CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ FOR THE FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016



Financial information relating to the company's assets, financial position and revenues

1 CONSOLIDATED FINANCIAL STATEMENTS

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1 Consolidated financial statements

1.1 Consolidated statements of financial position

| | | December 31, 2017 | December 31, 2016 |
|--|------|--------------------|-------------------|
| In millions of euros | Note | Beccimber 01, 2011 | December 61, 2016 |
| Non-current assets | | | |
| Intangible assets, net | 10 | 4,161.9 | 4,223.0 |
| Goodwill | 9 | 5,587.2 | 3,646.9 |
| Property, plant and equipment net | 11 | 8,467.5 | 8,279.8 |
| Available-for-sale securities | 13 | 127.1 | 138.3 |
| Loans and receivables carried at amortized cost | 13 | 728.6 | 739.9 |
| Derivative financial instruments | 13 | 149.5 | 198.2 |
| Investments in joint ventures | 12.1 | 1,003.9 | 915.7 |
| Investments in associates | 12.2 | 1,020.4 | 980.8 |
| Other assets | | 274.5 | 292.2 |
| Deferred tax assets | 7 | 697.2 | 783.1 |
| TOTAL NON-CURRENT ASSETS | | 22,217.8 | 20,197.9 |
| Current assets | | | |
| Loans and receivables carried at amortized cost | 13 | 136.6 | 139.4 |
| Derivative financial instruments | 13 | 89.5 | 31.2 |
| Trade and other receivables | 13 | 4,689.7 | 4,041.4 |
| Inventories | | 471.0 | 262.7 |
| Other assets | | 1,650.7 | 1,492.6 |
| Financial assets measured at fair value through income | 13 | 56.9 | 62.3 |
| Cash and cash equivalents | 13 | 3,058.1 | 2,924.7 |
| TOTAL CURRENT ASSETS | | 10,152.5 | 8,954.3 |
| Assets held for sale | 11 | - | 131.8 |
| TOTAL ASSETS | | 32,370.3 | 29,284.0 |
| Shareholders' equity, Group share | | 6,562.3 | 5,495.9 |
| Non-controlling interests | 16 | 2,503.7 | 1,869.9 |
| TOTAL SHAREHOLDERS' EQUITY | | 9,066.0 | 7,365.8 |
| Non-current liabilities | | | |
| Provisions | 17 | 1,574.9 | 1,573.7 |
| Long-term borrowings | 13 | 9,760.6 | 8,665.5 |
| Derivative financial instruments | 13 | 26.4 | 45.6 |
| Other financial liabilities | 13 | 43.1 | 10.4 |
| Other liabilities | | 893.6 | 931.1 |
| Deferred tax liabilities | 7 | 556.2 | 654.5 |
| TOTAL NON-CURRENT LIABILITIES | | 12,854.8 | 11,880.8 |
| Current liabilities | | | |
| Provisions | 17 | 505.8 | 505.8 |
| Short-term borrowings | 13 | 2,004.4 | 2,499.8 |
| Derivative financial instruments | 13 | 38.3 | 62.8 |
| Trade and other payables | 13 | 3,713.5 | 3,063.6 |
| Other liabilities | | 4,187.5 | 3,812.9 |
| TOTAL CURRENT LIABILITIES | | 10,449.5 | 9,944.9 |
| Liabilities directly related to an asset held for sale | 11 | - | 92.5 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 32,370.3 | 29,284.0 |

