interim financial report 2018

SUEZ

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1 Message from the Chief Executive Officer

The first half of 2018 was marked by a sustained activity; as a result Group revenues rose by +11.4% or +15.0% at constant exchange rates, to stand at EUR 8,350.6 million, far outstripping the annual objectives set.

At EUR 2,230.2 million, Water Europe activity was up +0.5% at constant exchange rates, but fell -0.4% in gross terms due to the weakening of the Chilean peso against the euro over the first half. France and Spain recorded slight downturns due to adverse weather conditions. In addition, the price inertia caused by the deflationary environment in Europe remained damaging for this division. However, Chile posted a particularly satisfactory performance, with volumes rising sharply and prices increasing as well.

Revenues for the Recycling and Recovery Europe division were up +2.5% (+3.2% at constant exchange rates) versus the first half of 2017, at EUR 3,118.0 million, despite the significant adverse impact of the pound sterling's fall against the euro. Volumes processed at our facilities rose significantly, showing the better shape of the European economy across all countries, including France. In addition, secondary raw materials prices had a mixed effect on the business, since metal prices continued to rise while paper, cardboard, and plastic were significantly affected by Chinese import restriction measures.

In the International division, the Group continued to expand its operations in most countries. The division's revenues stood at EUR 1,842.2 million (+1.9% at constant exchange rates), thanks in particular to sustained growth in Australia, Asia, and Latin America. However, this was curbed in the AMEI area (Africa, Middle East, India) following the termination of certain construction contracts in 2017 for which there were no equivalents in the first six months of 2018.

WTS had a great start to the year, with this division achieving EUR 1,105.6 million as of June 30, 2018. The order book was up by 18% compared to 2017 first semester, which bodes well for a year-end landing in line with expectations.

In terms of operating performance, EBITDA[1] came to EUR 1,323.2 million, up +4.4% compared to 2017 and up 8.8% at constant exchange rates.

EBIT[2] was EUR 607.3 million, up +2.3% compared to the first six months of 2017. Adjusted from the impact of GE Water's purchase price allocation, representing an expense of EUR 22.3 million over the first half, and the effect of the change in the US tax rules on regulated business activities in the water sector, which had a neutral effect on net income group share, EBIT was up +12%, again exceeding our annual objectives of +10%.

Meanwhile, net financial debt stood at EUR 9,323 million, up sharply compared to the end of December 2017 restated (EUR 8,472 million) due to the seasonal variation in the working capital requirement and the dividend payment. The net debt to EBITDA ratio stood at 3.5, *versus* 3.2 as of December 31, 2017 restated.

In parallel, we launched an action plan that aims to improve our collective efficiency, create renewed sales momentum in France by pursuing a major organizational change, and strengthen our resources internationally while developing sectors of excellence in digitalization and innovation, to better serve our customers, and to ensure that they are in the best position on the sectors of tomorrow.

Thanks to the acceleration and improvement in performance over this half-year, we are on a path of selective and profitable growth, allowing us to look to the future with confidence and ambition. The Group thus confirms all the financial objectives it set for 2018.

(1) EBITDA after taking into account the share in the net income of equity-accounted companies considered as core businesses but before the net impact of IFRIC 21.
(2) EBIT after taking into account the share in the net income of equity-accounted companies considered as core businesses but before the net impact of IFRIC 21.

2 Key figures for the first half of 2018

The table below shows extracts of the income statements, statements of financial position and statements of cash flows from the condensed Consolidated Financial Statements for the periods ending June 30, 2018 and June 30, 2017 restated.

The following financial information should be read in conjunction with the interim condensed Consolidated Financial Statements and the interim Management Report which follow.

(in millions of euros)	June 30, 2018	June 30, 2017 restated [c]
Revenues	8,351	7,493
EBITDA [a]	1,323	1,268
Net income Group share	90	44
Free cash flow [b]	238	191
Net debt	9,323	8,472
	at June 30, 2018	*at December 31, 2017 restated*

(a) The EBITDA indicator is presented without IFRIC 21 impact.
(b) Before disposals and development capital expenditures.
(c) For the year ended June 30, 2017, the income statement has been modified compared to that presented in the Interim Financial Report published on June 30, 2017 to take into account the impacts related to the application of the new IFRS 15 standard.

3 Highlights – First half 2018 contracts

January 2018

France: SUEZ, through its Corporate Investment Fund SUEZ Ventures, invested in the ETIA Group, a French engineering group specialized in continuous thermal treatment processes, alongside the Race For Water Foundation on one side, and in the start-up COGEBIO, alongside Demeter 3A and ETIA on the other side. The aim of these investments, totalling EUR 4.2 million, is to support the ETIA Group's development in France and internationally and to create a full range of solutions for the production of green energy.

China: SUEZ NWS and SE Environment[1] signed a shareholder agreement in order to establish the joint venture SE SUEZ Environmental Technology[2] which will be in charge of managing the "Shangyang Project" for the treatment and recovery of wastewater sludge in the city of Shenzhen in the context of a 30-year contract.

United Kingdom: The county of Devon has entrusted SUEZ with a contract for the construction of a new transfer station for the treatment of 45,000 annual tons of residual household waste from two districts, as well as the construction of six recycling centers. This waste treatment contract is for a duration of ten years and about EUR 68 million revenues, and may be extended for five years. Starting in February 2019, residual waste will be routed from the new transfer station in Brynsworthy to the SUEZ energy recovery centre in Severnside near Bristol.

France: Lille area authority has awarded SUEZ, in association with ENGIE Biogas, a 9-year contract to operate its organic recovery centre and the transfer and handling centre of Sequedin (North of France). The contract, worth EUR 76 million revenues, is based on commitments regarding energy and environmental performance.

Belgium: SUEZ developed an innovative process to recover non-ferrous metals from bottom ash produced by the waste-to-energy activities. The Group is starting to build the first plant in Europe to recover these raw materials and gives them a second life in the port area of Ghent, in Belgium. The project has received strategic ecological support from the Flemish government.

February 2018

India: The city of Coimbatore has entrusted SUEZ with a contract to manage and operate the water distribution system within the entire city so as to ensure continuous drinking water access to its 1.6 million inhabitants. The 26-year project, worth approximately EUR 400 million revenues, is the largest water services contract won by SUEZ in India.

Salvador: The national authority for water management and wastewater treatment services (ANDA) of Salvador has entrusted SUEZ with the contract to renovate the Las Pavas drinking water plant in San Pablo Tacachico worth EUR 53 million revenues. The work, which will last 24 months, will allow production capacity to increase to 3.0 m^3/s[3] and secure the water supply for the population.

Indonesia: PDAM Tirtanadi, the water company of the Province of North Sumatra has awarded SUEZ the contract for the extension of the drinking water production plant in Medan, the third largest city in Indonesia. The extension of this BOT (Build-Operate-Transfer) contract for a period of 25 years and EUR 191 million revenues, includes the funding, the building, the operation and the transfer of two additional water production units for the Medan plant.

France: Bordeaux – Euratlantique, Eiffage and SUEZ gathered in an Economic Interest Grouping (EIG) called "NOÉ platform", have inaugurated on February 27, in Bordeaux, the first platform of shared services between construction sites. The NOÉ platform offers a range of short circuit services, pooling assets and transportation, thus making it possible to reduce the impact and nuisances of construction sites, to guarantee a fluid, peaceful and accessible city despite the construction works.

(1) SE Environment Company Limited, a subsidiary of Shenzhen Energy Group Company Limited.
(2) SE SUEZ Environmental Technology Company Limited is owned 49% by SUEZ NWS and 51% by SE Environment.
(3) Vs.1.8 m^3/s as of today.

March 2018

China: SUEZ NWS, a subsidiary of SUEZ group, signed a comprehensive strategic partnership agreement with CNOOC Energy Technology[1] to enlarge their long-term cooperation and further pursue environmental projects in the Oil & Gas sector. This agreement relates to water, wastewater, sludge, hazardous waste and gas management solution for oil and gas production, which will cover engineering and construction, upgrade and retrofit, project operation and management and equipment manufacturing.

Ivory Coast: SUEZ and the Ivory Coast's Ministry of Economic Infrastructure have signed a contract worth EUR 19 million revenues to supply and install 40 compact modular drinking water production units. With a total production capacity of 92,000 m^3/day, these units will supply 18 towns in 17 regions. They will be gradually installed, over a period from 10 to 24 months, at all of the selected priority sites.

France: ENGIE and SUEZ committed to boost the energy transition of French regions through a partnership to develop photovoltaic solar parks in all Recycling & Recovery France landfills in metropolitan France. In total, about 100 sites are concerned, with an estimated installed capacity of 1 GW. This ambitious partnership follows the two groups' strategy to undertake exemplary projects that focus on the energy transition and the circular economy.

France: Six months after it was launched in a pilot zone in the west of France, Organix®, the digital platform dedicated to organic waste, is extending its offer to the entire French territory. This simple and secure marketplace, the first of its kind in France, puts organic waste producers in touch with the methane producers, who convert this waste into energy.

France: SUEZ, through its subsidiary SERAMM in Marseille (France), began the construction of a biomethane production and injection plant, produced from wastewater treatment process. Aix-Marseille-Provence metropolitan area, SUEZ, the French Water Agency, the French Environment and Energy Management Agency (ADEME) and Provence-Alpes-Côte d'Azur region invest EUR 9.2 million in the conversion of part of Marseille's Géolide wastewater treatment plant, with the aim of producing enough biomethane to supply 2,500 households from 1 January 2019.

India: Davanagere City entrusted SUEZ the contract for the rehabilitation and operation of the drinking water system in the city of Davanagere. This 12-year project worth EUR 70 million will ensure a constant 24/7 supply of drinking water to Davanagere's 500,000 inhabitants. The contract also sets objectives for improving the network's performance, water quality and customer service.

United States: SUEZ won the water management contract of the City of Woonsocket (RI, USA), as part of the City's project to design, build and operate a new drinking water facility. During this 20-year contract, worth EUR 43 million, SUEZ will ensure the continuity of service at the existing plant during construction work and will then operate and maintain the new water treatment plant.

France: SUEZ launched batiRIM®, a digital solution for the selective deconstruction of buildings in order to maximise reuse and recycling rates. This anticipation and advice approach is based on a unique digital modelling tool, the RIM® (Ressource Information Modelling). batiRIM® adopts an unprecedented approach to the deconstruction of buildings as it quantifies, qualifies and maps the flows of products and materials from buildings being renovated, redeveloped or deconstructed and assesses their potential for reuse and recycling, before the works even start.

Singapore: SUEZ has been awarded a 3-year contract by PUB[2], Singapore's national water agency, to clean its water supply pipelines. This 3-year contract is the first using the Ice Pigging technology in Asia, a SUEZ patented technology which uses significantly 50% less water than traditional cleaning techniques.

France: La Poste and SUEZ announced the market launch of their joint venture specializing in office waste collection and recovery. Named RECYGO, this company, aims to provide sorting solutions to all offices, throughout France.

April 2018

France: In Ardeche, SIDOMSA[3] and SICTOBA[4] waste treatment agencies have awarded SUEZ with the public service concession for a new waste-to-energy and material recovery facility. The new 20-year contract, worth a total of EUR 80 million revenues, includes the design, construction and operation of the future recovery facility, due to come into service in the spring of 2020.

France: The intercommunal syndicate for waste treatment in the north and east of the Reunion Island (SYDNE), chose SUEZ, through its subsidiary Inovest, for the household waste services starting on July 2019. The 15-year contract, worth a total of EUR 242 million revenues, covers sorting, multi-channel treatment (plastic, glass, paper etc.) and recovery of household and similar waste.

France: SUEZ, *via* its investment fund SUEZ Ventures, has invested in Hydrelis through a capital increase. This transaction complements SUEZ's ON'connect™ range of smart water meters and enables this young French company to boost its international development.

Vietnam: SUEZ was awarded the contract by the local water authority HAWASUCO[5], to supply wastewater services to Vi Thanh, the capital of Vietnam's southern province of Hau Giang. This contract, worth EUR 9.5 million revenues, includes the construction of a wastewater treatment plant and a sewerage network to improve the living standards of over 6,500 inhabitants and to protect the Xang Xa No city canal from pollution.

Chile: SUEZ renewed a contract to operate and maintain hydric system facilities for a mining company in El Teniente (South of Santiago de Chile) for an amount of EUR 13 million revenues.

(1) CNOOC Energy Technology & Service Limited is the environmental branch of "China National Offshore Oil Corporation".
(2) Public Utility Board.
(3) Syndicat Intercommunal de Destruction des Ordures Ménagères du Secteur d'Aubenas.
(4) Syndicat Intercommunal de Collecte des Ordures Ménagères de Basse Ardèche.
(5) Hau Giang Water Supply and Sewerage - Projects Urban Joint Stock Company.

May 2018

Taiwan: SUEZ NWS and Cleanaway[1] won the Dafa hazardous waste treatment facility contract in Kaohsiung, located in the south of Taiwan. The contract provides for the acquisition of the plant by the two partners for EUR 36 million and its operation by a new joint venture set up between SUEZ NWS (29%), Cleanaway (29%) and the Taiwan Government Agency RSEA[2] (42%).

Norway: Following an engineering and design study to protect the production wells of the Johan Castberg project, Statoil awarded the contract for the supply of equipment and the production of the seawater sulphate removal unit system to the consortium led by SUEZ and the Norwegian company Halvorsen TEC. Delivery of the equipment is expected to take place at the beginning of 2020, while the first oil is expected to be produced in the first half of 2022.

Bangladesh: The Dhaka Water Supply & Sewerage Authority (WASA) awarded to a joint venture set up between SUEZ and Veolia, as equal partners, to build and operate a drinking water production plant in Gandharbpur, after an international call for tender. The contract is worth around EUR 275 million revenues. The project will be funded by the Asian Development Bank, the French Development Agency (AFD), the European Investment Bank and the Bangladeshi government.

China: SUEZ NWS has signed, through its joint-venture Changshu Sino French Water[3], a 30-year contract with Changshu Water Bureau, to own and operate four wastewater treatment plants. The contract, worth a total of EUR 436 million revenues, is in line with the Changshu government's ambition to optimize water supply and wastewater services across the whole city.

Russia: SUEZ and Rosneft signed a Strategic Cooperation Agreement (SCA) to improve water & waste programs across Rosneft sites. The agreement will further technology development and implementation of water, wastewater and waste programs at Rosneft refinery and petrochemical sites.

June 2018

Brazil: SABESP, the public authority in charge of water management, recently awarded a contract worth EUR 1.2 million revenues to SUEZ for the reduction of leaks on water networks in the eastern part of Sao Paulo. This 24-month contract covers the improvement of hydric and energy efficiency by overseeing the modernisation and extension works of the network and introducing new services.

Mexico: The Group has signed a contract with the city of Queretaro. The contract worth EUR 2.3 million revenues covers the installation of the Aquacis system that will improve the technical and commercial management of water services. This system, developed by SUEZ Advanced Solutions, is already deployed in Spain, Algeria and Chile.

