contributions	-	41.3	41.3
BALANCE AT DECEMBER 31, 2016	**4.3**	**(801.1)**	**(796.8)**

(a) Actuarial gains and losses on employee benefits.

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

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

The expense for 2016 amounted to -EUR36.5 million versus an income of EUR8.2 million in 2015. The main components are explained in section 18.2.3.

Accumulated actuarial gains and losses recognized in equity amounted -EUR423.7 million at December 31, 2016, against -EUR293.3 million at December 31, 2015. 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, 2016	Dec. 31, 2015
OPENING BALANCE	**(293.3)**	**(369.2)**
Actuarial gains and (losses) generated during the year [a]	(119.7)	72.0
Equity-accounted companies and other	(10.7)	3.9
CLOSING BALANCE	**(423.7)**	**(293.3)**

(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, the changes to these over the periods concerned, as well as a reconciliation with the amounts recognized in the statement of financial position.

		December 31, 2016				December 31, 2015			
In millions of euros		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		**(1,064.4)**	**(232.1)**	**(21.0)**	**(1,317.5)**	**(1,050.0)**	**(291.3)**	**(21.2)**	**(1,362.5)**
Service Cost		(31.4)	(6.1)	(1.8)	(39.3)	(33.9)	(8.2)	(1.8)	(43.9)
Interest cost		(31.2)	(7.7)	(0.2)	(39.1)	(30.4)	(9.4)	(0.3)	(40.1)
Contributions paid		(1.4)	-	-	(1.4)	(1.5)	-	-	(1.5)
Amendments		(0.7)	-	-	(0.7)	0.8	56.6	-	57.4
Acquisitions/Disposals of subsidiaries		(1.0)	-	-	(1.0)	(2.3)	-	-	(2.3)
Curtailments/settlements		27.6	0.8	0.7	29.1	14.2	3.6	0.7	18.5
Special terminations		0.1	-	-	0.1	-	-	-	-
Financial actuarial gains and losses		(132.2)	(25.3)	(2.1)	(159.6)	80.2	15.4	1.0	96.6
Demographic actuarial gains and losses		(9.9)	4.0	0.7	(5.2)	(30.1)	8.8	(0.4)	(21.7)
Benefits paid		37.2	8.5	1.1	46.8	39.5	8.0	1.1	48.6
Other		(2.0)	(4.3)	(0.6)	(6.9)	(50.9)	(15.6)	(0.1)	(66.6)
Projected benefit obligation at the end of period	**A**	**(1,209.3)**	**(262.2)**	**(23.2)**	**(1,494.7)**	**(1,064.4)**	**(232.1)**	**(21.0)**	**(1,317.5)**
Change in fair value of plan assets									
Fair value of plan assets at the beginning of the period		**576.5**	**75.3**	**-**	**651.8**	**524.1**	**70.1**	**-**	**594.2**
Expected return on plan assets		18.4	3.4		21.8	18.6	3.3		21.9
Contributions received		35.5	4.9		40.4	45.2	6.9		52.1
Curtailments/settlements		(7.0)	-		(7.0)	(6.4)	-		(6.4)
Actuarial gains and losses		41.6	2.1		43.7	2.5	(4.9)		(2.4)
Benefits paid		(36.0)	(8.5)		(44.5)	(42.7)	(8.0)		(50.7)
Other		(11.0)	2.7		(8.3)	35.2	7.9		43.1
Fair value of plan assets at the end of period	**B**	**618.0**	**79.9**	**-**	**697.9**	**576.5**	**75.3**	**-**	**651.8**
Funded status	**A+B**	**(591.3)**	**(182.3)**	**(23.2)**	**(796.8)**	**(487.9)**	**(156.8)**	**(21.0)**	**(665.7)**
Net benefit obligation		**(591.3)**	**(182.3)**	**(23.2)**	**(796.8)**	**(487.9)**	**(156.8)**	**(21.0)**	**(665.7)**
TOTAL LIABILITIES		**(595.6)**	**(182.3)**	**(23.2)**	**(801.1)**	**(493.3)**	**(156.8)**	**(21.0)**	**(671.1)**
TOTAL ASSETS		**4.3**			**4.3**	**5.4**			**5.4**