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

1.2 Consolidated income statements

| In millions of euros | Note | December 31, 2017 | December 31, 2016 |
|--|------|----------------------|----------------------|
| Revenues | 4.1 | 15,871.3 | 15,322.0 |
| Purchases | | (3,092.4) | (2,995.9) |
| Personnel costs | | (4,115.1) | (3,990.2) |
| Depreciation, amortization and provisions | | (1,099.8) | (1,091.3) |
| Other operating expenses | | (6,781.1) | (6,327.1) |
| Other operating income | | 289.8 | 184.1 |
| CURRENT OPERATING INCOME | 4 | 1,072.7 | 1,101.6 |
| Mark-to-market on operating financial instruments | | 1.3 | (1.3) |
| Impairment on property, plant and equipment, intangible and financial assets | | (20.3) | (159.5) |
| Restructuring costs | | (157.6) | (76.1) |
| Scope effects | | 77.6 | 182.9 |
| Other gains and losses on disposals and non-recurring items | | 33.6 | 91.3 |
| Costs linked to changes in the brand and visual identity | | - | (28.1) |
| Costs linked to the acquisition of GE Water | | (44.4) | - |
| INCOME FROM OPERATING ACTIVITIES | 5 | 962.9 | 1,110.8 |
| Share in net income of equity-accounted companies considered as core business | | 211.6 | 179.0 |
| of which: share in net income (loss) of joint ventures | 12.1 | 92.2 | 84.4 |
| of which: share in net income (loss) of associates | 12.2 | 119.4 | 94.6 |
| Income from operating activities after share in net income of equity-accounted companies considered as core business | | 1,174.5 | 1,289.8 |
| Financial expenses | | (518.5) | (516.9) |
| Financial income | | 89.6 | 93.4 |
| Net financial income (loss) | 6 | (428.9) | (423.5) |
| Income tax expense | 7 | (225.4) | (243.5) |
| NET INCOME | | 520.2 | 622.8 |
| of which: Group share | | 301.8 | 420.3 |
| Non-controlling interests | | 218.4 | 202.5 |
| Net Income (Group share) per share (in euros) | 8 | 0.46 | 0.72 |
| Net diluted income (Group share) per share (in euros) | 8 | 0.46 | 0.70 |

Consolidated statements of comprehensive income 1.3

| In millions of euros Net income | December 31, 2017 520.2 | December 31, 2017 of which Group share 301.8 | December 31, 2017 of which non controlling interests 218.4 | December 31, 2016 622.8 | December 31, 2016 of which Group share 420.3 | December 31, 2016 of which non controlling interests 202.5 |
|---|-------------------------------|---|---|-------------------------------|--|---|
| Available-for-sale securities | 0.1 | (0.1) | 0.2 | (1.8) | (1.8) | = |
| Net investment hedges | (4.0) | (4.0) | - | (3.1) | (3.1) | - |
| Cash flow hedges (excluding commodities) | 14.9 | 12.3 | 2.6 | (15.0) | (17.8) | 2.8 |
| Commodity cash-flow hedges | (2.3) | (1.9) | (0.4) | 6.2 | 6.2 | - |
| Deferred taxes on items above | (3.0) | (2.4) | (0.6) | (0.2) | 0.6 | (8.0) |
| Share of joint ventures in reclassifiable items, net of taxes | (53.5) ^(c) | (53.5) | - | (24.0) | (24.0) | - |
| Share of associates in reclassifiable items, net of taxes | (8.3) | (8.3) | - | (56.3) | (56.3) | - |
| Translation adjustments | (259.6) (b) | (180.0) | (79.6) | 21.9 | (113.5) | 135.4 |
| Total reclassifiable items | (315.7) | (237.9) | (77.8) | (72.3) | (209.7) | 137.4 |
| Actuarial gains and losses | 7.6 | 8.7 | (1.1) | (121.0) | (116.0) ^(a) | (5.0) |
| Deferred taxes on actuarial gains and losses | 19.2 | 19.2 | - | 1.8 | 0.6 | 1.2 |
| Share of joint ventures in non- reclassifiable items, net of taxes | - | - | - | 0.5 | 0.5 | - |
| Share of associates in non- reclassifiable items, net of taxes | 0.1 | 0.1 | - | (8.6) | (8.6) | - |
| Total non-reclassifiable items | 26.9 | 28.0 | (1.1) | (127.3) | (123.5) | (3.8) |
| COMPREHENSIVE INCOME | 231.4 | 91.9 | 139.5 | 423.2 | 87.1 | 336.1 |

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

⁽b) Impact mainly due to the American dollar, Chinese yuan and Chilean Peso.
(c) Impact mainly due to the Chinese yuan.