Chile: SUEZ, through Aguas Andinas, started to implement the *Biofactorias* programme in Santiago de Chile. SUEZ will upgrade the infrastructures of Mapocho-Trebal and La Farfana wastewater treatment plants. The initial investment of EUR 50 million will enable these two plants to become 100% energy self-sufficient, to produce gas that can be re-injected into the urban gas network and composting products for local farmers, and to implement a social entrepreneurship programme with the nearby communities.

France: The Gennevilliers Peninsula Water Syndicate and SUEZ inaugurated the Mont-Valérien drinking water softening unit in the Hauts-de-Seine department, near Paris. This facility will supply softer water to the 610,000 inhabitants served by the SEPG[4] from July 1, 2018.

(1) Cleanaway Company Limited.
(2) RSEA Engineering Corporation.
(3) Joint-venture between Changshu Urban Construction Public Assets Management Company Limited and SUEZ NWS.
(4) The members of the SPEG include the cities of Asnières-sur-Seine, Bois-Colombes, Colombes, Courbevoie, Gennevilliers, La Garenne-Colombes, Nanterre, Rueil-Malmaison, Suresnes and Villeneuve-la-Garenne.

4 Interim Management Report

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SUEZ's business activities grew 11.4% during the first half of 2018, mainly driven by the contribution of GE Water and improvements in the Recycling and Recovery Europe division.

Operating performance improved compared to 2017 notably due to positive scope effects related to the acquisition of GE Water, and despite highly unfavorable forex effects.

Indeed, EBITDA[(1)] is up by +4.4% and EBIT[(1)] rose +2.3%.

Net result Group share totaled EUR 90.1 million, a sharp increase compared to EUR 44.2 million in 2017, reflecting improved operating income, lower restructuring costs and reduced income tax expense.

Free cash flow before disposals and development capital expenditures came to EUR 238.1 million, an increase compared to the free cash flow recorded in the first half of 2017, which stood at EUR 190.6 million.

Net financial debt amounted to EUR 9,323 million as of June 30, 2018, up compared to the restated amount of EUR 8,472 million as of December 31, 2017. This was particularly due to the cash payment of all dividends during the first half of the year for EUR 622 million and due to the seasonal nature of working capital requirement (-EUR 229 million).

It should be noted that at June 30, 2018, the effects of the business combination were accounted for in accordance with the application of revised IFRS 3, concerning the acquisition of GE Water. This purchase price allocation thus impacted EBIT at June 30 by -EUR 22.3 million.

Significant events in the first half of 2018

PURCHASE PRICE ALLOCATION AFTER THE GE WATER & PROCESS TECHNOLOGIES ACQUISITION

On September 29, 2017, SUEZ finalized the acquisition of GE Water & Process Technologies ("GE Water") by SUEZ Water Technologies and Solutions ("SWTS"), a company held 70% by SUEZ and 30% by CDPQ (Caisse des Dépôts et Placement du Québec).

The cash transaction included a purchase price of EUR 2 903 million. GE Water's cash in hand on the acquisition date amounted to EUR 203 million, generating a cash outflow of EUR 2 699 million, which is reflected in the 2017 cash flow statement.

As of December 31, 2017, preliminary goodwill generated at the time of the acquisition totaled EUR 2,171 million (using December 31, 2017 USD/EUR exchange rate).

During the first half of 2018, the Group carried out all the work required to allocate the purchase price in accordance with the revised IFRS 3 standard on business combinations.

This allocation remains provisional and may be subject to slight revisions until 30 September 2018.

Refer to Note 2.1 in chapter 5 of this report for a detailed description of the various works and their impacts.

After allocation, redisual goodwill totaled EUR 1,663 million and represents the ability to develop new assets in the future (technologies, customer relations) and to the level of synergies expected by the Group.

The additional annual depreciation related to these various remeasurements will create a -EUR 45 million impact on EBIT and a -EUR 23 million impact on net result Group share, as per 2018 closing.

DISPOSAL OF INFECTIOUS MEDICAL WASTE (IMW) BUSINESS ACTIVITIES

On February 28, 2018, SUEZ sold its IMW business activities to MNH group for EUR 16 million. These activities contributed for EUR 47 million in revenues as of December 31, 2017.

As of June 30, 2018, this transaction generated a gross capital gain of EUR 12 million.

SUEZ SPAIN TRANSFORMATION PLAN

In late 2017, SUEZ Spain implemented a restructuring plan. This voluntary redundancy scheme resulted in the recognition of around EUR 14 million restructuring costs as of June 30, 2018.

(1) After taking into account the share in the net income of equity-accounted companies considered as core business but before the net impact of IFRIC 21.

4.1 Revenues and operational results

SUEZ posted revenues of EUR 8,350.6 million in the first half of 2018, up +11.4%. This EUR 857.4 million increase breaks down as follows:

- organic growth of +EUR 226.3 million. The Water Europe division has stabilized (+EUR 10.1 million, *i.e.*, +0.5%), but was negatively impacted by the lack of inflation, which led to weak tariff indexation. The gradual improvement in the Recycling and Recovery Europe division (+EUR 110.1 million, *i.e.*, +3.6%) was diminished by the drop in paper and plastic prices. The International division (+EUR 33.4 million, *i.e.* +1.7%) posted substantial growth in all geographic areas, except in Africa/Middle East/India area, which was adversely impacted by the Barka construction contract being terminated. Lastly, the WTS division recorded +EUR 68.6 million in growth (+6.1%), driven by its two business segments;
- positive scope effects of +EUR 899.7 million (+12.0%), mainly corresponding to the GE Water acquisition (+EUR 909.4 million);
- unfavorable foreign exchange effects of -EUR 259.4 million, mainly due to the US dollar (-EUR 126.9 million), the Australian dollar (-EUR 45.8 million), and to a lesser extent, the Chilean peso (-EUR 14.3 million) and the pound sterling (-EUR 11 million);
- a -EUR 9.3 million impact on regulated water business activities due to the change in the US tax system, which has no effect on net result Group share.

EBITDA was up by +EUR 55.5 million to EUR 1,323.2 million, or +4.4%, as a result of the following changes:

- organic growth of +EUR 32.6 million (+2.6%), driven by the International division +EUR 25.3 million (or +6.6%) and the WTS division +EUR 22.3 million (or +29.6%);
- positive scope effects of +EUR 75.1 million, mainly corresponding to the GE Water acquisition;
- unfavorable foreign exchange effects totaling -EUR 43.0 million;
- a -EUR 9.3 million impact on regulated water business activities due to the change in the US tax system, which has no effect on net result Group share.

EBIT amounted to EUR 607.3 million, up +EUR 13.4 million (+2.3%) compared with the first half of 2017. This increase first and foremost reflects operational improvements at WTS.

Income from operating activities including the share in net income of equity-accounted companies considered as core business amounted to EUR 533.8 million, compared to EUR 487.7 million in the first half of 2017, an increase of EUR 46.1 million. This change is mainly due to the increase in EBIT and decrease in restructuring costs (-EUR 28.3 million).

Net result Group share amounted to EUR 90.1 million, compared to EUR 44.2 million in the first half of 2017. This change primarily resulted from the change in income from operating activities and was partially offset by an increase in financial expenses.

Earnings per share came to EUR 0.11 in the first half of 2018, *versus* EUR 0.05 per share in the first half of 2017.

4.2 Operating segments

Revenues for the first half of 2018 amounted to EUR 8,350.6 million, an increase of +11.4% compared to 2017. Forex effect was negative at -3.5% (-EUR 259.4 million). Scope effect was +12.0% (+EUR 899.7 million). As such, the Group's organic growth amounted to +3.0%, or +EUR 226.3 million, with the breakdown by division as follows:

Water Europe posted a slight organic revenue growth of +0.5% (+EUR 10.1 million) due to:

- an organic decrease of -2.2% for Water France (-EUR 23.7 million) and -0.9% for Spain (-EUR 6.9 million) mainly due to price inertia caused by the low inflation environment and bad weather in France, in particular;
- organic growth of +9.3% in Latin America (+EUR 40.7 million) thanks to higher prices and a sharp rise in volumes compared to an unfavorable base in Chile in 2017.

The Recycling and Recovery Europe division posted organic growth of +3.6% (+EUR 110.1 million), mainly due to an increase in treated waste volumes (+3.2%). Organic variation by segment were +6.7% in Sweden, +6.0% in France, +4.9% for Industrial Waste Specialties, +2.1% in the Benelux/Germany region and -3.5% in the United Kingdom due to unfavorable construction activity and the closure of the Tilbury landfill.

The International division posted organic growth of +1.7% (+EUR 33.4 million), as a result of the following trends:

- sharp growth in Italy and Central Europe (+28.2%, +EUR 52.7 million). This performance was due in particular to soil remediation works in the Czech Republic and progress on the construction of the sludge treatment and energy recovery plant in Glina, Romania;
- growth in Australia (+7.0%, +EUR 36.8 million), driven by waste recycling and recovery business activities where volumes are growing substantially;
- growth in North America (+3.9%, +EUR 17.8 million), primarily due to an increase in prices and volumes in the regulated water business and the steady performance from the "Advanced Solutions" segment;
- stability in Asia; the increase in water volumes sold was offset by a smaller contribution in construction business activities;

- decline in the Africa/Middle East/India area (-13.1%, -EUR 74.1 million) after the Barka construction contract was terminated.

Lastly, the WTS division posted +EUR 68.6 million in organic growth, driven by the two business segments.

EBITDA amounted to EUR 1,323.2 million, representing an organic change of +2.6% (+EUR 32.6 million), which breaks down as follows:

- Water Europe posted an organic decrease of -1.7% (-EUR 10.2 million), mainly due to the impact of price inertia caused by a low inflationary environment in Europe and less encouraging volumes than the medium-term trend, especially in France;
- Recycling and Recovery Europe is down by -2.0% (-EUR 7.2 million), mainly due to the impact of declining prices in some secondary raw materials and the increase in diesel;
- for the International division, EBITDA rose +6.6% (+EUR 25.3 million) compared to the first half of 2017 as a result of solid performances in recycling and recovery in both Australia and Asia;
- WTS experienced booming growth (+EUR 22.3 million) by taking advantage of initial synergies and organic growth from the business.

EBIT amounted to EUR 607.3 million, representing an organic change of +7.5% (+EUR 45 million), which breaks down as follows:

- Water Europe posted an organic decrease of -1.1% (-EUR 3 million);
- Recycling and Recovery Europe reported growth of +3.6% (+EUR 5 million);
- in the International division, EBIT was up by +6.0% (+EUR 16 million);
- WTS was up +EUR 34 million.

4.3 Other income statement items

Income from operating activities, including the share in the net income of equity-accounted companies considered as core business amounted to EUR 533.8 million as of June 30, 2018. This includes EBIT of EUR 607.3 million, -EUR 32.2 million in net non-recurring items, and an impact of -EUR 40.8 million related to the application of the IFRIC 21 interpretation.

Net financial income as of June 30, 2018 amounted to -EUR 237.1 million, compared with -EUR 217.1 million in the first half of 2017. Meanwhile, the average cost of net debt declined from 4.03% during the first half of 2017 to 3.21% during the first half of 2018 and the average cost of gross debt dropped from 2.92% as of June 30, 2017 to 2.50% as of June 30, 2018.

Income tax expense was down by EUR 16.8 million compared to the first half of 2017. The effective tax rate stands at 43.6% and is mainly due to the write-off of deferred tax assets within the Spanish and French tax consolidation groups.

Net income from non-controlling interests amounted to +EUR 117.9 million: relatively stable compared to last year (+EUR 120.9 million).

4.4 Financing

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operations before financial expenses and income tax amounted to EUR 1,065.3 million as of June 30, 2018, compared to EUR 966.0 million in the first half of 2017 restated. This difference mainly reflects the change in EBITDA excluding the share of net income of equity-accounted companies, which represented an increase of +EUR 74.4 million.

Working capital requirements (WCR) had a negative impact of -EUR 228.5 million in the first half of the year, *versus* -EUR 255.1 million in the first half of 2017.

In total, cash flows from operating activities generated a cash surplus of +EUR 731.5 million in the first half of 2018, up +EUR 114.1 million compared to June 30, 2017, owing mainly to the effects described above.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities included:

- maintenance capital expenditure of EUR 306.2 million, or 3.7% of the Group's consolidated revenues;
- development capital expenditure of EUR 319.3 million;
- financial investments of EUR 121.5 million relating to several relatively small-scale acquisitions;
- disposals amounting to EUR 65 million.

In total, cash flows from investing activities generated a cash shortfall of -EUR 711.2 million, *versus* a shortfall of -EUR 321.1 million in the first half of 2017.

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid in cash amounted to EUR 621.7 million as of June 30, 2018.

In total, cash flows from financing activities generated a cash surplus of +EUR 313.2 million over the first half of 2018 *versus* +EUR 939.0 million in 2017, which included the issuance of EUR 600 million undated deeply subordinated notes and a EUR 750 million capital increase to finance the GE Water acquisition.

NET DEBT AS OF JUNE 30, 2018

Net debt as of June 30, 2018 amounted to EUR 9,323 million, *versus* EUR 8,472 million as of the end of December 2017 restated. This change is mainly explained by:

- the payment of EUR 621.7 million in dividends in the first half of 2018;
- the -EUR 228.5 million change in working capital requirement, explained by the traditionally unfavorable seasonal effect during the first half of the year.

As of June 30, 2018, the Group had confirmed undrawn credit facilities of EUR 2,475 million, including EUR 1,191 million as commercial paper backup lines.

4.5 Other statement of financial position items

Net intangible assets and goodwill amounted to EUR 9,915 million, down EUR 51 million compared to December 31, 2017 restated, resulting primarily from acquisitions for EUR 76 million, foreign exchange effects (+EUR 80 million), and depreciation and impairment losses for the period (-EUR 233 million).

Net property, plant and equipment amounted to EUR 8,497 million, *versus* EUR 8,516 million as of December 31, 2017 restated. This decrease of EUR 19 million is primarily due to acquisitions during the period amounting to EUR 402 million, disposal for -EUR 19 million, foreign exchange effects (-EUR 36 million) and depreciation and impairment losses during the period (- EUR 372 million).

Investments in joint ventures were up by EUR 69 million while investments in related companies were down by -EUR 53 million.

Total shareholders' equity amounted to EUR 8,587 million, down EUR 450 million compared to December 31, 2017 restated, primarily due to the distribution of dividends and net result for the period.

Provisions were down -EUR 58 million as of June 30, 2018, at EUR 2,060 million, *versus* EUR 2,118 million as of December 31, 2017 restated. This decrease results mainly from 45 million net reversals on all categories of provisions, as well as the foreign exchange effect for -EUR 5 million primarily generated by Australian subsidiaries.

Deferred taxes represented a net asset of EUR 21 million as of June 30, 2018.