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

In 2016, 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 EUR114 million

In 2015, the decrease of the net liability was mainly attributable to higher discount rates over the period, resulting in an actuarial gain in equity of around EUR72 million, and by the recognition of an income primarily due to the healthcare plan amendment in the United States whose consequence was a decrease in liability for about EUR56.6 million. These items were partially offset by a foreign exchange effect that increased the commitment for about EUR24 million.

18.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2016 and 2015 breaks down as follows:

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Current service cost	(39.3)	(43.9)
Net interest expense on the net defined benefit liability	(17.3)	(18.6)
Actuarial gains or losses	(1.4)	0.6
Past service cost	(0.7)	57.3
Gains or losses on pension plan curtailments, terminations and settlements	22.1	12.8
Special terminations	0.1	-
Total	**(36.5)**	**8.2**
Of which recognized in current operating income	(19.2)	26.8
Of which recognized in financial income/(loss)	(17.3)	(18.6)

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	Limit on defined benefit assets and supplementary provision	Total net obligation
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)**
Underfunded plans	(1,050.7)	670.9	-	(379.8)
Overfunded plans	(22.7)	27.0	-	4.3
Unfunded plans	(421.3)		-	(421.3)
Total December 31, 2016	**(1,494.7)**	**697.9**	**-**	**(796.8)**

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

	2016	2015
Securities	35%	43%
Bonds	45%	30%
Real Estate	2%	2%
Other (including money market securities)	18%	25%
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	33%	45%	0%	6%	11%
Bonds	36%	47%	0%	84%	50%
Real Estate	7%	0%	0%	0%	0%
Other (including money market securities)	24%	8%	0%	10%	39%
TOTAL	**100%**	**100%**	**0%**	**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	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate	2.4%	3.3%	2.8%	3.8%	1.4%	2.3%	2.4%	3.4%
Estimated future increase in salaries	2.7%	2.9%	2.4%	2.3%	1.9%	2.7%	2.7%	2.8%
Inflation Rate	2.1%	2.1%	2.3%	2.2%	1.9%	2.1%	2.1%	2.1%
Average remaining working lives of participating employees	17 years	17 years	17 years	18 years	17 years	19 years	17 years	17 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, 2015, the 2016 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. A discount rate curve has been used per currency area and has been applied to debt and to the components of the current cost (Service Cost and Net Interest).

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 2016, 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)]	(383.0)	(133.1)	(17.3)	0.0	(140.2)	(10.5)	(50.8)	(61.9)
Discount rate	1.3%	1.3%	2.7%	0.0%	3.8%	3.8%	2.0%	4.8%
Estimated future increase in salaries	1.8%	1.5%	3.8%	0.0%	3.6%	3.8%	2.9%	3.9%
Inflation Rate	1.7%	1.9%	2.8%	0.0%	2.5%	2.5%	1.2%	2.9%
Average remaining working lives of participating employees	18	19	20	0	14	12	14	11

(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 2017

The Group expects to contribute to defined benefit plans in 2017 and to pay benefits for a total approximate amount of EUR32.2 million.

18.3 Defined contribution plans

In 2016, the Group recorded a EUR62.1 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, 2016	Dec. 31, 2015
Amounts due from customers under construction contracts	218.2	141.4
Amounts due to customers under construction contracts	114.5	155.8
NET POSITION	**103.7**	**(14.4)**

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, 2016	Dec. 31, 2015
Cumulated cost incurred and margins recognized	3,200.3	3,063.0
Advances received	85.9	57.0
Retentions	38.2	23.7

The change in the cumulated costs incurred between 2016 and 2015 is mainly linked with the ongoing contracts in the Middle-East and Chile.

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 as at December 31, 2016 concern the incineration plants of Novergie in France.