1.4 Statements of changes in consolidated shareholders' equity

| In millions of euros | Note | Number of shares | Share Capital | Premiums | Consolidated reserves | Change in fair value | | | Undated deeply subordinated notes | Shareholders' equity, Group | Non controlling interests | Total |
|--|------|---------------------|------------------|-------------|-----------------------|----------------------------|--------------|---------|--|--------------------------------|---------------------------------|---------|
| Shareholders' equity | Note | Silates | Capitai | FIEIIIUIIIS | reserves | and other | aujustinents | Silaies | notes | Silate | interests | TOtal |
| at December 31, 2015 | | 542,643,468 | 2,170.6 | 4,406.8 | (2,260.2) | (171.5) | 320.6 | (29.4) | 982.9 | 5,419.8 | 1,385.6 | 6,805.4 |
| Net income | | | | | 420.3 | | | | | 420.3 | 202.5 | 622.8 |
| Other comprehensive income items | | | | | (123.5) | (69.1) | (140.6) | | | (333.2) | 133.6 | (199.6) |
| Comprehensive income | | | | | 296.8 | (69.1) | (140.6) | | | 87.1 | 336.1 | 423.2 |
| Share-based payment | | | | | 6.8 | | | | | 6.8 | | 6.8 |
| Dividends distributed in cash | | | | (10.9) | (341.8) | | | | | (352.7) | (212.5) | (565.2) |
| Interests of undated deeply subordinated notes issue | | | | | (27.5) | | | | | (27.5) | | (27.5) |
| Purchase/sale of treasury shares | | | | | (2.6) | | | 0.8 | | (1.8) | | (1.8) |
| Capital increase (a) | 15.1 | 21,757,778 | 87.0 | 236.4 | 7.7 | | | | | 331.1 | | 331.1 |
| Susbcription of non-controlling interests (b) | | | | | | | | | | - | 16.9 | 16.9 |
| Transactions betw een shareholders (c) | | | | | 41.3 | | | | | 41.3 | 106.4 | 147.7 |
| Business combinations (d) | | | | | | | | | | - | 237.8 | 237.8 |
| Other changes | | | | | (8.2) | | | | | (8.2) | (0.4) | (8.6) |
| Shareholders' equity | | 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 |
| at December 31, 2016 | | | • | • | . , , | . , | | . , | | , | | , |

⁽a) The change in the number of shares during 2016 to 21,757,778 was due to an initial issuance of 1,757,778 new shares as compensation for ENGIE's contribution to the SUEZ brand in the amount of EUR 30 million and EUR 0.2 million in implementation costs, and a second issuance of 20,000,000 new shares as compensation for the contribution of an additional 10.85% stake in ACEA by the Caltagirone Group of EUR 303.4 million and EUR 1.0 million in implementation costs. A -EUR 1.1 million adjustment was recorded upon the acquisition of ACEA to reflect the SUEZ daily share price at the time of the capital increase.

⁽b) Was principally corresponding to the capital increase of Unisuper in Australia.

⁽c) Was principally corresponding to the dilution without loss of control in some entities of the Group previously owned at 100 % and transfered to the SUEZ NWS Limited group.

⁽d) Was principally corresponding to the 8% acquisition of SUEZ NWS Limited.

| | | | | | | Change in fair | | | Undated deeply | Shareholders' | Non | |
|--|------|-------------|---------|----------|--------------|-------------------|-------------|----------|-------------------|---------------|-------------|---------|
| | | Number of | Share | | Consolidated | value and | Translation | Treasurv | subordinated | | controlling | |
| | Note | shares | Capital | Premiums | | | adjustments | shares | notes | share | interests | Total |
| Shareholders' equity | | 504 404 040 | | 4 000 0 | (0.007.7) | (0.40.0) | 100.0 | (00.0) | 200.0 | 5 405 0 | 4 000 0 | 7.005.0 |
| at December 31, 2016 | | 564,401,246 | 2,257.6 | 4,632.3 | (2,287.7) | (240.6) | 180.0 | (28.6) | 982.9 | 5,495.9 | 1,869.9 | 7,365.8 |
| Net income | | | | | 301.8 | | | | | 301.8 | 218.4 | 520.2 |
| Other comprehensive income items | | | | | 28.1 | 12.3 | (250.3) | | | (209.9) | (78.9) | (288.8) |
| Comprehensive income | | | | | 329.9 | 12.3 | (250.3) | | | 91.9 | 139.5 | 231.4 |
| Share-based payment | | | | | 3.0 | | | | | 3.0 | - | 3.0 |
| Dividends distributed in cash | | | | | (366.6) | | | | | (366.6) | (205.9) | (572.5) |
| Issue of new undated deeply subordinated note | 2.3 | | | | | | | | 600.0 | 600.0 | - | 600.0 |
| Issuance fees of new undated deeply subordinated note | 2.3 | | | | | | | | (2.3) | (2.3) | - | (2.3) |
| Interests of undated deeply subordinated notes issue | | | | | (27.5) | | | | | (27.5) | - | (27.5) |
| Purchase/sale of treasury shares | | | | | 0.5 | | | (48.4) | | (47.9) | - | (47.9) |
| Delivery of performance shares and bonus shares | 15.1 | 1,514,949 | 6.0 | (6.0) | | | | | | - | - | - |
| Capital increase linked to the acquisition of GE Water (a) | 15.1 | 47,468,354 | 189.9 | 555.7 | | | | | | 745.6 | - | 745.6 |
| Employee share issue (b) | 2.9 | 9,978,030 | 39.9 | 78.0 | | | | | | 117.9 | - | 117.9 |
| Legal reserve appropriation(c) | | | | (23.6) | 23.6 | | | | | - | | - |
| Transactions betw een shareholders (d) | | | | | (41.7) | | | | | (41.7) | 20.4 | (21.3) |
| Business combinations (e) | | | | | | | | | | | 688.4 | 688.4 |
| Other changes | | | | | (6.0) | | | | | (6.0) | (8.6) | (14.6) |
| Shareholders' equity at December 31, 2017 | | 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 |