4.6 Related party transactions

Note 14 to the condensed consolidated interim financial statements hereafter provides for details on significant related party transactions. These transactions are mainly with ENGIE (primarily as part of the synthetic Argentinean contract).

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

The chapter on Risk factors (chapter 4) in the 2017 SUEZ Reference Document provides a detailed description of the risk factors to which the Group is exposed. No risks or uncertainties are expected other than those presented in this document.

4.8 Outlook for 2018

The Group reaffirms the following outlook for 2018:

- revenues up by around 9% at constant exchange rates[1];
- EBIT up by around 10% at constant exchange rates before allocation of the GE Water purchase price[1];
- generating around EUR 1 billion[2] in free cash flow;
- net financial debt/EBITDA ratio close to 3;
- pursuing an attractive dividend policy: dividend payment in 2019 of at least EUR 0.65 per share for 2018 results[3].

In the medium-term, SUEZ is confident in its future, given its numerous advantages in responding to strong demand for environmental services and new solutions for managing water and waste cycles throughout the world, and the recent acquisition of GE Water clearly positions the Group as a leading industrial operator. SUEZ is transforming into an integrated services group and places great importance on its commitments to sustainable development.

This strategy is based on maximizing the organic growth of its business activities, without excluding opportunities for external growth, which would be pursued wherever they satisfy the Company's profitability criteria.

The cost savings plan will amount to EUR 200 million over the period 2018-2020 and will support the achievement of the 2018 objectives.

(1) Excluding the impact of the change in US taxation on water regulated activities leading to a reduction of EUR 25 million in revenues for the full year and a transfer of the same amount from EBIT to income tax, neutral on net income, group share. The Group anticipates that the effect of GE Water's purchase price allocation on EBIT will amount to approximately -EUR 45 million for the 2018 financial year, representing a negative impact of approximately -EUR 23 million on 2018 net income, group share.
(2) Excluding cash out associated with the voluntary redundancy plan in France and GE Water integration costs.
(3) Subject to approval by the shareholders' Meeting.

5 Consolidated Financial Statements of SUEZ at June 30, 2018

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5.1 Consolidated statements of financial position

(in millions of euros)	Note	June 30, 2018	December 31, 2017 restated
Non-current assets			
Intangible assets, net	6	4,805.3	4,911.6
Goodwill	6	5,109.7	5,053.9
Property, plant and equipment net	6	8,497.1	8,516.4
Investments in equity instruments	8.1	135.5	127.1
Loans and receivables carried at amortized cost	8.1	594.9	721.9
Derivative financial instruments	8.4	94.7	149.5
Investments in joint ventures	7.1	1,072.9	1,003.9
Investments in associates	7.2	968.2	1,020.8
Contract assets		18.0	21.6
Other assets		259.5	274.5
Deferred tax assets	4.4	841.5	760.0
Total non-current assets		**22,397.3**	**22,561.2**
Current assets			
Loans and receivables carried at amortized cost	8.1	146.1	136.6
Derivative financial instruments	8.4	109.7	89.5
Trade and other receivables	8.1	4,906.9	4,721.4
Inventories		508.6	455.9
Contract assets		553.3	415.7
Other assets		1,413.0	1,235.4
Financial assets measured at fair value through income	8.1	47.0	56.9
Cash and cash equivalents	8.1	3,383.6	3,058.1
Total current assets		**11,068.2**	**10,169.5**
Total assets		**33,465.5**	**32,730.7**
Shareholders' equity, Group share		6,130.5	6,521.0
Non-controlling interests	10	2,456.3	2,515.8
Total shareholders' equity		**8,586.8**	**9,036.8**
Non-current liabilities			
Provisions	11	1,550.2	1,579.9
Long-term borrowings	8.3	9,100.0	9,760.6
Derivative financial instruments	8.4	23.1	26.4
Other financial liabilities	8.2	39.9	43.1
Contract liabilities		273.2	268.7
Other liabilities		587.0	561.6
Deferred tax liabilities	4.4	820.2	760.1
Total non-current liabilities		**12,393.6**	**13,000.4**
Current liabilities			
Provisions	11	510.0	537.9
Short-term borrowings	8.3	3,735.0	2,003.8
Derivative financial instruments	8.4	101.8	38.3
Trade and other payables	8.2	3,692.3	3,743.5
Contract liabilities		910.4	1,069.0
Other liabilities		3,535.6	3,301.0
Total current liabilities		**12,485.1**	**10,693.5**
Total shareholders' equity and liabilities		**33,465.5**	**32,730.7**

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.

For the year ended December 31, 2017, the statement of financial position has been modified compared to that presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standards on consolidation and the purchase price allocation of GEW.

5.2 Consolidated income statements

(in millions of euros)	Note	June 30, 2018	June 30, 2017 restated
Revenues	3.2	8,350.6	7,493.2
Purchases		(1,810.8)	(1,493.3)
Personnel costs		(2,304.0)	(1,975.0)
Depreciation, amortization and provisions		(594.4)	(545.4)
Other operating expenses		(3,295.0)	(3,185.2)
Other operating income		126.3	145.2
Current operating income	4.2	**472.7**	**439.5**
Mark-to-Market on operating financial instruments		0.6	13.9
Impairment on property, plant and equipment, intangible and financial assets		(3.0)	(6.5)
Restructuring costs		(58.1)	(86.4)
Scope effects		4.1	(1.8)
Other gains and losses on disposals and non-recurring items		24.2	16.8
Income from operating activities	4.2	**440.5**	**375.5**
Share in net income of equity-accounted companies considered as core business		93.3	112.2
of which: share in net income (loss) of joint ventures	*7.1*	*45.6*	*44.3*
of which: share in net income (loss) of associates	*7.2*	*47.7*	*67.9*
Income from operating activities after share in net income of the equity-accounted companies considered as core business		**533.8**	**487.7**
Financial expenses		(275.1)	(255.0)
Financial income		38.0	37.9
Net financial income (loss)	4.3	**(237.1)**	**(217.1)**
Income tax expense	4.4	(88.7)	(105.5)
Net income		**208.0**	**165.1**
Group share	5	90.1	44.2
Non-controlling interests		117.9	120.9
Net income (Group share) per share *(in euros)*	5	**0.11**	**0.05**
Net diluted income (Group share) per share *(in euros)*	5	**0.11**	**0.06**

For the year ended June 30, 2017, the income statement has been modified compared to that presented in the Interim Financial Report published on June 30, 2017 to take into account the impacts related to the application of the new IFRS 15 standard.

5.3 Consolidated statements of comprehensive income

(in millions of euros)	June 30, 2018	June 30, 2018 Group share	June 30, 2018 non controlling interests	June 30, 2017 restated	June 30, 2017 Group share restated	June 30, 2017 non controlling interests restated
Net income	**208.0**	**90.1**	**117.9**	**165.1**	**44.2**	**120.9**
Investments in equity instruments	4.2	2.5	1.7	2.5	2.2	0.3
Net investment hedges	0.5	0.5	–	(2.8)	(2.8)	–
Cash flow hedges (excluding commodities)	(0.5)	(1.3)	0.8	(162.7)	(164.1)	1.4
Commodity cash-flow hedges	0.4	2.0	(1.6)	(3.6)	(3.6)	–
Deferred taxes on items above	(0.1)	(0.3)	0.2	(2.3)	(1.9)	(0.4)
Share of joint ventures in reclassifiable items, net of taxes	6.9	6.9	–	(46.0)	(46.0)	–
Share of associates in reclassifiable items, net of taxes	6.2	6.2	–	4.9	4.9	–
Translation adjustments	4.3	19.2	(14.9)	(203.8)	(105.8)	(98.0)
Total reclassifiable items	**21.9**	**35.7**	**(13.8)**	**(413.8)**	**(317.1)**	**(96.7)**
Actuarial gains and losses	3.7	0.1	3.6	12.4	13.7	(1.3)
Deferred taxes on actuarial gains and losses	(5.1)	(4.0)	(1.1)	10.5	10.0	0.5
Share of joint ventures in non-reclassifiable items, net of taxes	(0.3)	(0.3)	–	–	–	–
Share of associates in non-reclassifiable items, net of taxes	–	–	–	1.9	1.9	–
Total non-reclassifiable items	**(1.7)**	**(4.2)**	**2.5**	**24.8**	**25.6**	**(0.8)**
Comprehensive income	**228.2**	**121.6**	**106.6**	**(223.9)**	**(247.3)**	**23.4**

For the year ended June 30, 2017, the statement of comprehensive income has been modified compared to that presented in the Interim Financial Report published on June 30, 2017 to take into account the impacts related to the application of the new IFRS 15 standard.

5.4 Statements of changes in consolidated shareholders' equity

(in millions of euros)	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2016 published	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
Restatement IFRS 15 [a]				(49.9)					(49.9)	(0.1)	(50.0)
Shareholder's equity at January 1, 2017 restated	564,401,246	2,257.6	4,632.3	(2,337.6)	(240.6)	180.0	(28.6)	982.9	5,446.0	1,869.8	7,315.8
Net income				44.2					44.2	120.9	165.1
Other comprehensive income items				25.7	(160.1)	(157.1)			(291.5)	(97.5)	(389.0)
Comprehensive income				**69.9**	**(160.1)**	**(157.1)**			**(247.3)**	**23.4**	**(223.9)**
Share-based payment				0.3					0.3		0.3
Dividends distributed in cash				(366.6)					(366.6)	(142.1)	(508.7)
Issue of undated deeply subordinated note								600.0	600.0		600.0
Issuance fees of undated deeply subordinated note								(2.3)	(2.3)		(2.3)
Interests of undated deeply subordinated notes				(27.5)					(27.5)		(27.5)
Purchase/sale of treasury shares							(5.0)		(5.0)		(5.0)
Bonus share plans payment	1,514,949	6.0	(6.6)	0.6					–		–
Capital increase/(reduction)	47,468,354	189.9	556.4						746.3	60.0	806.3
Legal reserve appropriation			(19.0)	19.0					–		–
Transactions between shareholders				(22.1)					(22.1)	(12.9)	(35.0)
Business combinations									–	(14.5)	(14.5)
Other changes				3.1					3.1		3.1
Shareholders' equity at June 30, 2017 restated	**613,384,549**	**2,453.5**	**5,163.1**	**(2,660.9)**	**(400.7)**	**22.9**	**(33.6)**	**1,580.6**	**6,124.9**	**1,783.7**	**7,908.6**
Shareholders' equity at December 31, 2017 published	623,362,579	2,493.4	5,236.4	(2,372.5)	(228.3)	(70.3)	(77.0)	1,580.6	6,562.3	2,503.7	9,066.0
Restatement IFRS 15 [a]				(59.4)		6.1			(53.3)	–	(53.3)
Restatements linked to GE Water acquisition [b]				12.7		(0.7)			12.0	12.1	24.1
Shareholders' equity at December 31, 2017 restated	623,362,579	2,493.4	5,236.4	(2,419.2)	(228.3)	(64.9)	(77.0)	1,580.6	6,521.0	2,515.8	9,036.8
Restatement IFRS 9 [a]				57.4	(119.8)				(62.4)	(3.3)	(65.7)
Shareholders' equity at January 1, 2018	623,362,579	2,493.4	5,236.4	(2,361.8)	(348.1)	(64.9)	(77.0)	1,580.6	6,458.6	2,512.5	8,971.1
Net income				90.1					90.1	117.9	208.0
Other comprehensive income items				10.8	(4.2)	24.9			31.5	(11.3)	20.2
Comprehensive income				**100.9**	**(4.2)**	**24.9**			**121.6**	**106.6**	**228.2**
Share-based payment				0.3					0.3		0.3
Dividends distributed in cash				(401.9)					(401.9)	(153.4)	(555.3)
Interests of undated deeply subordinated notes				(46.0)					(46.0)		(46.0)
Purchase/sale of treasury shares							27.4		27.4		27.4
Capital increase/(reduction) [c]	(2,000,000)	(8.0)	(22.0)						(30.0)		(30.0)
Transactions between shareholders [d]									–	(8.8)	(8.8)
Other changes				0.5					0.5	(0.6)	(0.1)
Shareholders' equity at June 30, 2018	**621,362,579**	**2,485.4**	**5,214.4**	**(2,708.0)**	**(352.3)**	**(40.0)**	**(49.6)**	**1,580.6**	**6,130.5**	**2,456.3**	**8,586.8**

For the year ended December 31, 2017, the statement of changes in consolidated shareholders' equity has been modified compared to that presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standards on consolidation and the purchase price allocation of GE Water.

a) Refer to Note 1.3.3.
b) Net impact of amortization of revaluations of identifiable assets over the last quarter of 2017 since the takeover and impact of the US tax reform on deferred taxes generated by these revaluations between the takeover date and December 31, 2017. Refer to Note 2.1.
c) Capital reduction due to the Company's cancellation of 2,000,000 treasury shares.
d) Related to the acquisition of minority shareholders in the context of a reorganization of the shareholding structure in Mexican subsidiaries.

5.5 Consolidated statements of cash flows

(in millions of euros)	Note	June 30, 2018	June 30, 2017 restated
Net income		**208.0**	**165.1**
– Share in net income (loss) of joint ventures	7.1	(45.6)	(44.3)
– Share in net income (loss) of associates	7.2	(47.7)	(67.9)
+ Dividends received from joint ventures and associates		88.3	75.6
– Net depreciation, amortization and provisions		566.8	538.1
– Scope effects, other gains and losses on disposal and non-recurring items		(31.8)	(23.5)
– Other items with no cash impact		1.5	0.3
– Income tax expense	4.4	88.7	105.5
– Financial income	4.3	237.1	217.1
Cash flows from operations before financial income/(expense) and income tax		**1,065.3**	**966.0**
+ Tax paid		(105.3)	(93.5)
Change in working capital requirements		**(228.5)**	**(255.1)**
Cash flows from operating activities		**731.5**	**617.4**
Investments in property, plant and equipment and intangible assets	3.4.3	(625.5)	(487.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(72.2)	(26.6)
Acquisitions of interests in associates and joint-ventures	3.4.3	(43.5)	(11.1)
Acquisitions of equity instruments	3.4.3	(5.8)	(6.5)
Disposals of property, plant and equipment and intangible assets		63.6	186.6
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		–	5.4
Disposals of interests in associates and joint ventures		1.4	3.3
Disposals of equity instruments		–	1.8
Interest received/(paid) on non-current financial assets		(13.9)	6.2
Dividends received on non-current financial assets		0.9	0.4
Change in loans and receivables issued by the Company and others		(16.2)	6.4
Cash flows from investing activities		**(711.2)**	**(321.1)**
Dividends paid [a]		(621.7)	(576.5)
Repayment of borrowings	8	(360.4)	(1,054.0)
Change in financial assets at fair value through income		9.8	3.1
Financial interest paid		(185.5)	(198.6)
Financial interest received on cash and cash equivalents		11.4	18.7
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		17.1	13.0
Increase in financial debt	8	1,454.7	1,332.5
Capital increase/reduction [b]		0.1	808.1
Issue of undated deeply subordinated notes net of costs [c]	8.3.2	–	597.7
Purchase/sale of treasury shares		(2.7)	(5.0)
Change in share of interests in controlled entities	3.4.3	(9.6)	–
Cash flows from financing activities		**313.2**	**939.0**
Impact of changes in exchange rates and other		(16.8)	(45.1)
Total cash flows for the period		**316.7**	**1,190.2**
Openning cash and cash equivalents [d]		**2,392.2**	**2,924.7**
Closing cash and cash equivalents	8	**2,708.9**	**4,114.9**

For the year ended June 30, 2017, the statement of cash flows has been modified compared to that presented in the Interim Financial Report published on June 30, 2017 to take into account the impacts related to the application of the new IFRS 15 standard.

a) Including withholding tax.
b) In 2017, this flow mainly included a capital increase of EUR 745.6 million, net of issue costs as part of the acquisition of GE Water and a capital increase of EUR 60 million for SUEZ NWS Limited suscribed by NWS Holdings Limited.
c) In 2017, this flow was related to the issuance by SUEZ, of undated deeply subordinated notes for EUR 597.7 million after allocation of issue costs.
d) Cash and cash equivalents at the beginning of the period have been restated for bank overdrafts due on demand as defined by IAS 7.8 for an amount of EUR 665.9 million.