The variation compared to year 2015, is mainly explained by the treatment on year 2016 as "Liabilities directly linked to assets classified as held for sale" of the Agbar Tower in Barcelona. Agbar bought the Tower and sold it to a third party on January 2017 (refer to note 27 - Subsequent events)

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

	Future minimum lease payments at Dec. 31, 2016		Future minimum lease payments at Dec. 31, 2015	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	51.0	50.2	54.5	53.9
During years 2 to 5 inclusive	140.0	135.4	207.1	200.7
Beyond year 5	24.2	14.1	97.0	79.7
TOTAL FUTURE MINIMUM LEASE PAYMENTS [(a)]	**215.2**	**199.7**	**358.6**	**334.3**

(a) Including amortized cost.

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 13.2.1) with undiscounted future minimum lease payments by maturity:

In millions of euros	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease [(a)]	199.7	50.2	135.4	14.1
Impact of discounting future repayments of principal and interest	15.5	0.8	4.6	10.1
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	**215.2**	**51.0**	**140.0**	**24.2**

(a) Including amortized cost.

Note 21 Operating leases

Operating lease income and expenses recognized for fiscal years 2016 and 2015 break down as follows:

In millions of euros	December 31, 2016	December 31, 2015
Minimum lease payments	(399.2)	(370.7)
Contingent lease payments	(7.6)	(7.3)
Sub-letting income	0.5	0.3
Sub-letting expense	(5.9)	(4.0)
Other operating lease expenses	(23.3)	(21.1)
TOTAL	**(435.5)**	**(402.8)**

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

In millions of euros	December 31, 2016	December 31, 2015
During year 1	242.4	211.8
During years 2 to 5 inclusive	584.3	504.3
Beyond year 5	473.6	401.5
TOTAL	**1,300.3**	**1,117.6**

The increase of the minimum lease payments is partly due to the sale and lease back operations of properties in France and Australia (please refer to the Note 2 Major transactions).

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 EUR230 million at December 31, 2016 *versus* EUR222 million at December 31, 2015 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 2016	2015
Stock-option plans	23.1	-	-
Performance share plans [(a)]	23.2	(0.6)	0.4
Worldwide financial incentive scheme	23.3	(3.1)	(7.1)
Employees share issues [(b)]	23.4	(2.3)	(0.1)
Long-term incentive plan	23.5	(13.5)	(10.1)
TOTAL		**(19.5)**	**(16.9)**

(a) In 2015, expenses presented for performance share plans take into account the partial achievement of performance conditions of SUEZ 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 2016 impact related to capital increases reserved for employees amounts to +€0.5 million and 2015 expense amounts to -€3.0 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 2016 are described in previous SUEZ and ENGIE Reference Documents.

23.1.2 Description of current plans

SUEZ STOCK OPTION PLANS

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2015	Exercised [(b)]	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2016	Expiration date	Residual life
12/17/2009 [(a)]	05/26/2009	12/17/2013	15.49	1,214,310	17,934	-	3,250	1,193,126	12/16/2017	1.0
12/16/2010 [(a)]	05/26/2009	12/16/2014	14.20	676,753	10,363		400	665,990	12/15/2018	2.0
TOTAL				**1,891,063**	**28,297**	**-**	**3,650**	**1,859,116**		

(a) Exercisable plans.

The average share price for SUEZ in 2016 was EUR14.83.

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 12/31/2015	Exercised [(b)]	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2016	Expiration date	Residual life
11/12/2008 [(a)]	07/16/2008	11/12/2012	32.74	1,008,010			1,008,010	-	11/11/2016	-
11/10/2009 [(a)]	05/04/2009	11/10/2013	29.44	378,806				378,806	11/9/2017	0.9
TOTAL				**1,386,816**	**-**	**-**	**1,008,010**	**378,806**		

(a) Exercisable plans.

The average share price for ENGIE in 2016 was EUR13.70.

23.1.3 Impact on the income statement

SUEZ PLANS

In 2016, no expense has been recorded in relation to the SUEZ stock option plans.