⁽a) Including a EUR 750.0 million capital increase and -EUR 4.4 million in set up costs for the GE Water acquisition (see Note 2.4).

⁽b) After the employee share issue ("Sharing 2017"), the share capital rose by 9,978,030 shares, totaling EUR 117.9 million, net of expenses (see Note 2.9).

⁽c) Following the various capital increases that occurred in 2017, the legal reserve was funded with 10% of the total amount of the capital increases, representing EUR 23.6 million.

⁽d) Primarily including the acquisition of non-controlling interest of Hydralia in Agbar and the dilution without loss of control in SWTS due to the entry in its shareholders equity of CDPQ.

⁽e) Including EUR 696.7 million relating to non-controlling interests in GE Water purchased on September 29, 2017 (see Note 2.1), and -EUR 13.1 million pertaining to non-controlling interests in Palyja, sold in 2017 (see Note 2.8).

1.5 Consolidated statements of cash flow

| | | | 1 |
|--|--------|----------------------|-------------------|
| In millions of euros | Note | December 31, 2017 | December 31, 2016 |
| Net income | | 520.2 | 622.8 |
| - Share in net income (loss) of joint ventures | 12.1 | (92.2) | (84.4) |
| - Share in net income (loss) of associates | 12.2 | (119.4) | (94.6) |
| + Dividends received from joint ventures and associates | | 140.8 | 91.9 |
| - Net depreciation, amortization and provisions | | 1,100.4 | 1,190.5 |
| - Scope effects, other gains and losses on disposal and non-recurring items | | (111.2) | ` , |
| - Other items with no cash impact | 7 | 1.5 225.4 | 6.2 243.4 |
| - Income tax expense - Financial income | 6 | 428.9 | 243.4 423.5 |
| Cash flows from operations before financial income/(expense) and income tax | U | 2,094.4 | 2,129.1 |
| + Tax paid | | • | · · |
| and Property and P | | (192.5) | , , |
| Change in working capital requirements | | 60.5 | (68.0) |
| Cash flows from operating activities | | 1,962.4 | 1,913.4 |
| Investments in property, plant and equipment and intangible assets | 3.4.3 | (1,177.2) | (1,086.4) |
| Takeover of subsidiaries net of cash and cash equivalents acquired | 3.4.3 | (2,724.8) | (142.9) |
| Acquisitions of interests in associates and joint-ventures | 3.4.3 | (19.9) | (25.9) |
| Acquisitions of available-for-sale securities | 3.4.3 | (18.8) | , , |
| Disposals of property, plant and equipment and intangible assets | | 234.1 | 233.3 |
| Loss of controlling interests in subsidiaries net of cash and cash equivalents sold | | 8.8 | 122.7 |
| Disposals of interests in associates and joint ventures | | 109.1 | 83.5 |
| Disposals of available-for-sale securities | | 3.9 | 48.0 |
| Interest received on non-current financial assets Dividends received on non-current financial assets | | (5.2) 5.0 | (4.3) 7.8 |
| Change in loans and receivables issued by the Company and others | | (4.1) | |
| Cash flows from investing activities | | (3,589.1) | ` ' |
| | | | , , |
| Dividends paid ^(a) Repayment of borrowings | 13.2.1 | (570.8) (1,172.2) | ` , |
| Change in financial assets at fair value through income | 13.2.1 | (1,172.2) | (2.0) |
| Financial interest paid | | (364.5) | ` ' |
| Financial interest received on cash and cash equivalents | | 32.4 | 40.2 |
| Flows on financial derivatives qualifying net investment hedges and compensation | | | |
| payments on financial derivatives | | 96.5 | (28.4) |
| Increase in financial debt ^(b) | 13.2.1 | 1,703.6 | 926.1 |
| Capital increase/reduction (c) | | 1,592.7 | 17.0 |
| Partial redemption of Undated deeply subordinated note | 15.6 | - | - |
| Issue of Undated deeply Subordinated Notes net of costs (d) | 15.6 | 597.7 | - |
| Purchase/sale of treasury shares | | (47.9) | (1.7) |
| Change in share of interests in controlled entities | 3.4.3 | (61.4) | 90.3 |
| Cash flows from financing activities | | 1,811.8 | (272.9) |
| Impact of changes in exchange rates and other | | (51.7) | |
| TOTAL CASH FLOWS FOR THE PERIOD | | 133.4 | 845.7 |
| OPENING CASH AND CASH EQUIVALENTS | | 2,924.7 | 2,079.0 |
| CLOSING CASH AND CASH EQUIVALENTS | 13 | 3,058.1 | 2,924.7 |