5.6 Notes to the Consolidated Financial Statements

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Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ, the parent company of the Group, is a *société anonyme* (French corporation) that is subject to the provisions of Book II of the French Commercial Code (*Code de commerce*), as well as to all other provisions of French law applicable to commercial companies. It was established in November 2000. Its headquarters are located at Tour CB 21 – 16 place de l'Iris – Paris-La Défense (92040), France.

The Group is a global player in the management of water cycle and waste cycle. SUEZ has been listed on the Euronext Paris (Compartment A) and Euronext Brussels markets since July 22, 2008.

On July 25, 2018, the interim condensed Consolidated Financial Statements of SUEZ and its subsidiaries at June 30, 2018 were presented to the Board of Directors of SUEZ, which authorized their publication.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) No. 809/2004 dated April 29, 2004 on the Prospectus, the financial information on the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last two fiscal years (2016 and 2017), and was prepared in accordance with European Regulation (EC) No. 1606/2002 dated July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's interim condensed Financial Statements for the period ended June 30, 2018 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union [1].

The Group's interim condensed Consolidated Financial Statements for the six months ended June 30, 2018 were prepared in compliance with the provisions of IAS 34 – "Interim Financial Reporting", which allows entities to present selected explanatory notes. The interim condensed Consolidated Financial Statements for the six months ended June 30, 2018 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual Consolidated Financial Statements, and accordingly must be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2017 subject to specific provisions relating to the preparation of interim financial information as described hereafter.

1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed Consolidated Financial Statements for the six months ended June 30, 2018 are consistent with those used to prepare the Consolidated Financial Statements for the year ended December 31, 2017 in accordance with IFRS as published by the IASB and endorsed by the European Union (EU), with the exception of the items mentioned below in paragraph 1.3.1. and 1.3.3.

1.3.1 Standards, amendments and interpretations applied by the Group starting January 1, 2018

The standards and amendments applied by the Group for the first time starting January 1, 2018 are the following:

- IFRS 9 – Financial instruments and IFRS 7 as amended by IFRS 9;
- IFRS 15 – Revenue from contracts with customers.

Impacts of the application of these new standards are described in paragraph 1.3.3.

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- amendments to IFRS 2 – Share-based Payment;
- amendments to IAS 28 – Investments in associates and joint-ventures;
- annual Improvements to IFRS 2014-2016 Cycle.

Application of these standards and amendments does not have any significant impact on the Group's interim condensed Consolidated Financial Statements.

1.3.2 IFRS standards and amendments applicable after June 30, 2018 that the Group has elected not to early adopt

Standards and amendments published by the IASB and adopted by the European Union

- IFRS 16 – Leases.

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

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation.

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

- amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and an associate or joint venture;
- interpretation IFRIC 23 – Uncertainty over tax treatments;
- annual improvements – 2015-2017 cycle and resulting amendments;
- amendments to IAS 19 - plan amendments, curtailments, and settlements;
- revised version of Conceptual Framework for Financial Reporting that underpins IFRS Standards;
- IFRS 14 – Regulatory Deferral Accounts.

This standard, which is not intended to be adopted by the EU, will have no impact on the Group's accounts since it is intended for first-time adopters of IFRS standards.

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

1.3.3 Impact of the first-time application of new IFRS 15 standard - Revenue from contracts with customers, purchase price allocation related to GE Water & Process Technologies (GEW) and first-time application of new IFRS 9 standard - Financial instruments

1.3.3.1 IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue. SUEZ applies this standard as of January 1, 2018 with a comparative information for year 2017 and a retroactive effect as of January 1, 2017.

This new standard establishes a five-step model to record revenue from contracts with customers.

The work carried out led to the documentation of a very broad convergence between the methods applied by the Group until December 31, 2017 and the provisions of IFRS 15.

Restatements of 2017 financial statements primarily concern specific cases in two business units. One relates to the Identification of distinct performance obligations presenting a different profile of transfer of control, while the other relates to the payment made to customers formerly analyzed as expenses and analyzed under IFRS 15 as a revenue reduction.

The impacts on the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income are set out in the tables below.

The impact of IFRS 15 on the Group's shareholder's equity on the transition date of January 1, 2018 is -EUR 53.3 million. Retroactive impact as of January 1, 2017 as presented in the consolidated shareholder's equity was -EUR 50.0 million.

The SUEZ group's commitments often correspond to a single performance obligation. When contracts cover both construction contracts and the management of installations, two separate performance obligations are identified.

In the case of long-term contracts, the Group generally recognizes revenue according to the percentage of completion method, in accordance with IFRS 15 and the previous applicable standards. At June 30, 2018, as in previous years, revenue was recognized:

- according to the volumes delivered to customers as part Water delivery activity;
- according to the tonnage collected and the service provided by the Group as part of its Waste collection activity;
- according to the waste volumes processed and additional revenue from waste recovery, in its incineration and sorting activities;
- according to the percentage of completion in the engineering, construction and sale of equipment business activities.

On June 30, 2018 as in previous years, the Group presents trade receivables corresponding to the unconditional right to receive cash in exchange for contractual obligations which had already been settled by SUEZ as a separate asset item in the statement of financial position.

There are also situations where SUEZ has partly fulfilled its contractual obligations, but has not yet been granted an unconditional right to receive payment, because, for example, a particular technical milestone has not been achieved on the reporting date. Such situations hence mean that the assets concerned are presented on two separate lines of contract assets in the statement of financial position: one line in "non-current assets" and one line in "current assets". Until December 31, 2017, these assets were respectively included in the "Net intangible assets" and "Other current assets of the statement of financial position" aggregates.

There are also contract liabilities with customers, which are incurred if customers have already paid for services that SUEZ has not yet provided (payments received on services not yet provided, deferred income, etc.). Until December 31, 2017, these contract liabilities were primarily included in the "Other current liabilities" and "Other non-current liabilities" of the statement of financial position aggregates. They now appear individually on two separate lines: one line in "Non-current liabilities" and on line in "Current liabilities".

1.3.3.2 Purchase price allocation related to GE Water & Process Technologies

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 the liabilities assumed at their fair value, including any non-controlling interests in the acquired entity. These non-controlling interests are measured either at fair value or at proportionate share of the identifiable net assets.

At the closing date of a business combination, the fair value of the identifiable assets and liabilities may be tentative. In this case, their value must be adjusted retrospectively during the remeasurement period. The remeasurement period is one year from the acquisition date. During the remeasurement period, the Group must also recognise at fair value the identifiable assets and liabilities not recognised at the acquisition date.

On September, 30, 2017 at the date of GE Water & Process Technologies acquisition, the fair value of identifiable assets acquired and the liabilities assumed was not definitive. On June 30, 2018 fair value has been revised (refer to Note 2.1.1 and 2.1.2).

Impacts of purchase price allocation of identifiable assets acquired and the liabilities assumed are presented below in the statements of financial position at December 31, 2017.

1.3.3.3 Impacts related to the first-time application of the new IFRS 15 standard - Revenue from contracts with customers and the purchase price allocation related to GE Water & Process Technologies (GEW)

Impact of the first-time application of IFRS 15 and the purchase price allocation on the comparative statements of financial positions at December 31, 2017.

(in millions of euros)	December 31, 2017 published	First application of IFRS 15	Purchase price allocation of GEW	December 31, 2017 restated
Non-current assets				
Intangible assets, net	4,161.9	(17.5)	767.2	4,911.6
Goodwill	5,587.2	–	(533.3)	5,053.9
Property, plant and equipment net	8,467.5	–	49.0	8,516.5
Investments in equity instruments	127.1	–	–	127.1
Loans and receivables carried at amortized cost	728.6	(6.7)	–	721.9
Derivative financial instruments	149.5	–	–	149.5
Investments in joint ventures	1,003.9	–	–	1,003.9
Investments in associates	1,020.4	(4.8)	5.2	1,020.8
Contract assets	–	21.6	–	21.6
Other assets	274.5	–	–	274.5
Deferred tax assets	697.2	17.6	45.1	759.9
Total non-current assets	**22,217.8**	**10.2**	**333.2**	**22,561.2**
Current assets				
Loans and receivables carried at amortized cost	136.6	–	–	136.6
Derivative financial instruments	89.5	–	–	89.5
Trade and other receivables	4,689.7	30.4	1.3	4,721.4
Inventories	471.0	(1.7)	(13.4)	455.9
Contract assets	–	414.7	1.0	415.7
Other assets	1,650.7	(408.6)	(6.7)	1,235.4
Financial assets measured at fair value through income	56.9	–	–	56.9
Cash and cash equivalents	3,058.1	–	–	3,058.1
Total current assets	**10,152.5**	**34.8**	**(17.8)**	**10,169.5**
Total assets	**32,370.3**	**45.0**	**315.4**	**32,730.7**
Shareholders' equity, Group share	6,562.3	(53.3)	12.0	6,521.0
Non-controlling interests	2,503.7	–	12.1	2,515.8
Total shareholders' equity	**9,066.0**	**(53.3)**	**24.1**	**9,036.8**
Non-current liabilities				
Provisions	1,574.9	–	5.0	1,579.9
Long-term borrowings	9,760.6	–	–	9,760.6
Derivative financial instruments	26.4	–	–	26.4
Other financial liabilities	43.1	–	–	43.1
Contract liabilities	–	268.7	–	268.7
Other liabilities	893.6	(332.0)	–	561.6
Deferred tax liabilities	556.2	0.1	203.8	760.1
Total non-current liabilities	**12,854.8**	**(63.2)**	**208.8**	**13,000.4**
Current liabilities				
Provisions	505.8	(0.1)	32.2	537.9
Short-term borrowings	2,004.4	–	(0.6)	2,003.8
Derivative financial instruments	38.3	–	–	38.3
Trade and other payables	3,713.5	(47.9)	77.9	3,743.5
Contract liabilities	–	1,081.0	(12.0)	1,069.0
Other liabilities	4,187.5	(871.5)	(15.0)	3,301.0
Total current liabilities	**10,449.5**	**161.5**	**82.5**	**10,693.5**
Total shareholders' equity and liabilities	**32,370.3**	**45.0**	**315.4**	**32,730.7**

IFRS15 impact on income statement at June 30, 2017

(in millions of euros)	June 30, 2017 published	First application of IFRS 15	June 30, 2017 restated
Revenues	7,526.1	(32.9)	7,493.2
Purchases	(1,522.4)	29.1	(1,493.3)
Personnel costs	(1,975.0)	–	(1,975.0)
Depreciation, amortization and provisions	(545.4)	–	(545.4)
Other operating expenses	(3,188.4)	3.2	(3,185.2)
Other operating income	145.2	–	145.2
Current operating income	**440.1**	**(0.6)**	**439.5**
Income from operating activities	**376.1**	**(0.6)**	**375.5**
Income from operating activities after share in net income of the equity-accounted companies considered as core business	**488.3**	**(0.6)**	**487.7**
Net financial income (loss)	**(217.1)**	**0.0**	**(217.1)**
Income tax expense	(105.7)	0.2	(105.5)
Net income	**165.5**	**(0.4)**	**165.1**
Of which: Group share	44.6	(0.4)	44.2
Non-controlling interests	120.9	–	120.9
Net income (Group share) per share *(in euros)*	**0.05**	**–**	**0.05**
Net diluted income (Group share) per share *(in euros)*	**0.06**	**–**	**0.06**

IFRS15 impact on statement of comprehensive income at June 30, 2017

(in millions of euros)	June 30, 2017 published	June 30, 2017 Group share published	June 30, 2017 non controlling interests published	First application of IFRS 15	Group share	Non controlling interests	June 30, 2017 restated	June 30, 2017 Group share restated	June 30, 2017 non controlling interests restated
Net income	165.5	44.6	120.9	(0.4)	(0.4)	-	165.1	44.2	120.9
Total reclassifiable items	(415.3)	(318.6)	(96.7)	1.5	1.5	–	(413.8)	(317.1)	(96.7)
Total non-reclassifiable items	24.8	25.6	(0.8)	–	–	–	24.8	25.6	(0.8)
Comprehensive income	**(225.0)**	**(248.4)**	**23.4**	**1.1**	**1.1**	**–**	**(223.9)**	**(247.3)**	**23.4**

IFRS15 impact on statement of cash flows at June 30, 2017

(in millions of euros)	June 30, 2017 published	First application of IFRS 15	June 30, 2017 Restated
Net income	**165.5**	**(0.4)**	**165.1**
Cash flows from operations before financial income/(expense) and income tax	966.6	(0.6)	966.0
Tax paid	(93.5)	–	(93.5)
Change in working capital requirements	(255.7)	0.6	(255.1)
Cash flows from operating activities	617.4	–	617.4
Cash flows from investing activities	(321.1)	–	(321.1)
Cash flows from financing activities	939.0	–	939.0
Impact of changes in exchange rates and other	(45.1)	–	(45.1)
Total cash flows of the period	**1,190.2**	**–**	**1,190.2**
Opening cash and cash equivalents	**2,924.7**	**–**	**2,924.7**
Closing cash and cash equivalents	**4,114.9**	**–**	**4,114.9**

1.3.3.4 IFRS 9 – Financial instruments impacts

IFRS 9 replaces IAS 39 with effect from January 1, 2018. The first-time application of this standard has not resulted in any significant restatement. The Group decided not to publish comparative information for 2017.