ENGIE PLANS

In 2016, as for 2015, 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 2016 are described in previous SUEZ and ENGIE 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 EUR1.8 million was recognized on the 2012 and 2013 SUEZ performance share plan to reflect the achievement level of performance conditions and consequently to cancel the expenses recognized in previous years.

23.2.3 Impact on the income statement

SUEZ PLANS

During the period, a net cost of -EUR0.6 million was recognized for the SUEZ performance share plans.

	Number of shares granted	Outstanding number of shares at 12/31/2016	Weighted average fair value	(Expense) for the period 2016	2015
March 2012 [(a)]	828,710	248,453	8.8 €	-	1.5
March 2013	1,315,100	369,580	6.5 €	(0.6)	(1.1)
TOTAL				**(0.6)**	**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, no expense has been recorded in relation to the performance share plans.

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 2016 are described in previous SUEZ and ENGIE Reference Documents.

23.3.2 Impact on the income statement

SUEZ PLANS

During the period, an expense of -EUR2.0 million was recognized for the SUEZ worldwide incentive scheme.

	Number of shares granted	Outstanding number of shares at 12/31/2015	Weighted average fair value	(Expense) for the period 2016	2015
January 2013	3,018,720	1,410,674	6.2 €	(2.0)	(4.8)
TOTAL				**(2.0)**	**(4.8)**

ENGIE PLANS

During the period, an expense of -EUR1.1 million was recognized for the ENGIE worldwide incentive schemes.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2016	2015
June 2011 [(a)]	749,655	19.9 €	-	1.0
October 2012	1,140,525	11.7 €	(1.1)	(3.3)
TOTAL			**(1.1)**	**(2.3)**

(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 2016	2015
SUEZ Sharing 2014 plan	Matching shares - International	July 2014	(0.2)	(0.2)
SUEZ Sharing 2014 plan	Share Appreciation Rights	July 2014	(1.2)	0.6
SUEZ Sharing 2011 plan	Matching shares - International	December 2011	(0.1)	(0.2)
SUEZ Sharing 2011 plan	Share Appreciation Rights	December 2011	(0.8)	(0.3)
TOTAL [(a)]			**(2.3)**	**(0.1)**

(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 2016 related to capital increases reserved for employees amounts to +EUR0.5 million versus -EUR3,0 million in the year 2015.

There was no employee share issue in 2016. The only impacts on 2016 income linked to employee share issues came from SARs and the amortization of international matching contributions for the Sharing 2011 and Sharing 2014 plans.

The arrangements relating to Sharing 2014, Sharing 2011 plans are described in more detail in previous SUEZ Reference Documents.

23.5 Long-term incentive plan

In its February 23, 2016 meeting, the Board of Directors decided to implement a long term incentive plan in the form of a cash bonus, involving an overall amount of 15 million and paid out to 1,771 beneficiaries.
The vesting period extended from February 23, 2016 to March 30, 2019.
The February 23, 2016 plan concerns two separate lists of beneficiaries, Beneficiaries A and Beneficiaries B, under the following stipulations:

Beneficiaries A (624 beneficiaries):

- Executive Corporate Officer, Members of the Management Committee and of the Executive Committee: two performance conditions apply cumulatively (cumulative EBIT figures and changes in the Total Shareholder Return of SUEZ compared to the change in Total Shareholder Return of the Euro Stoxx Utilities index over the period of January 1, 2016 to December 31, 2018) on 100% of total compensation that may be paid.
- Top Executives: an initial performance condition based on cumulative EBIT figures over the period of January 1, 2016 to December 31, 2018 (inclusive) on 100% of total compensation that may be paid; a second performance condition of changes in the Total Shareholder Return of SUEZ compared to the change in Total Shareholder Return of the Euro Stoxx Utilities index over the period of January 1, 2016 to December 31, 2018 (inclusive), in addition to the first condition, which applies to 50% of the total compensation that may be paid.
- Other beneficiaries: a performance condition based on cumulative EBIT figures over the period of January 1, 2016 to December 31, 2018 (inclusive) on 100% of the total compensation that may be paid.