⁽a) Including withholding tax and coupon on subordinated notes.

⁽b) Including the two bond issues under the EMTN program for EUR 1,200 million intended to finance the acquisition of GE Water and EUR 500 million bond loan issued in September 2017 (see Note 2.2).

⁽c) Including EUR 745.6 million of capital increase net of issue costs in connection with the acquisition of GE Water (see Note 2.4); including a EUR 668 million capital increase of SUEZ WTS subscribed by CDPQ (see Note 2.1 on the acquisition of GE Water's shares); including a EUR 118 million of capital increase net of issue costs under the 2017 SHARING Plan (see Note 2.9 Employee share issue); and a EUR 60 million capital increase of SUEZ NWS Limited subscribed by NWS Holdings Limited (see Note 2.7 to the consolidated financial statements of the 2016 Reference Document Chapter 20).

⁽d) SUEZ issued EUR 597.7 million of deeply subordinated notes, net of issue costs (see Note 2.3).

1.6 Notes to the consolidated financial statements

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Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

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

The Group is a global player in the management of the water cycle and the waste cycle. SUEZ is listed on the Euronext Paris (Compartment A) and Euronext Brussels markets since July 22, 2008. On February 28, 2018, the Board of Directors of SUEZ approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2017.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last two fiscal years ended December 31, 2016 and 2017, and was prepared in accordance with European Regulation (EC) 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2017 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union (1).

The accounting standards applied in preparing the financial statements at December 31, 2017 are consistent with those applied in preparing the financial statements of December 31, 2016, with the exception of the items mentioned below in paragraph 1.2.1.

1.2.1 Standards, amendments and interpretations applied for annual periods beginning on January 1, 2017

The standards applied by the Group for the first time starting January 1, 2017 are the following:

- ▶ Amendments to IAS 7 Disclosure initiative for statement of cash flows:
- ▶ Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses.

Application of these new amendments does not have any major impact on the Group's consolidated financial statements. However, there are impacts on the Group's consolidated financial statements particularly in Note 13.2.1 Financial liabilities.

1.2.2 IFRS standards and amendments applicable after 2017 that the Group has elected not to early adopt

AMENDMENTS PUBLISHED BY THE IASB AND ADOPTED BY THE EUROPEAN UNION

► IFRS 9 - Financial Instruments

SUEZ will apply this standard on the 1st of January 2018 without any comparative information for the year 2017. The impact resulting from the application of this standard on the 1st of January 2018, primarily relates to the rules for taking into account credit risks in the evaluation of trade receivables, the accounting options for non-consolidated equity interests, and restructurings of debt. Impacts of the application of this standard will be non-significant.

▶ IFRS 15 –Revenue from Contracts with Customers

SUEZ will apply this standard on the 1st of January 2018 with a comparative information for the year 2017 and a retroactive effect as of the 1st of January 2017. Analyses already carried out by the Group have led to documenting a broad convergence between the methods adopted by the Group and stipulations of IFRS 15. The Group carried out a careful analysis of the contracts managed by the entities representing more than 95% of its activity; and for each group of contracts identified, it reviewed representative contracts for the compliance of current accounting methods with the provisions of IFRS 15. In the context of the activity of the Group – which is mainly carried out on the basis of long-term contracts, and combines (under various legal frameworks and economic models) the construction and management of installations – the main focus points were the identification of distinct performance obligations, the consideration of variable remuneration elements, and respect for the criteria for the progressive transfer of control to customers.

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

On the basis of these preliminary studies, the Group prepared applying doctrines for IFRS15 standard and carried out for all Business Units and consolidated entities an exhaustive census of the consequences of applying IFRS 15.

Restatements on 2017 financial statements that will occur in 2018 primarily concern specific cases in two Business Units. One relates to the identification of distinct performance obligation presenting a different profile of transfer of control, the other relates to the payment made to customers formerly analyzed as expenses and analyzed under IFRS15 as turnover reduction.