The standard includes three components:

Classification and measurement of financial assets and liabilities

IFRS 9 requires that financial assets are classified in the statements of financial position under four categories (at amortized cost, at fair value through income, at fair value through equity reclassifiable, at fair value through equity non reclassifiable) according to their nature, the characteristics of their contractual cash flows, the business model adopted for their management, and the management decisions related to equity instruments. These reclassifications must be made retroactively.

Within SUEZ group, the only reclassification required by the first-time application of IFRS 9 concerns the equity instruments initially classified as "Available-for-sale securities" under IAS 39, and which have now been divided into two categories of "equity instruments", as detailed below and in note 8.1.1.

The impact of reclassification at January 1, 2018 is as follows:

(in millions of euros)	December 31, 2017 restated	Reclassification	January 1st, 2018 restated
Available for sales securities	127.1	(127.1)	–
Equity instruments measured at fair value through equity		103.2	103.2
Equity instruments measured at fair value through income		23.9	23.9

Equity instruments measured at fair value through equity are essentially not consolidated, unlisted securities.

Equity instruments measured at fair value through income statement are primarily investments held in listed companies.

Impairment

IFRS 9 determines the applicable principles and methodology for measuring and recognizing impairment linked to credit risk on financial assets and contract assets. This new methodology must be applied retroactively.

The assets concerned within the SUEZ group are primarily:

- trade receivables, including receivables recorded by applying IFRIC 12 to Service Concession Arrangements;
- loans;
- deposits and guarantees;
- contract assets as defined in IFRS 15.

Impairment is now recognized when Group entities expect losses for non-recovery on these assets, even if these entities have not yet faced any unpaid debts on these assets.

By contrast, in accordance with IAS 39, impairment was only recognized on financial assets when the losses were incurred (due dates expired).

The impact of the restatement resulting from the first-time application of IFRS 9 comes largely from the additional impairment recognized on trade receivables, recorded against equity, for an amount of -EUR 67.4 million after deferred taxes, and the decrease of -EUR 36.8 million in the value of investments in associates, as a result of impairment on trade receivables held by associates.

The Group entities have created non-recovery risk matrices for their trade receivables by homogeneous customer category, adapted to their local circumstances, in light of the recent default rate for receivables with a similar credit risk profile. These matrices are used to calculate the revised impairment depending on the expected rate of unpaid debts.

The Group also adapted the methods of impairment of assets contract and other financial assets to the IFRS 9 principles. These other method adjustments have not generated any significant restatement as at January 1, 2018.

Hedge accounting

The Group has a policy of hedging currency risks and interest rates risks.

SUEZ adopted hedge accounting in accordance with IFRS 9 from January 1, 2018. There is no restatement specifically for hedge accounting at the transition date.

1.4 Use of judgment and estimates

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

1.4.1 Estimates

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

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

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

- 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;
- the measurement of provisions, particularly for legal and arbitration proceeding and for pensions and other employee benefits;
- the measurement of capital renewal and replacement liabilities;
- the measurement of financial instruments;
- the measurement of unmetered revenue;
- the measurement of margin at termination relating to construction contracts;
- the measurement of capitalized tax loss carry-forwards.

Detailed information related to the use of estimates is provided in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2017.

1.4.2 Judgment

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

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

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

1.5 Interim financial reporting

Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2018 are not necessarily indicative of those that may be expected for full-year 2018.

Income tax expense

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

Pension benefit obligations

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

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 17.4 to the Consolidated Financial Statements at December 31, 2017).

Note 2 Major transactions

2.1 Purchase price allocation related to the acquisition of GE Water & Process Technologies

On September 29, 2017, SUEZ finalized the acquisition of GE Water & Process Technologies ("GE Water") by SUEZ Water Technologies and Solutions ("SWTS"), a company held 70% by SUEZ and 30% by CDPQ (Caisse des Dépôts et placement du Québec).

The purchase price was EUR 2,903 million. GE Water available cash on the acquisition date amounted to EUR 204 million, generating a cash outflow of EUR 2,699 million, which is reflected in the 2017 cash flow statement.

As of December 31, 2017, estimated goodwill generated at the time of the acquisition totaled EUR 2,171 million (at the exchange rate USD/EUR as of December 31, 2017).

2.1.1 Allocation of the purchase price

During the first half of 2018, the Group allocated the purchase price in accordance with IFRS 3 revised on business combination. This allocation remains provisional and may be subject to non-significant revisions up to September 30, 2018.

(in millions of euros)	Fair value of identifiable assets and liabilities on the transaction date
Non-current assets	
Intangible assets, net	880
Property, plant and equipment, net	578
Investments in joint ventures	21
Deferred tax assets	62
Current assets	
Other assets	735
Cash and cash equivalents	203
Non-current liabilities	
Other liabilities	79
Deferred tax liabilities	309
Current liabilities	
Other liabilities	812
Total net assets (at 100%)	**1,279**
Counterparty transferred to acquire GE Water	2,903
Non-controlling interests	39
Goodwill	**1,663**

An independent appraiser determined the fair value of identifiable assets and liabilities acquired on the transaction date.

Intangible assets

The fair value of intangible assets totaled EUR 880 million and mainly includes customer relationships and technologies. Intangible assets were measured using the income approach (discounted value of future cash flows) or based on the royalty method.

Property, plant and equipment

The fair value of property, plant and equipment totaled EUR 578 million. Property, plant and equipment are valued using a combination of three approaches:

- market approach: price comparisons with similar assets in comparable circumstances;
- income approach: discounted value of future cash flows;
- cost approach: replacement cost.

Inventories

The fair value of inventories totaled EUR 199 million. They were measured at their sale price less costs of completion and marketing costs.

Provisions

In accordance with IFRS 3 revised, estimated provisions were revised to take into account provisions for contingent liabilities resulting in particular from ongoing litigation as of the transaction date.

Deferred taxes

Deferred tax assets and liabilities are calculated based on temporary differences between the IFRS book values after allocating the purchase price and tax values of the assets acquired and liabilities assumed. Recognized net deferred taxes amounted to EUR 247 million.

Non-controlling interests

The Group decided to measure non-controlling interests using the full goodwill method.

As a consequence, residual goodwill totaled EUR 1,663 million and represents the ability to develop new assets in the future (technologies, customer relationships) and to the level of synergies expected by the Group.

The additional annual depreciation related to these various remeasurements, as well as the consumption of deferred charges and deferred income will impact the EBIT of approximately -EUR 45 million and will create a -EUR 23 million impact on the 2018 net result Group share.

2.1.2 Information on the restated financial position as of December 31, 2017 after purchase price allocation

The impact from allocating assets and liabilities is as follows on the statement of financial position as of December 31, 2017:

(in millions of euros)	December 31, 2017 published	Impact from purchase price allocation	December 31, 2017 restated after purchase price allocation
Intangible assets, net	4,162	767	4,929
Goodwill	5,587	(533)	5,054
Property, plant and equipment, net	8,468	49	8,517
Deferred tax assets	697	45	742
Other	3,304	5	3,309
Total non-current assets	**22,218**	**333**	**22,551**
Inventories	471	(13)	458
Other assets	1,651	(5)	1,646
Other	8,031		8,031
Total current assets	**10,153**	**(18)**	**10,135**
Total assets	**32,370**	**315**	**32,686**
Shareholders' equity, Group share	6,562	12	6,574
Non-controlling interests	2,504	12	2,516
Total shareholders' equity	**9,066**	**24**	**9,090**
Provisions	1,575	5	1,580
Deferred tax liabilities	556	204	760
Other	10,724		10,724
Total non-current liabilities	**12,855**	**209**	**13,064**
Provisions	506	32	538
Other liabilities	4,188		4,188
Other	5,756	51	5,807
Total current liabilities	**10,449**	**83**	**10,532**
Total shareholders' equity and liabilities	**32,370**	**315**	**32,686**

2.1.3 Information on the restated income statement as of December 31, 2017 after purchase price allocation

The main impacts on the income statement between the transaction date and December 31, 2017 are as follows:

(in millions of euros)	December 31, 2017 published	Impact from purchase price allocation	December 31, 2017 restated
Revenues	15,871	–	15,871
Purchases	(3,092)	–	(3,092)
Depreciation, amortization and provisions	(4,115)	(10)	(4,125)
Other	(7,591)	(60)	(7,651)
Current operating income/(loss)	**1,073**	**(70)**	**1,003**
Income from operating activities	**963**	**(70)**	**893**
Income from operating activities after share in net income of the equity-accounted companies considered as core business	**1,175**	**(70)**	**1,105**
Financial income/(loss)	**(429)**	**–**	**(429)**
Income tax expense	(225)	87	(139)
Net income	**520**	**17**	**537**
Net income Group share	**302**	**12**	**314**

The EUR 87 million in deferred tax income is the result of two items:

- EUR 15 million in deferred tax income related to the purchase price allocation (at the prevailing tax rate at September 30, 2017);
- EUR 72 million in deferred tax income linked to US tax reform which took place late December 2017.

Inventory consumption after remeasurement as well as the consumption of deferred charges and deferred income generated a EUR 61 million expense impact on the income from operating activities. Regarding inventories, the consumption was entirely recorded in 2017.

After allocating the purchase price, GE Water's revenues and EBITDA within SUEZ group totaled EUR 511 and EUR 16 million, respectively, as of December 31, 2017.

2.2 Disposal of Infectious Medical Waste (IMW) business activities

On February 28, 2018, SUEZ sold its IMW business activities to MNH group for EUR 16 million. These business activities accounted for EUR 47 million in revenues as of December 31, 2017.

As of June 30, 2018, this transaction generated a gross capital gain of EUR 12 million.

2.3 SUEZ Spain transformation plan

In late 2017, SUEZ Spain implemented a restructuring plan. This voluntary redundancy scheme resulted in the recognition of around EUR 14 million restructuring costs as of June 30, 2018.

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 five operating segments:

- Water Europe;
- Recycling and Recovery Europe;
- International;
- WTS (Water Technologies & Solutions);
- Other.

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

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.

Finally, all the water treatment services for industrial customers are isolated in the WTS segment. Until 2016, this activity was integrated in the Water Europe and International segments.

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;
- **WTS**: This segment includes all water services for the industrial customer segment;
- the "**Other**" segment is 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

	June 30, 2018			June 30, 2017 restated		
(in millions of euros)	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	2,230.2	20.4	2,250.6	2,240.0	25.9	2,265.9
Recycling and Recovery Europe	3,118.0	15.9	3,133.9	3,043.0	15.8	3,058.8
International	1,842.2	0.5	1,842.7	1,944.7	1.0	1,945.7
WTS	1,105.6	25.1	1,130.7	215.0	18.5	233.5
Other	54.6	57.2	111.8	50.5	3.1	53.6
Intercompany eliminations		(119.1)	(119.1)		(64.3)	(64.3)
Total revenues	**8,350.6**	**–**	**8,350.6**	**7,493.2**	**–**	**7,493.2**

EBITDA

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Water Europe	567.5	589.0
Recycling and Recovery Europe	346.2	355.1
International	369.9	385.1
WTS	98.3	(5.6)
Other	(58.7)	(55.9)
Total EBITDA	**1,323.2**	**1,267.7**

EBIT

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Water Europe	248.1	259.7
Recycling and Recovery Europe	140.6	136.7
International	257.8	273.1
WTS	37.3	(6.6)
Other	(76.5)	(69.1)
Total EBIT	**607.3**	**593.8**

Depreciation and amortization

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Water Europe	(224.4)	(222.8)
Recycling and Recovery Europe	(182.2)	(194.2)
International	(122.7)	(119.3)
WTS	(64.5)	(6.5)
Other	(9.5)	(9.9)
Total depreciation and amortization	**(603.3)**	**(552.7)**

Capital employed

(in millions of euros)	June 30, 2018	December 31, 2017 restated
Water Europe	5,660.3	5,756.6
Recycling and Recovery Europe	3,686.3	3,555.1
International	5,641.7	5,542.0
WTS	3,355.0	3,177.7
Other	153.2	(25.4)
Total capital employed	**18,496.5**	**18,006.0**

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

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Water Europe	(235.0)	(207.0)
Recycling and Recovery Europe	(175.3)	(151.1)
International	(220.3)	(161.9)
WTS	(115.4)	(4.3)
Other	(10.6)	(6.9)
Total investments	**(756.6)**	**(531.2)**

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)	June 30, 2018	June 30, 2017 restated	June 30, 2018	December 31, 2017 restated
France	2,564.2	2,492.6	2,502.0	2,141.6
Europe	2,691.9	2,530.1	5,550.6	5,646.9
International	3,094.5	2,470.5	10,443.9	10,217.5
Total	**8,350.6**	**7,493.2**	**18,496.5**	**18,006.0**

3.4 Reconciliation of indicators with Consolidated Financial Statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Current operating income	**472.7**	**439.5**
Share in net income of equity-accounted companies considered as core business	93.3	112.2
IFRIC 21 impacts	40.8	41.8
Others	0.5	0.3
EBIT	**607.3**	**593.8**
Net depreciation, amortization and provisions	594.4	545.4
Share-based payments [a]	1.4	0.3
Disbursements under concession contracts	120.1	128.1
EBITDA	**1,323.2**	**1,267.6**

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

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

(in millions of euros)	June 30, 2018	December 31, 2017 restated
Tangible and intangible assets, net	13,302.4	13,409.0
Goodwill, net	5,109.7	5,053.9
Investments in equity instruments (excluding marketable securities and impact of revaluation to fair value)	262.1	131.7
Loans and receivables carried at amortized cost (excluding assets related to financing)	741.0	858.5
Investments in joint ventures (excluding Other comprehensive income net of taxes)	1,134.0	1,071.0
Investments in associates (excluding Other comprehensive income net of taxes)	973.9	1,027.2
Trade and other receivables	4,906.9	4,721.4
Inventories	508.6	455.9
Contract assets	571.2	456.4
Other current and non-current assets	1,672.5	1,509.9
Provisions and actuarial losses/gains on pensions plans	(1,647.6)	(1,702.0)
Trade and other payables	(3,692.3)	(3,743.5)
Contract liabilities	(1,183.6)	(1,337.7)
Other current and non-current liabilities	(4,122.6)	(3,862.7)
Other financial liabilities	(39.9)	(43.1)
Capital employed	**18,496.5**	**18,006.0**

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

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Investments in property, plant and equipment and intangible assets	(625.5)	(487.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	(72.2)	(26.6)
Acquisitions of interests in associates and joint-ventures	(43.5)	(11.1)
Acquisitions of equity instruments	(5.8)	(6.5)
Change in share of interests in controlled entities	(9.6)	–
Total investments	**(756.6)**	**(531.2)**

Note 4 Income statement

4.1 Current operating income and EBIT

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

4.2 Income from operating activities

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Current operating income	**472.7**	**439.5**
Mark-to-Market on operating financial instruments	0.6	13.9
Impairment on property, plant and equipment, intangible and financial assets	(3.0)	(6.5)
Restructuring costs	(58.1)	(86.4)
Scope effects	4.1	(1.8)
Other gains and losses on disposals	24.2	16.8
Income from operating activities	**440.5**	**375.5**
Share in net income of equity-accounted companies considered as core business	93.3	112.2
of which share in net income (loss) of joint ventures	*45.6*	*44.3*
of which Share in net income (loss) of associates	*47.7*	*67.9*
Income from operating activities after Share in net income of equity-accounted companies considered as core business	**533.8**	**487.7**

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

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Impairments		
Property, plant and equipment and other intangible assets	(1.5)	(3.8)
Financial assets	(4.0)	(10.8)
Total	**(5.5)**	**(14.6)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	1.6	4.9
Financial assets	0.9	3.2
Total	**2.5**	**8.1**
Total	**(3.0)**	**(6.5)**

In addition to the systematic annual impairment tests on goodwill and non-amortizable intangible assets performed in the second half of the year, tests are occasionally performed on all goodwill, property, plant and equipment and intangible assets when there is an indication of potential impairment. Any impairment loss is determined by comparing the carrying value of the asset concerned with its recoverable value (*i.e.* its value in use as determined by calculating the discounted future cash flows, or the market value).