The amount of variable long-term Incentive to be paid to Beneficiaries A as determined based on performance conditions, may be increased or decreased by 10% depending on the level achieved in terms of a condition related to the gender ratio in management, the “TPE” at December 31, 2018.

Beneficiaries B:
A performance condition based on cumulative EBIT figures over the period of January 1, 2016 to December 31, 2018 (inclusive), which applies to 100% of the total compensation that may be paid.

The external performance condition may be valued using the Monte Carlo method.

In 2016, the three long-term compensation plans for 2014, 2015 and 2016 resulted in a cost of (13.5) million, including provisions recorded for social charges.

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, 2016 and 2015”. Only material transactions are described below.

24.1 Transactions with ENGIE and related entities

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Transactions with ENGIE		
Purchases/sales of goods and services	(0.9)	(0.3)
Non financial payables	9.0	3.0
Non financial receivables	0.4	0.7
Receivables carried at amortized cost [(a)]	16.3	19.5
Transactions with companies linked to ENGIE		
Purchases/sales of goods and services	8.2	3.0
Non financial receivables	26.9	27.9
Non financial payables	1.0	2.1
Borrowings excluding financial instruments	1.0	1.1
Commodity derivatives (Liabilities)	0.1	4.7

(a) Refer to note 2.2.1 of the chapter 20 of the 2009 SUEZ Reference Document – Synthetic Argentinean contract.

24.2 Transactions with joint operations, joint ventures and associates

24.2.1 Joint operations

The Group has a EUR304 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 EUR198 million was recognized under assets in the Group’s consolidated statement of financial position.

24.2.2 Joint ventures and associates

As at December 31, 2016, the Group lend a total amount of EUR55 million to joint ventures in water business in Europe as well as in Asia.

Furthermore, the Group also lend EUR93 million to associates in charge of the commissioning and operation of incinerators in the United Kingdom.

Note 25 Executive compensation

The Group's key executives were the eight members of the Management Committee at December 31, 2016. Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2016	Dec. 31, 2015
Short-term benefits	7.3	7.3
Post-employment benefit [(a)]	1.0	0.8
Share-based payments	-	0.2
Long Term Incentive Plan	0.9	0.9
TOTAL	**9.2**	**9.2**

(a) *Post-employment benefits relate to the SUEZ group plans only.*

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 EUR134.1 million as of December 31, 2016 (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 USD6.1 million and USD3.8 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 USD405 million in damages (including USD367 million to SUEZ and its subsidiaries since SUEZ had acquired the claim against the Argentine Republic in 2016 from one of the minority shareholders of Aguas Argentinas). In early August 2015, the Republic of Argentina petitioned an ad hoc ICSID committee to render this decision invalid, this procedure was still in progress at December 31, 2016. A ruling is expected during the first half of 2017.

Concerning the Santa Fe concession, in a December 4, 2015 decision, ICSID ordered the Argentine Republic to pay the sum of USD225 million (the initial amount of USD211 million was modified by the ICSID) to the shareholders of Aguas Provinciales de Santa Fé as a result of the termination of the concession agreement, and the entire amount of this sum was to go to SUEZ and its subsidiaries. The Argentine Republic lodged an action for annulment before an ad hoc committee of the ICSID in September 2016. A ruling is expected by the end of 2017 at the earliest.

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.

Agbar received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of EUR41 million in addition to penalties of EUR25 million. In May 2009, Agbar was also notified of a reassessment in the amount of EUR60.5 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.

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

Following various court proceedings, the Spanish government abandoned partially the reassessment and Agbar paid the sum of EUR20 million corresponding to the principal.

The only outstanding item in litigation is late interest in the amount of EUR9 million, which was contested before the Central Administrative Court, which returned a ruling unfavorable to Agbar in December, 2016. The company is currently analyzing the possibility of appealing that decision.