As a result:

- a decrease of net equity Group share as of 1st of January 2017: in the range of EUR 50 million;
- a decrease of revenues in year 2017: in the range of EUR 90 million;
- and a non-significant impact on current operating income and on net income Group share.

▶ 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.

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

- ► Annual improvements to IFRS 2014-2016 Cycle (1);
- ► Annual improvements to IFRS 2015-2017 Cycle (1);
- ▶ IFRIC 22 Foreign currency transactions and advance consideration (1);
- ► IFRIC 23 Uncertainty over Income Tax Treatments⁽¹⁾;
- ▶ Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions(1);
- ▶ Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures⁽¹⁾;
- ► IFRS 14 Regulatory Deferral Accounts⁽¹⁾.

This standard, whose adoption by the EU is currently not considered, will have no impact on the Group's accounts since it is intended to first-time adopters of IFRS.

▶ Amendments resulting from the annual improvements to IFRSs 2015-2017 Cycle(1);

1.2.3 Reminder of IFRS 1 transition options

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

translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves on January 1, 2004;

business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.3 Measurement basis for preparation of the consolidated financial statements

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

Given the limited impact of the entry of GE Water on Group financial indicators, there are no *pro forma* financial statements. However, Group key management indicators communicated in Note 3.2 have been restated and take this operation into account.

1.4 Use of judgment and estimates

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

⁽¹⁾ As these standards, amendments, and interpretations have not yet been adopted by the European Union their exact terminology may change.

1.4.1 Estimates

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

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

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

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

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

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

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

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

1.4.1.3 ESTIMATES OF PROVISIONS

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

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

1.4.1.4 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

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

1.4.1.5 CAPITAL RENEWAL AND REPLACEMENT LIABILITIES

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

1.4.1.6 FINANCIAL INSTRUMENTS

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

1.4.1.7 REVENUES

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that allow it to estimate revenues with satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the resulting revenues can be considered as not material. This estimated unmetered revenue is mainly due to the operating segment Water Europe and amounts to EUR 544 million as of the December 31, 2017.

1.4.1.8 MARGIN AT TERMINATION RELATING TO CONSTRUCTION CONTRACTS

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

Management reassesses those estimates for the preparation of consolidated financial statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed. The revenues relating to construction contracts amounts to EUR 874.6 million as of December 31, 2017 and EUR 1,029.5 million as of December 31, 2016.

1.4.1.9 MEASUREMENT OF CAPITALIZED TAX LOSS CARRY-FORWARDS

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

1.4.2 Judgment

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

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

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

1.5 Accounting policies

1.5.1 Scope and methods of consolidation

The consolidation methods used by the Group are the following:

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

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

All intercompany balances and transactions are eliminated in the consolidated financial statements.

A list of the main fully consolidated companies together with the main investments accounted for by the equity method, is presented in Note 28 "List of the main consolidated companies at December 31, 2017 and 2016".

1.5.2 Foreign currency translation methods

1.5.2.1 PRESENTATION CURRENCY OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

1.5.2.2 FUNCTIONAL CURRENCY

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

1.5.2.3 FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

1.5.3 Business combinations

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

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

1.5.4 Intangible assets

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

1.5.4.1 GOODWILL

A. Recognition of goodwill

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

Business combinations carried out before January 1, 2010

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

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

Business combinations carried out after January 1, 2010

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

- i. the consideration transferred;
- ii. the amount of any non-controlling interest in the acquired company; and
- iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company;

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

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

Goodwill relating to associates and joint ventures are recorded respectively under "Investments in associates" and "Investments in joint ventures".

B. Measurement of goodwill

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

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

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

Impairment losses on goodwill relating to associates and joint ventures are respectively reported under "Share in net income (loss) of associates" and "Share in net income (loss) of joint ventures".

1.5.4.2 OTHER INTANGIBLE ASSETS

A. Development costs

Research costs are expensed as incurred.

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

B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

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

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

| | Useful Life | | | |
|---|-------------|---------|--|--|
| In years | Minimum | Maximum | | |
| Concession rights - duration of contracts | 10 | 50 | | |
| Customer portfolios | 10 | 25 | | |
| Other intangible assets | 1 | 40 | | |

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

1.5.5 Property, plant and equipment

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

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

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

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

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

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

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

1.5.5.2 DEPRECIATION

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

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

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

Standard useful lives are as follows:

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

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

1.5.6 Concessions arrangements

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

These interpretations set out the common features of concession arrangements:

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

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

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

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

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

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

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

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

Pursuant to these principles:

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

- when the grantor has a payment obligation for only part of the investment, the cost is recognized in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model");
- ▶ the operator transfers to the grantor the cash collected from the users on behalf of the grantor. The operator may have to transfer cash to the grantor in other circumstances. If these payments are not for the right to use an asset that is separate from the infrastructure within the scope of IFRIC 12 or not for a separate right of use that is a lease, then the operator accounts for these payments as follows:
 - as a reduction of the transaction price, when the "financial asset model" applies,
 - as an increase of the intangible asset for every fixed amount paid to the grantor, when "the intangible asset model" applies.