4.2.1.1 Impairment on goodwill

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2018, no depreciation was accounted for as at June 30, 2018.

4.2.1.2 impairment on property, plant and equipment and intangible assets

As at June 30, 2017, there is no significant impairment at June 30, 2018.

4.2.1.3 Impairment on financial assets

At June 30, 2018, this item does not represent a significant amount.

At June 30, 2017, this item included especially impairments on financial assets in Recycling and Recovery Europe for -EUR 10.0 million.

4.2.2 Restructuring costs

As at June 30, 2018, this item mainly includes costs relating to various restructuring plans within the Group, including at SUEZ Spain for -EUR 13.6 million.

4.2.3 Scope effects

No significant scope effect on the scope of consolidation to be noticed at June 30, 2018.

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

At June 30, 2018, this item mainly includes gains on the disposal of the infectious clinical waste (IMW) activity of Recycling and Recovery France (see Note 2.2) as well as various disposals of properties, plants and equipment in Chile and France.

4.3 Financial result

	June 30, 2018			June 30, 2017 restated		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(216.7)**	**11.8**	**(204.9)**	**(208.5)**	**16.3**	**(192.2)**
Interest expense on gross borrowings	(189.2)	–	(189.2)	(186.2)	–	(186.2)
Exchange gain/(loss) on borrowings and hedges	(24.6)	–	(24.6)	(17.0)	–	(17.0)
Unrealized income/(expense) from economic hedges on borrowings	–	0.1	0.1	–	0.1	0.1
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	–	11.3	11.3	–	15.7	15.7
Capitalized borrowing costs	–	0.4	0.4		0.5	0.5
Financial income (expense) relating to a financial debt or receivable restructuring	(2.9)		(2.9)	(5.3)	–	(5.3)
Other Financial Income and Expenses	**(58.4)**	**26.2**	**(32.2)**	**(46.5)**	**21.6**	**(24.9)**
Net interest expenses related to post employment and other long term benefits	(8.4)	–	(8.4)	(8.2)	–	(8.2)
Unwinding of discounting adjustment to long term provisions (except post employment)	(18.3)	–	(18.3)	(19.3)	–	(19.3)
Change in fair value of derivatives not included in net debt	–	4.2	4.2	(3.8)	–	(3.8)
Income from equity instruments	–	1.2	1.2	–	1.1	1.1
Other	(31.7)	20.8	(10.9)	(15.2)	20.5	5.3
Financial income/(loss)	**(275.1)**	**38.0**	**(237.1)**	**(255.0)**	**37.9**	**(217.1)**

The increase in the cost of net debt between June 30, 2018 and June 30, 2017 is primarily explained by:

- the placement, on March 27, 2017, of two bonds for a total of EUR 1.2 billion after the announcement, on March 8, 2017, of the acquisition of GE Water & Process Technologies:
  - EUR 500 million, with a maturity date of April 3, 2025 and with a fixed annual coupon of 1.00%,
  - EUR 700 million, with a maturity date of April 3, 2029 and with a fixed annual coupon of 1.50%;
- the issuance on September 13, 2017, of undated deeply subordinated notes for EUR 500 million with a maturity date of September 21, 2032 and with an annual fixed coupon of 1.625%.

4.4 Income tax

4.4.1 Income tax expense in the income statement

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Net income (A)	208.0	165.1
Income tax expense (B)	(88.7)	(105.5)
Share in net Income of joint ventures and associates (C)	93.3	112.2
Income before income tax and before share in net income of joint ventures and associates (A) - (B) - (C) = (D)	**203.4**	**158.4**
Theoretical income tax expense - (B)/(D)	**43.6%**	**66.6%**

At June 30, 2018, the Group's effective tax rate is 43.6% compared to 66.6% at June 30, 2017.

At June 30, 2018, as at June 30, 2017 this rate is primarily explained by the impairment of deferred tax within the Spanish and French tax consolidation groups.

4.4.2 Deferred taxes in the statement of financial position

(in millions of euros)	Assets	Liabilities	Net balances
At December 31, 2017	**760.0**	**(760.1)**	**(0.1)**
Restatement IFRS 9	6.5	(1.7)	4.8
At January 1st, 2018	**766.5**	**(761.8)**	**4.7**
From income statement	19.8	4.8	24.6
From Other comprehensive income	(21.4)	15.3	(6.1)
Scope effects	(0.2)	2.0	1.8
Translation adjustments	1.7	(4.6)	(2.9)
Other impacts	35.5	(36.3)	(0.8)
Deferred tax netting off by tax entity	39.6	(39.6)	–
At June 30, 2018	**841.5**	**(820.2)**	**21.3**

Within the the French tax consolidation, the net deferred tax assets amount to EUR 216.5 million at June 30, 2018 compared to EUR 209.3 million at January 1st, 2018. The +EUR 7.2 million increase is related to the recognition of the deferred tax assets related to IFRIC 21 which will be reversed by December 31, 2018.

Note 5 Earnings per share

	June 30, 2018	June 30, 2017 restated
Numerator *(in millions of euros)*		
Net income, Group share	**90.1**	**44.2**
– coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014	(7.5)	(7.5)
– coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015	(6.3)	(6.3)
– coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in May 2017	(8.6)	
Adjusted Net Income, Group Share	**67.7**	**30.4**
Denominator *(in millions)*		
Weighted average number of outstanding shares	617.8	574.2
Earnings per share *(in euros)*		
Net income Group share per share	**0.11**	**0.05**
Net diluted income Group share per share	**0.11**	**0.06**

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

- the SUEZ employee share issue;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expenses of EUR 3.3 million at June 30, 2018.

The SUEZ stock option plan of December 16, 2010 was not included in the diluted net income per share calculation, as their exercise price remains above the average share price of SUEZ shares over the period.

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

(in millions of euros)	Goodwill	Intangible assets	Property, plant and equipments
A) Gross amount at December 31, 2017 restated	**5,146.2**	**8,750.3**	**16,867.3**
Acquisitions	–	76.2	402.3
Disposals	–	(17.5)	(109.7)
Changes in scope of consolidation	1.8	0.6	5.6
Translation adjustments	53.0	28.1	(74.0)
Other	–	31.6	(8.3)
At June 30, 2018	**5,201.0**	**8,869.3**	**17,083.2**
B) Accumulated depreciation and impairment at December 31, 2017 restated	**(92.3)**	**(3,838.7)**	**(8,350.9)**
Depreciation and impairment losses	–	(233.1)	(371.6)
Disposals	–	13.4	90.5
Changes in scope of consolidation	–	–	(2.0)
Translation adjustments	1.0	(2.4)	38.1
Other	–	(3.1)	9.8
At June 30, 2018	**(91.3)**	**(4,063.9)**	**(8,586.1)**
C) Carrying amount = A + B			
At December 31, 2017 restated	**5,053.9**	**4,911.6**	**8,516.4**
At June 30, 2018	**5,109.7**	**4,805.3**	**8,497.1**

At December 31, 2017, the carrying amount of goodwill, intangible assets and property, plant and equipment was adjusted for the effects of the first-time application of IFRS 15 and the purchase price allocation following the acquisition of GE Water & Process Technologies in accordance with IFRS 3 revised on business combinations (see Note 2). The impacts between December 31, 2017 restated and December 31, 2017 published are as follows (see Note 1.3.3.3):

- intangible assets: +EUR 749.7 million of which +EUR 767.2 million of purchase price allocation and -EUR 17,5 million of IFRS 15;
- goodwill: -EUR 533.3 million related to GE Water's purchase price allocation;
- tangible assets: +EUR 49 million related to GE Water's purchase price allocation.

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2018, no depreciation was accounted for as at June 30, 2018.

The main translation adjustments recorded in relation to the net value of goodwill concern the US dollar (+EUR 60.8 million).

The main translation adjustments recorded in relation to the net value of Intangible assets concern the US dollar (+EUR 24.3 million).

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the US dollar (+EUR 72.9 million) and the Chilean Peso (-EUR 94.3 million).

Note 7 Investments in joint ventures and associates

7.1 Investments in joint ventures

Chinese joint ventures are jointly owned: 50% is owned by SUEZ NWS Limited, a Hong Kong-based company, and 50% by local concessionary authorities. Following the full consolidation of SUEZ NWS Limited in SUEZ, the shares of Chinese joint ventures were accounted for using the equity method at 50% in SUEZ's consolidated statement of financial position as of June 30, 2018 for EUR 741.8 million. Another major joint venture is the Suyu group, which is based in China and is 50%-owned by SUEZ.

	Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures	
(in millions of euros)	June 30, 2018	December 31, 2017 restated	June 30, 2018	June 30, 2017 restated
Groupe SUEZ NWS Limited	741.8	681.7	35.1	30.5
Suyu group	294.1	284.6	7.3	6.2
Other	37.0	37.6	3.2	7.6
Total	**1,072.9**	**1,003.9**	**45.6**	**44.3**

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Net income	45.6	44.3
Other comprehensive income (OCI)	6.9	(46.0)
Comprehensive income	52.5	(1.7)

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)	June 30, 2018	December 31, 2017
Non-current assets	634.8	629.9
Current assets	333.9	320.3
of which Cash and cash equivalents	*159.7*	*159.0*
Total assets	**968.7**	**950.2**
Shareholders' equity, Group share	559.0	529.0
Non-controlling interests	4.7	4.5
Total shareholders' equity	**563.7**	**533.5**
Non-current liabilities	185.7	196.2
Current liabilities	219.3	220.5
Total shareholders' equity and liabilities	**968.7**	**950.2**

Summarized Income Statement at 100%

(in millions of euros)	June 30, 2018	June 30, 2017
Revenues	185.7	173.7
Current operating income	40.3	35.8
Net income – group share	39.6	27.3
Net income – non-controlling interests	0.2	0.2
Net income	39.8	27.5
Other comprehensive income (OCI) [a]	4.1	(29.6)
Comprehensive income	**43.9**	**(2.1)**

(a) These amounts correspond to the variation of translation adjustments.

DIVIDENDS AT 100%

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by SFH at June 30	41.5	16.1

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

Summarized Statement of financial position at 100%

(in millions of euros)	June 30, 2018	December 31, 2017
Non-current assets [a]	770.5	750.0
Current assets	0.6	0.6
of which Cash and cash equivalents	*0.6*	*0.6*
Total assets	**771.1**	**750.6**
Shareholders' equity, Group share	588.3	569.2
Total shareholders' equity	**588.3**	**569.2**
Non-current liabilities	182.8	181.4
Current liabilities	–	–
Total shareholders' equity and liabilities	**771.1**	**750.6**

(a) Includes Derun Environment equity accounted.

Summarized Income Statement at 100%

(in millions of euros)	June 30, 2018	June 30, 2017
Net income [a]	14.6	12.4
Other comprehensive income (OCI)	5.5	(37.6)
Comprehensive income	**20.1**	**(25.2)**

(a) Derun Environnement's share in net income accounted for using the equity method in the Suyu group.

DIVIDENDS AT 100%

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by Suyu at June 30	–	–

7.2 Investments in associates

(in millions of euros)	Carrying amount of investments in associates June 30, 2018	Carrying amount of investments in associates December 31, 2017 restated	Share in net income/(loss) of associates June 30, 2018	Share in net income/(loss) of associates June 30, 2017 restated
In Acea group	529.2	580.0	24.1	29.1
In Agbar group	171.7	183.7	6.1	7.5
In the company Aquasure Holding	71.0	74.1	5.5	9.4
In the company Brnenske Vodarny A Kanalizace	34.7	36.0	0.9	0.8
In WTS group	20.5	12.7	2.0	–
In the company ACQUE BLU FIORENTINE SpA	18.8	17.2	1.6	–
In R&R Belux	18.1	18.4	2.0	1.2
In the company Aguas de Saltillo S.A. de C.V.	16.0	15.9	0.7	0.7
In R&V France group	14.9	12.9	3.0	2.3
In the company Aguas de Cartagena	12.5	12.5	1.4	1.2
In the company Degrémont WTE Praha v.o.s.	8.5	8.4	1.3	1.2
In the company Arte SA de CV	7.4	7.2	0.5	0.7
In R&R UK group	7.2	7.4	(1.0)	9.5
In SUEZ Polska sp zoo group	6.6	6.9	0.2	0.2
In the company Interagbar de Colombia SAS	6.2	5.9	–	0.2
In SUEZ R&R Netherlands BV group	6.1	2.1	(1.9)	–
In SUEZ R&R Deutschland GmbH group	5.2	5.0	0.5	–
In the company Aquasystema Maribor	5.1	5.7	0.5	0.6
In SUEZ Water Inc group	2.0	1.9	–	–
In the company SUEZ Water Treatment Company Limited	1.8	1.8	–	–
Other	4.7	5.1	0.3	3.3
Total	**968.2**	**1,020.8**	**47.7**	**67.9**

(in millions of euros)	June 30, 2018	June 30, 2017 restated
Net income	47.7	67.9
Other comprehensive income (OCI)	6.2	4.9
Comprehensive income	**53.9**	**72.8**

The main component of the item "Investments in associates" is the Acea Group, listed on the Milan Stock Exchange and in which the SUEZ group holds 23.33% of the capital.

At 30 June 2018 the book value of this investment in associate in the statement of financial position as of June 30, 2018 is EUR 529.2 million. Its market value is EUR 633.1 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)	March 31, 2018 [a]	December 31, 2017
Non-current assets	5,255.7	5,147.6
Current assets	2,909.3	2,191.3
of which Cash and cash equivalents	*1,492.7*	*680.6*
Total assets	**8,165.0**	**7,338.9**
Shareholders' equity, Group share	1,623.4	1,717.6
Non-controlling interests	91.5	93.6
Total shareholders' equity	**1,714.9**	**1,811.2**
Non-current liabilities	4,182.8	3,340.2
Current liabilities	2,267.3	2,187.5
Total shareholders' equity and liabilities	**8,165.0**	**7,338.9**

(a) The Acea 2018 half-year Consolidated Financial Statements were not available at the date when the Group's interim condensed Consolidated Financial Statements were published. In compliance with IAS 28 "Investments in Associates and joint ventures", the summarized statement of financial position at March 31, 2018 corresponds to the latest available information.