- 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. This procedure is still pending.

Note 27 Subsequent events

On January 12, 2017, the Group sold the Agbar tower to the Real Estate group Merlin for an amount of EUR142 million. This transaction resulted in a reduction of net debt of SUEZ group by EUR142 million, subsequent to the December 31, 2016 closing date.

Note 28 List of the main consolidated companies at December 31, 2016 and 2015

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 Dec. 2016	% interest Dec. 2015	% control Dec. 2016	% control Dec. 2015	Consolidation methods [a] Dec. 2016	Consolidation methods [a] Dec. 2015
SUEZ	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							
SUEZ Eau 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
SEERC	0270 Rue Pierre Duhem 13290 Aix en Provence - France	100.0	100.0	100.0	100.0	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	100.0	100.0	100.0	FC	FC
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso 4, Santiago – Chile	28.4	28.4	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
ACEA Spa	p.le Ostiense, 2 - 00154 Roma - Italy	23.3	12.5	23.3	12.5	EM	EM
RECYCLING AND RECOVERY EUROPE							
SUEZ Recycling and Recovery Holdings UK Ltd	Grenfell road, Maidenhead, Berkshire SL6 1ES – United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SUEZ Recycling & Recovery Deutschland GmbH	Industriestrasse 161 D-50999 Köln – Germany	100.0	100.0	100.0	100.0	FC	FC
SUEZ Nederland Holding B.V.	Meester E.N. van Kleffensstraat 10, 6842 CV Arnhem – Netherlands	100.0	100.0	100.0	100.0	FC	FC
SUEZ R&V France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	99.9	100.0	99.9	FC	FC
SUEZ R&R Belgium N.V.	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
SUEZ Polska sp. z o.o.	Zawodzie 5, 02-981 Warszawa – Poland	100.0	100.0	100.0	100.0	FC	FC
SUEZ Recycling AB	Kungsgardsleden, 26271 Angelholm – Sweden	100.0	100.0	100.0	100.0	FC	FC

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

Names	Headquarters address	% interest Dec. 2016	Dec. 2015	% control Dec. 2016	Dec. 2015	Consolidation methods [a] Dec. 2016	Dec. 2015
	INTERNATIONAL						
SITA WASTE SERVICES	Room 702, 7/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay – Hong Kong	58.0	100.0	58.0	100.0	FC	FC
SUEZ Recycling & Recovery Pty Ltd	Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australia	100.0	100.0	100.0	100.0	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
SUEZ Australia Holdings Pty Ltd	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	49.3	42.5	Consolida-ted via SUEZ NWS Limited	Consolida-ted via SUEZ NWS Limited	FC	EM
SUEZ International	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
SUEZ NWS Limited	New World Tower 29/f 16-18 Queensroad Central - Hong Kong	58.0	50.0	58.0	50.0	FC	EM
	OTHER						
SUEZ Groupe	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
SUEZ Consulting	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.

	EY				Mazars			
	Amount		%		Amount		%	
In thousands of euros	2016	2015	2016	2015	2016	2015	2016	2015
Audit								
SUEZ SA	709	705	9%	9%	584	581	10%	10%
Fully consolidated subsidiaries and joint operations	5,237	5,181	65%	69%	4,841	4,890	83%	83%
Other services								
SUEZ SA	196	293	2%	4%	60	110	1%	2%
Fully consolidated subsidiaries and joint operations	1,965	1,368	24%	18%	318	309	6%	5%
TOTAL	**8,107**	**7,547**	**100%**	**100%**	**5,803**	**5,890**	**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

Year ended December 31, 2016

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

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

SUEZ

Year ended December 31, 2016

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, 2016, on:

- the audit of the accompanying consolidated financial statements of SUEZ;
- 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, 2016 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, SUEZ 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 SUEZ 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, SUEZ 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 SUEZ, 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 28, 2017

The statutory auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Gonzague SENLIS	Dominique MULLER	Jean-Pierre LETARTRE	Stéphane PEDRON