Summarized Income Statement at 100% – first quarter results

(in millions of euros)	March 31, 2018 [a]	March 31, 2017
Revenues	745.5	725.6
Gross operating profit	220.9	209.2
Operating profit/(loss)	127.4	117.2
Net income – group share	77.4	65.7
Net income – non-controlling interests	3.2	2.7
Net income	80.6	68.4
Other comprehensive income (OCI)	1.0	1.4
Comprehensive income	**81.6**	**69.8**

(a) The Acea 2018 half-year Consolidated Financial Statements were not available at the date when the Group's interim condensed Consolidated Financial Statements were published. In compliance with IAS 28 "Investments in Associates and joint ventures", the summarized income statement at March 31, 2018 corresponds to the latest available information.

Dividends (at 100%)

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by Acea at June 30	133.9	131.8

Note 8 Financial instruments

8.1 Financial assets

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

(in millions of euros)	June 30, 2018 Non-current	June 30, 2018 Current	June 30, 2018 Total	December 31, 2017 restated Non-current	December 31, 2017 restated Current	December 31, 2017 restated Total
Investments in equity instruments at fair value	135.5	–	135.5	127.1	–	127.1
Loans and receivables carried at amortized cost	594.9	5,053.0	5,647.9	721.9	4,858.0	5,579.9
Loans and receivables carried at amortized cost (excluding trade and other receivables)	594.9	146.1	741.0	721.9	136.6	858.5
Trade and other receivables	–	4,906.9	4,906.9	–	4,721.4	4,721.4
Financial assets measured at fair value	94.7	156.7	251.4	149.5	146.4	295.9
Derivative financial instruments *(see Note 8.4)*	94.7	109.7	204.4	149.5	89.5	239.0
Financial assets measured at fair value through income	–	47.0	47.0	–	56.9	56.9
Cash and cash equivalents	–	3,383.6	3,383.6	–	3,058.1	3,058.1
Total	**825.1**	**8,593.3**	**9,418.4**	**998.5**	**8,062.5**	**9,061.0**

8.1.1 Investments in equity instruments at fair value

Movements during the period are broken down as follows:

(in millions of euros)	Available for sale	Equity instruments at FV through OCI	Equity instruments at FV through income
At December 31, 2017 published	**127.1**		
IFRS 9 Restatement	(127.1)	103.2	23.9
At January 1, 2018		**103.2**	**23.9**
Acquisitions		5.3	–
Net book value of disposals		(0.2)	–
Changes in fair value posted to equity as Other comprehensive income		4.0	–
Changes in fair value posted to income statement		–	0.5
Changes in scope, exchange rates and other		1.4	(2.6)
At June 30, 2018		**113.7**	**21.8**

The value of equity instruments at fair value through OCI held by the Group amounts to EUR 113.7 million as at June 30, 2018, which is divided between EUR 9.4 million for listed securities and EUR 104.3 million for unlisted securities.

The value of equity instruments at fair value through income held by the Group amounts to EUR 21.8 million as at June 30, 2018, which is divided between EUR 14.3 million for listed securities and EUR 7.5 million for unlisted securities.

8.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as at June 30, 2018, as well as their breakdown as "non-current" and "current":

	June 30, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Borrowings	9,100.0	3,735.0	12,835.0	9,760.6	2,003.8	11,764.4
Derivative financial instruments *(see Note 8.4)*	23.1	101.8	124.9	26.4	38.3	64.7
Trade and other payables	–	3,692.3	3,692.3	–	3,743.5	3,743.5
Other financial liabilities	39.9	–	39.9	43.1	–	43.1
Total	**9,163.0**	**7,529.1**	**16,692.1**	**9,830.1**	**5,785.6**	**15,615.7**

8.3 Net debt

8.3.1 Analysis by type of net debt

	June 30, 2018			December 31, 2017, restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	9,104.6	3,628.6	12,733.2	9,763.5	1,872.2	11,635.7
Impact of measurement at amortized cost [a]	(71.7)	97.1	25.4	(77.6)	131.6	54.0
Impact of fair value hedge [b]	67.1	9.3	76.4	74.7		74.7
Borrowings and debts	**9,100.0**	**3,735.0**	**12,835.0**	**9,760.6**	**2,003.8**	**11,764.4**
Debt-related derivatives under liabilities [c] *(see Note 8.4)*	3.6	68.0	71.6	5.7	11.3	17.0
Gross debt	**9,103.6**	**3,803.0**	**12,906.6**	**9,766.3**	**2,015.1**	**11,781.4**
Financial assets at fair value through income excluding financial derivative instruments *(see Note 8.1)*	–	(47.0)	(47.0)	–	(56.9)	(56.9)
Cash and cash equivalents	–	(3,383.6)	(3,383.6)	–	(3,058.1)	(3,058.1)
Debt-related derivatives under assets [c] *(see Note 8.4)*	(88.4)	(64.8)	(153.2)	(136.0)	(58.3)	(194.3)
Net cash	**(88.4)**	**(3,495.4)**	**(3,583.8)**	**(136.0)**	**(3,173.3)**	**(3,309.3)**
Net debt	**9,015.2**	**307.6**	**9,322.8**	**9,630.3**	**(1,158.2)**	**8,472.1**
Outstanding borrowings	9,104.6	3,628.6	12,733.2	9,763.5	1,872.2	11,635.7
Financial assets measured at fair value through income excluding financial derivative instruments *(see Note 8.1)*	–	(47.0)	(47.0)	–	(56.9)	(56.9)
Cash and cash equivalents	–	(3,383.6)	(3,383.6)	–	(3,058.1)	(3,058.1)
Net debt excluding amortized cost and impact of derivative financial instruments	**9,104.6**	**198.0**	**9,302.6**	**9,763.5**	**(1,242.8)**	**8,520.7**

(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 revaluation 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 fair value of borrowings and debts amounts to EUR 13,043.7 million at June 30, 2018, compared with a book value of EUR 12,835.0 million.

The increase in the current portion of outstanding borrowings at June 30, 2018 is mainly due to:

- the reclassification of the bond issued by SUEZ maturing on April 2019 amounting EUR 800 million;
- the increase in outstanding commercial paper in the amount of EUR 790.6 million.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and currency risk is presented in Note 9.

8.3.2 Issue of Undated Deeply Subordinated Notes

As of June 30, 2018, the outstanding amount of undated deeply subordinated notes ("TSSDI") was EUR 1,600 million, unchanged compared to December 31, 2017. These lines are not recognized in financial debt as they meet the conditions set out in IAS 32 to be recognized in equity.

8.3.3 Bond and Commercial Paper issues

SUEZ has a commercial paper program. At June 30, 2018, the outstanding notes totaled EUR 1,190.6 million.

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

At June 30, 2018, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

8.3.4 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 SUEZ RV France, SUEZ Haz Waste, SUEZ Nederland, SUEZ Recycling and Recovery UK and SUEZ Deutschland.

In April 2017, the contract was renewed for five years and the scope of the transferred receivables portfolio was amended: the transferor, SUEZ R&R UK, was removed and new French transferors from the OSIS division of SUEZ RV France joined that program.

The aim of the receivable assignment or receivable securitization program is to carry out so-called "deconsolidation" assignments within the meaning of IFRS 9.

The main characteristics of the program are presented in Note 13.3.4 to the Consolidated Financial Statements at December 31, 2017 of the Reference Document.

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits.

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 the granting of liquidation proceeds.

Accounting treatment

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

According to IFRS 9 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 4).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated statement of financial position. Its remuneration is recorded in the income statement under financial income (see Note 4).

The remuneration of services provided by the Group for follow-up and recovery of receivables transferred is shown in the income statement under financial income (see Note 4).

Figures at June 30, 2018

(in millions of euros)

Total of receivables sold over the period	**1,161.2**	
Gain/(loss) arising from sale over the period	(7.8)	(B)
Remuneration for CC1 over the period	0.7	(C)
Remuneration of services for follow-up and recovery of receivables transferred over the period	**5.1**	**(D)**
Outstanding receivables transferred as of June 30, 2018	484.8	(A)
Book value of CC1 as of June 30, 2018	62.6	(E)
Fair value of CC1	62.6	
Book value of CC2	(a)	
Residual maturity of CC1	44 months	
Impact of sales of derecognized receivables in the sense of IFRS 9 on net debt	**420.2**	**(A) + (B) + (C) + (D) – (E)**

(a) No security deposit known as "CC2" had been made as of June 30, 2018.

8.3.5 Change in net debt

During the first half of 2018, net debt increased by EUR 850.7 million:

- the payment of cash dividends to shareholders of SUEZ amounting to EUR 401.9 million;
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 175.0 million;
- the payment of exit fees on GEW defined benefit plans in the United Kingdom and the Netherlands, which were closed as a result of the acquisition of GEW by SUEZ, amounting to EUR 77.2 million;
- the exchange rate variations resulted in an Increase of EUR 58.2 million in the net financial debt, mainly linked to the depreciation of the US dollar against the euro.

8.3.6 Debt/equity ratio

(in millions of euros)	June 30, 2018	December 31, 2017, restated
Net debt	9,322.8	8,472.1
Total equity	8,586.8	9,036.8
Debt/equity ratio	**108.6%**	**93.8%**

8.4 Derivative financial instruments

Derivative financial assets

	June 30, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	88.4	64.8	153.2	136.0	58.3	194.3
Derivatives hedging commodities	–	5.1	5.1	–	0.4	0.4
Derivatives hedging other items [a]	6.3	39.8	46.1	13.5	30.8	44.3
Total *(see Note 8.1)*	**94.7**	**109.7**	**204.4**	**149.5**	**89.5**	**239.0**

(a) Includes derivative financial instruments: – for the interest rate futures portion of debt-related derivatives not designated as hedges for EUR 6.8 million at June 30, 2018, compared with EUR 5.0 million at December 31 2017.
As of June, 30th, 2018, there is no net investment hedging, compared with EUR 0.9 million at December 31, 2017.

Derivative financial liabilities

	June 30, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	3.6	68.0	71.6	5.7	11.3	17.0
Derivatives hedging commodities	1.6	6.7	8.3	–	3.9	3.9
Derivatives hedging other items [a]	17.9	27.1	45.0	20.7	23.1	43.8
Total *(see Note 8.2)*	**23.1**	**101.8**	**124.9**	**26.4**	**38.3**	**64.7**

(a) Mainly includes derivative financial instruments:
- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for EUR 4.8 million at June 30, 2018, compared with EUR 15.1 million at December 31, 2017;
- for forward interest pre-rate hedges maturing in 9 years with deferred start dated in 2018, designated as cash flow hedge, for EUR 11.2 million at June 30, 2018, compared with EUR 8.6 million at December 31, 2017.

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

8.5 Fair value of financial instruments by level

8.5.1 Financial assets

Investments in equity instruments

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 23.7 million at June 30, 2018. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 111.8 million at June 30, 2018 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 at June 30, 2018, the change in Level 3 for investments in equity instruments breaks down as follows:

(in millions of euros)	Available for sale securities	Equity instruments at FV through OCI	Equity instruments at FV through income
At December 31, 2017 published	**103.5**		
IFRS 9 Restatement	(103.5)	94.4	9.1
At January 1, 2018		**94.4**	**9.1**
Acquisitions		5.3	–
Disposals		(0.2)	–
Gains and losses posted to equity		4.0	–
Gains and losses posted to income		–	1.1
Changes in scope, exchange rates and other		0.8	(2.8)
At June 30, 2018		**104.3**	**7.5**

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 EUR 741 million at June 30, 2018, may contain elements that contribute to a fair value hedging relationship. At June 30, 2018, 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 June 30, 2018 for EUR 204.4 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 the income statement amounting to EUR 47.0 million at June 30, 2018, based on observable data, are considered Level 2.

8.5.2 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:

	June 30, 2018				December 31, 2017 restated			
(in millions of euros)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings and debts	**13,043.7**	**7,561.7**	**5,482.0**	**–**	**12,864.3**	**7,716.4**	**5,147.9**	**–**
Derivative financial instruments	**124.9**	**–**	**124.9**	**–**	**64.7**	**–**	**64.7**	**–**
Debt-related derivatives	71.6	–	71.6	–	17.0	–	17.0	–
Derivatives hedging commodities	8.3	–	8.3	–	3.9	–	3.9	–
Derivatives hedging other items	45.0	–	45.0	–	43.8	–	43.8	–
Total	**13,168.6**	**7,561.7**	**5,606.9**	**–**	**12,929.0**	**7,716.4**	**5,212.6**	**–**

Borrowings and debts

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 8.5.1 for details on fair value level.

8.6 Offsetting of derivative assets and liabilities

At June 30, 2018, as at December 31, 2017, 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:

	June 30, 2018				December 31, 2017 restated			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross Amount [a]	199.3	(116.6)	5.1	(8.3)	238.7	(60.8)	0.4	3.9
Value after offsetting	**169.7**	**(87.0)**	**5.1**	**(8.3)**	**215.2**	**(37.3)**	**0.4**	**3.9**

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

Note 9 Management of risks arising from financial instruments

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

The risk management policy is described in Note 14 to the Consolidated Financial Statements as at December 31, 2017.

9.1 Market risks

9.1.1 Commodity market risks

9.1.1.1 Hedging operations

The Group sets up cash flow hedge on fuel and electricity as defined by IFRS 9 by using the derivative instruments available on over-the-counter markets, whether they are firm commitments or options, but always settled in cash. The Group's aim is to protect itself against adverse changes in market prices, which may specifically affect its supply costs.

9.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities at June 30, 2018 and at December 31, 2017 are presented in the table below:

	June 30, 2018				December 31, 2017 restated			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	5.1	–	6.7	1.6	0.4	–	3.9	–
Total	**5.1**	**–**	**6.7**	**1.6**	**0.4**	**–**	**3.9**	**–**

9.1.2 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates. Exchange rate risk includes:

- the transaction risk associated with purchases and sales made by Group companies as part of their current activity;
- the transaction risk associated with disposals and acquisitions transactions;
- the fair value risk associated with construction contracts;
- the currency risk associated with assets and liabilities denominated in foreign currencies, including lending and borrowing arranged with subsidiaries;
- the consolidation risk that arises when the accounts of subsidiaries are consolidated using a functional currency other than the euro.

The Group's subsidiaries primarily operate locally and in their local currency, which means its exposure to transaction risks associated with purchases and sales is limited.

Following the acquisition of GE Water, a review of currency risk is in progress on the WTS scope.

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

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

The sensitivity analysis was based on the net debt position (including derivatives financial instruments), and derivatives designated as net investment hedges at the reporting date. As at June 30, 2018, there are no instruments designated as net investment hedges.

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

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 on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/- 10% change in foreign exchange rates against the euro would generate a gain or a loss of EUR 10.1 million.

Impact on equity after taking into account foreign exchange derivatives

As at June 30, 2018, there are no financial liabilities (debts and derivatives) designated as net investment hedges. Therefore, a uniform +/- 10% change in foreign exchange rates against the euro would not have a negative or positive impact on shareholders' equity in terms of net investment hedging.

9.1.3 Interest rate risk

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

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

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

In 2014 and in 2015, to protect the refinancing of a portion of its debt, the Group set up forward interest pre-rate hedges maturing in nine years with deferred start dates in 2018. At June 30, 2018, these interest rate hedges were still active.

9.1.3.1 Financial instruments by rate type

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

Outstanding borrowings

	June 30, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	23%	38%	16%	30%
Fixed rate	68%	53%	75%	61%
Fixed rate indexed to inflation	9%	9%	9%	9%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

	June 30, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-6%	16%	-17%	2%
Fixed rate	94%	72%	105%	86%
Fixed rate indexed to inflation	12%	12%	12%	12%
Total	**100%**	**100%**	**100%**	**100%**

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

9.1.3.2 Analysis of interest rate risk sensitivity

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of +/- 1% compared with interest rates at June 30, 2018.

Impact on income after taking into account interest rate derivatives

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 EUR 14.3 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a loss of EUR 3.1 million in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would a contrario generate a gain of EUR 1.3 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 EUR 26.5 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of EUR 32.0 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

9.2 Counterparty risk

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

9.2.1 Operating activities

Each business unit assesses counterparty risk on operational activities according to the type of customer portfolio. It documents the methodology used in a non-recovery risk matrix.

9.2.2 Financial activities

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

Counterparty risk is monitored for each loan line.

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

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

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

At June 30, 2018, "cash and cash equivalents" and derivative assets are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

	June 30, 2018				December 31, 2017 restated			
Counterparty risk arising from investing activities	Total	Investment grade [a]	Unrated [b]	Non investment grade [b]	Total	Investment grade [a]	Unrated [b]	Non investment grade [b]
% of exposure to counterparties	3,492.6	94%	4%	2%	3,236.2	94%	5%	1%

(a) Conterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.
(b) Most of the two latter types of exposure consisted of consolidated companies with non-controlling interests or Group companies operating in emerging countries where cash cannot be centralized and is therefore invested locally.

9.3 Liquidity risk

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

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 at June 30, 2018, the Group's total net cash stood at EUR 3,583.8 million, consisting of cash and cash equivalents of EUR 3,383.6 million, financial assets at fair value through income of EUR 47.0 million, and debt-related derivatives recorded as assets of EUR 153.2 million. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at June 30, 2018, the Group specifically had EUR 2,681.6 million in confirmed credit facilities, including EUR 206.5 million already drawn; unused credit facilities therefore totaled EUR 2,475.1 million, EUR 279.5 million of which will be maturing before June 30, 2019.

88% of total credit lines and 90% of undrawn facilities are centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As at June 30, 2018, bank funding accounted for 7.5% of gross financial debt (excluding bank overdrafts and current accounts, as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 80.2% and commercial papers for 10.1%) represented 90.3% of outstanding borrowings (excluding bank overdrafts and current accounts).

At June 30, 2018, available cash, composed of cash and cash equivalents (EUR 3,383.6 million) and financial assets measured at fair value through income (EUR 47.0 million), net of bank overdrafts and liability current accounts (EUR 949.0 million), amounted to EUR 2,481.6 million.

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

At June 30, 2018, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Bonds issues	9,449.5	178.0	844.8	465.1	1,030.8	841.0	6,089.8
Commercial paper	1,190.6	1,040.6	150.0	–	–	–	–
Draw downs on credit facilities	206.5	41.5	17.4	4.0	13.6	130.0	–
Borrowings under finance leases	106.1	29.1	32.7	13.5	6.8	4.9	19.1
Other bank borrowings	676.5	231.5	151.2	105.2	85.8	31.2	71.5
Other borrowings	155.1	53.9	22.4	7.1	10.0	5.7	56.0
Borrowings	**11,784.2**	**1,574.6**	**1,218.5**	**594.9**	**1,147.0**	**1,012.8**	**6,236.4**
Overdrafts and current accounts	949.0	949.0	–	–	–	–	
Outstanding borrowings	**12,733.2**	**2,523.6**	**1,218.5**	**594.9**	**1,147.0**	**1,012.8**	**6,236.4**
Financial assets measured at fair value through income	(47.0)	(47.0)	–	–	–	–	–
Cash and cash equivalents	(3,383.6)	(3,383.6)	–	–	–	–	–
Net debt excluding amortized cost and impact of derivative financial instruments	**9,302.6**	**(907.0)**	**1,218.5**	**594.9**	**1,147.0**	**1,012.8**	**6,236.4**

As at June 30, 2018, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	2,430.2	130.4	347.8	295.2	267.0	227.9	1,161.9

At June 30, 2018 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Derivatives (excluding commodities)	21.8	(68.8)	40.6	26.2	26.0	13.0	(15.2)

In order to better reflect the economic circumstances of operations, the cash flows related to derivatives recognized as liabilities and assets presented above are net positions. Moreover, the values presented above are positive for a liability, and negative for an asset.

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

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Confirmed undrawn credit facilities	2,475.1	156.5	147.4	162.0	1,595.5	350.0	63.7

As at June 30, 2018, no counterparty accounted for more than 7% of the undrawn confirmed credit lines.

Note 10 Non-controlling interests

The "non-controlling interests" account amounting to EUR 2,456.3 million at June 30, 2018, mainly includes contributions of Agbar for EUR 1,009.0 million, WTS for EUR 717.7 million and entities within SUEZ NWS in China and Hong-Kong (42%) for EUR 437.9 million.

Agbar and WTS contributions respectively amounted to EUR 1,063.1 million and EUR 718.3 million out of a total of EUR 2,515.8 million at December 31, 2017 restated.

As at June 31, 2018 the Agbar group contribution includes EUR 727.9 million coming from the operational Company Aguas Andinas listed on Santiago de Chile (Chile) stock exchange. The Company is fully consolidated within SUEZ group on the basis of a 28.4% interest rate through the following companies:

- IAM, a company also listed on Santiago de Chile stock exchange, fully consolidates Aguas Andinas on the basis of a 50.1% interest rate;
- the Agbar group fully consolidates IAM with a 56.6% interest rate;
- finally, SUEZ fully consolidates Agbar group with a 100% interest rate.

Summarized financial information of Aguas Andinas (at 100%) is presented below on the basis of the financial statements published by the Company.

Summarized Statement of financial position at 100%

(in millions of euros)	March 31, 2018 [a]	December 31, 2017
Non-current assets	2,234.1	2,232.7
Current assets	226.9	204.3
of which Cash and cash equivalents	*32.3*	*25.5*
Total assets	**2,461.0**	**2,437.0**
Shareholders' equity, Group share	936.1	871.6
Non-controlling interests	69.4	68.7
Total shareholders' equity	**1,005.5**	**940.3**
Non-current liabilities	1,148.1	1,175.1
Current liabilities	307.4	321.6
Total shareholders' equity and liabilities	**2,461.0**	**2,437.0**
Closing exchange rate CLP/EUR	742.1	737.3

(a) The Aguas Andinas group's Consolidated Financial Statements as of June 30, 2018 were not yet available on the date when the Group's interim condensed Consolidated Financial Statements were published.
The summarized statement of financial position at March 31, 2018 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

(in millions of euros)	March 31, 2018 [a]	March 31, 2017
Revenues	206.1	209.1
Operating profit/(loss)	107.1	111.8
Net income – Group share	70.4	72.9
Net income – non-controlling interests	1.2	1.6
Net income	71.6	74.5
Other comprehensive income (OCI)	–	–
Comprehensive income	**71.6**	**74.5**
Average exchange rate CLP/EUR	739.7	697.8

(a) The Aguas Andinas group's Consolidated Financial Statements as of June 30, 2018 were not yet available on the date when the Group's interim condensed Consolidated Financial Statements were published.
The summarized income statement at March 31, 2018 is extracted from the most recent published data (not audited).

Dividends paid at 100%

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends	184.1	186.0

Note 11 Provisions

(in millions of euros)	December 31, 2017 restated [a]	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [b]	Translation adjustments	Other	June 30, 2018
Post-employment benefit obligations and other long-term benefits	793.2	22.1	(21.6)	–	0.5	8.4	2.4	40.0	845.0
Sector-related risks	83.6	–	(3.2)	–	–	–	–	(20.9)	59.5
Warranties	26.1	8.4	(9.7)	–	–	–	0.1	0.2	25.1
Tax risks, other disputes and claims	90.2	3.6	(7.5)	(0.5)	–	–	(0.5)	(0.6)	84.7
Site restoration	543.3	16.1	(15.9)	–	–	7.4	(2.0)	–	548.9
Restructuring costs	104.3	90.6	(107.0)	–	–	–	–	(0.6)	87.3
Other contingencies [c]	477.1	65.6	(78.9)	(6.6)	0.1	2.1	(4.9)	(44.8)	409.7
Total provisions	**2,117.8**	**206.4**	**(243.8)**	**(7.1)**	**0.6**	**17.9**	**(4.9)**	**(26.7)**	**2,060.2**

(a) The figures at December 31, 2017 are restated to include the impact of the business combination linked to GE Water acquisition (see Note 2.1).
(b) 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.
(c) Provisions for "other contingencies" include a provision for onerous contracts for EUR 86.1 million at June 30, 2018 *versus* EUR 87.5 million at December 31, 2017, following the acquisition of WSN by SUEZ R&R Australia in 2010.

As of June 30, 2018, the variation of -EUR 57.6 in total provisions mainly derives from:

- the decrease in provisions for restructuring for -EUR 17 million which were booked in 2017 for the voluntary redundancy scheme as part of the transformation plan for support functions in France;
- the decrease in provision for sector-related risks of EUR 20.9 million related to a reclassification linked to the first application of IFRS 9;
- the translation adjustment for -EUR 4.9 million euros, mainly generated by Australian subsidiaries;
- reversals of excess provisions in the amount of EUR 7.1 million notably related to SUEZ Spain's contracts.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the June 30, 2018 consolidated income statement:

(in millions of euros)	(Reversals)/net allowances
Income from operating activities	(42.2)
Other financial income and expenses	17.9
Income tax expense	(2.3)
Total	**(26.6)**

Note 12 Share-based payments or cash-based payments

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

(in millions of euros)	June 30, 2018	June 30, 2017
Performance share plans	–	(0.1)
Worldwide financial incentive scheme	–	(0.1)
Employees share issues [a]	(1.4)	(0.1)
Long-term incentive plan [b]	4.5	10.5
Total	**3.1**	**10.2**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9).
(b) In 2018, this line includes a reversal of provision for EUR 11.3 million related to the 2015 plan for which the vesting period is achieved. This reversal of provision is the counterpart of the amount paid to the beneficiaries included in the personnel costs. 2017 included a reversal of provision for EUR 15.2 million related to the 2014 plan.

These expenses are recognized in accordance with IFRS 2 and IAS 19 revised.

All transactions and allocations prior to 2018 are disclosed in Note 23 to the Consolidated Financial Statements at December 31, 2017 in the Reference Document.

Note 13 Legal and arbitration proceedings

13.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to EUR 84.7 million as of June 30, 2018 (excluding litigation in Argentina).

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

Litigation in Argentina

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

In 2003, SUEZ – now 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 proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.The reports on the Buenos Aires and Santa Fe concessions were presented by the expert to the ICSID respectively in September 2013 and in April 2014.

Regarding the Buenos Aires concession, ICSID rendered its decision on April 9, 2015 ordering the Argentine Republic to pay Aguas Argentinas shareholders USD 405 million in damages (including USD 367 million to SUEZ and its subsidiaries subsidiaries). In early August 2015, the Republic of Argentina petitioned an *ad hoc* ICSID committee to render this decision invalid, the claim was rejected at May, 2017 making CIRDI's decision certain.

Concerning the Santa Fe concession, in a December 4, 2015 decision, CIRDI ordered the Argentine Republic to pay the sum of USD 225 million 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. In September 2016 the Republic of Argentina petitioned an *ad hoc* ICSID committee to render this decision Invalid. ICSI's decision is expected at the end of 2018.

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

Note 14 Related party transactions

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

Only material transactions are described below.

14.1 Transactions with the ENGIE Group

(in millions of euros)	June 30, 2018	December 31, 2017	June 30, 2017
Transactions with ENGIE:			
Purchases/sales of goods and services	0.2	3.0	1.2
Non financial payables	7.1	7.4	1.4
Non financial receivables	0.2	0.3	0.1
Receivables carried at amortized cost [a]	14.2	14.8	15.7
Transactions with companies linked to ENGIE:			
Purchases/sales of goods and services	4.8	2.7	0.1
Non financial receivables	24.8	23.2	23.0
Non financial payables	0.1	0.7	0.7
Borrowings excluding financial instruments	0.7	0.7	0.9
Commodity derivatives (Assets)	1.8	(0.2)	2.8

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

14.2 Transactions with joint operations, joint ventures and associates

Joint ventures and associates

As at June 30, 2018, the total amount of loans accorded to joint ventures and associates was EUR 188 million. The main lines are:

- EUR 36 million to joint ventures in water business in Europe;
- EUR 101 million to associates in charge of the commissioning and operation of energy recovery plants in the United Kingdom;
- furthermore, EUR 13 million to a joint venture in Kuwait for the maintenance contract of a water treatment plant.

Note 15 Subsequent events

None.

6 Declaration of the person responsible for the Interim Financial Report

Paris, July 26, 2018

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2018 have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company and all of the consolidated companies. I also certify that the interim Management Report presents a true and fair picture of the significant events over the first six months of the year, their impact on the financial statements, the major related party transactions and a description of the main risks and uncertainties they face for the remaining six months of 2018.

Jean-Louis Chaussade
Chief Executive Officer
SUEZ

7

Statutory Auditors' Review Report on the half-yearly financial information

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly Consolidated Financial Statements of SUEZ, for the period from January 1 to June 30, 2018;
- the verification of the information presented in the half-yearly Management Report.

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

I. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to Notes 1.3.3.1, 1.3.3.3 and 1.3.3.4 to the condensed half-yearly Consolidated Financial Statements regarding the impacts related to the first time application of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" standards starting January 1, 2018.

II. Specific verification

We have also verified the information provided in the half-yearly Management Report on the condensed half-yearly Consolidated Financial Statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly Consolidated Financial Statements.

Courbevoie and Paris-La Défense, July 25, 2018

The Statutory Auditors *French original signed by*

MAZARS		ERNST & YOUNG ET AUTRES	
Achour Messas	Dominique Muller	Jean-Pierre Letartre	Stéphane Pédron

SUEZ

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