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

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

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

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

1.5.7 Impairment of property, plant and equipment and intangible assets

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

IMPAIRMENT INDICATORS

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

The main indications of impairment used by the Group are:

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

IMPAIRMENT

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

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

MEASUREMENT OF RECOVERABLE AMOUNT

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

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is

primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

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

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

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

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

1.5.8 Leases

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

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

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

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

1.5.8.1 ACCOUNTING FOR FINANCE LEASES

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

1.5.8.2 ACCOUNTING FOR OPERATING LEASES

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

1.5.8.3 ACCOUNTING FOR ARRANGEMENTS THAT CONTAIN A LEASE

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

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

1.5.9 Inventories

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

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

1.5.10 Financial instruments

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

1.5.10.1 FINANCIAL ASSETS

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

A. Available-for-sale securities

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

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

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

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

B. Loans and receivables carried at amortized cost

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

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each reporting date, they are measured at amortized cost using the effective interest rate method. Where a change in expected cash flows is involved, and where such a change is analyzed as a modification of the existing asset, *i.e.* the asset has not been removed from the balance sheet, the value of the receivable is re-estimated by updating the expected new cash flows at the initial effective interest rate.

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

C. Financial assets measured at fair value through income

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

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

1.5.10.2 FINANCIAL LIABILITIES

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

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

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

A. Measurement of borrowings and other financial liabilities

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

On initial recognition, any issue premiums/discounts, redemption premiums/discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when

calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

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

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

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

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

1.5.10.3 DERIVATIVES AND HEDGE ACCOUNTING

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

Definition and scope of derivative financial instruments

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

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

Embedded derivatives

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

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

Embedded derivatives are separately recognized in the following cases:

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

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

Derivative hedging instruments: recognition and presentation

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Hedge of a net investment in a foreign operation

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

Identification and documentation of hedging relationships

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

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

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

Derivative instruments not qualifying for hedge accounting: recognition and presentation

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

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

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

Measurement of fair value

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

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

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

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

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

1.5.11 Cash and cash equivalents

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

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

1.5.12 Treasury shares

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

1.5.13 Construction contracts

The engineering operations fall within the scope of IAS 11 – Construction Contracts.

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

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

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

1.5.14 Share-based payments

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

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

EQUITY-SETTLED INSTRUMENTS

1.5.14.1 STOCK OPTION PLANS

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

1.5.14.2 ALLOTMENT OF BONUS SHARES

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

1.5.14.3 EMPLOYEE SHARE PURCHASE PLANS

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

CASH-SETTLED INSTRUMENTS

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

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

1.5.15 Provisions

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

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

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

- by the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- ▶ the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

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

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

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

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

1.5.15.2 OTHER PROVISIONS

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

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

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

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

1.5.16 Revenues

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

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

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

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

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

1.5.16.1 WATER SERVICES

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

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

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

1.5.16.2 WASTE SERVICES

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

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

1.5.16.3 ENGINEERING, CONSTRUCTION CONTRACTS AND SERVICES RENDERED

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.5.13). This stage of completion is determined on the proportion that costs incurred to date bear to the estimated total costs of the contract.

1.5.17 Current operating income (COI)

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (in accordance with ANC Recommendation 2013-03 in the financial statements of companies applying IFRS). Current operating income is a sub-total which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, these elements relate to the marked-to-market (MtM) value of trading instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- ▶ MtM of trading instruments: This corresponds to changes in the fair value (marked-to-market) of financial instruments relating to commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions;
- impairment of assets: this includes impairment losses on goodwill, intangible and tangible assets, investments in associates and available-for-sale securities;
- restructuring costs: These relate to costs of a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;
- scope effects;

This line includes:

- direct costs related to acquisitions of controlling interests,
- in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interest at acquisition-date fair value,
- subsequent changes in the fair value of contingent consideration,
- gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests;
- other gains and losses on disposals and non-recurring items: This includes mainly capital gains and losses on disposals of non-current assets and available-for-sale securities;
- costs related to changes in the brand and visual identity
 - In 2016, external service providers worked on the rebranding and change of visual identity. The fees for this work and the costs incurred through the rebranding and change of visual identity reached a total of EUR 28.1 million in 2016. As they are expenses of an unusual nature and a significant amount, they are presented on a separate line in the income statement, between the current operating income and the income from operating activities.
- costs linked to the acquisition of GE Water
 - In 2017, costs linked to the acquisition of GE Water are presented on a separate line in the income statement, between the current operating income and the income from operating activities. The costs reached a total of EUR 44.4 million in 2017. As they are expenses of an unusual nature and a significant amount, they are presented on a separate line in the income statement.

1.5.18 Statement of cash flows

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

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

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

Cash flows related to payment of taxes are treated separately.

Pursuant to IAS 7 amendment "Disclosure initiative for statement of cash flows", financial debt variations by flows are analyzed by type of transactions: cash flows, forex effect, scope effect, change in fair value and amortized cost, other (see Note 13.2.1).

1.5.19 Income tax expense

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

1.5.20 Earnings per share

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

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

Note 2 Major transactions

2.1 Acquisition of GE Water & Process Technologies

On September 29, 2017, SUEZ finalized the acquisition of GE Water & Process Technologies ("GE Water") from General Electric Company for EUR 2,903 million in an all-cash transaction.

With this deal, SUEZ affirms its global leadership in industrial water services, equipment and systems, and chemical water treatment products, which are all growing and strategically important markets for the Group that will strengthen its presence outside Europe, especially in the United States. This transaction has been realized through SUEZ Water Technologies and Solutions ("SWTS"), 70% owned by SUEZ and 30% by CDPQ ("Caisse de dépôt et placement du Québec"). To finance this transaction, a capital injection was made to SWTS by SUEZ and CDPQ for EUR 1,559 million and EUR 668 million as well as a loan from SUEZ for the remaining part.

This new business unit "WTS" which includes all the ex-GE entities and the SUEZ entities specialized in the industrial water market, is consolidated with the full consolidation method since October 1, 2017. Based on the 2016 unaudited pro forma figures, WTS, with nearly 10,000 employees, would have generated revenues of USD 2.7 billion and EBITDA of USD 281 million.

The estimated goodwill arising from the acquisition is EUR 2,170.5 million (see Note 9.1). The purchase price allocation will be performed in 2018. No impact linked to this allocation has been booked as of December 31, 2017. When this acquisition has a significant impact on the main items of the income statement or the statement of financial position, a specific comment was added to the corresponding notes.

2.2 New bond issues

On March 27, 2017, in order to secure funding for the acquisition of GE Water, SUEZ placed two bonds for a total of EUR 1.2 billion:

- 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%.

On September 13, 2017, SUEZ also completed the placement of another bond issue for EUR 500 million with a maturity date of September 21, 2032 and with an annual fixed coupon of 1.625%.

2.3 New issue of undated deeply subordinated notes

On April 19, 2017, in order to secure funding for the acquisition of GE Water, SUEZ placed an undated deeply subordinated notes for a total amount of EUR 600 million, with an initial fixed coupon of 2.875%, revised for the first time seven years after the issue on the basis of the 5-year swap rate, and then again every five years.

In accordance with the provisions of Standard IAS 32, these securities or hybrid bonds constitute an equity instrument rather than a debt in the consolidated accounts of the Group, as there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any maturity of the final redemption, but only optional redemption dates.

Following this placement, the Group's outstanding hybrid bonds amounted to EUR 1.6 billion as at December 31, 2017.

2.4 Capital increase

On May 24, 2017, in order to secure funding for the acquisition of GE Water, SUEZ completed a capital increase of EUR 750 million without preferential subscription rights, with a priority period of 3 days. This transaction was supported by its three main shareholders – ENGIE, Criteria Caixa and the Caltagirone Group – representing a total of approximately 42% of the total amount (approximately EUR 314 million).

The transaction resulted in the creation of 47.5 million new shares with a par value of EUR 4, issued at EUR 15.80 per share.

2.5 Sale of Torre Agbar

On January 12, 2017, SUEZ sold the Torre Agbar to the Spanish real estate group Merlin for EUR 142 million.

This asset and its related finance lease liabilities were reclassified as "assets and liabilities held for sale" in accordance with IFRS 5 as of December 31, 2016.

2.6 Group transformation plan

SUEZ launched a plan to transform the support functions in France in late 2016. In January 2017, as part of this transformation plan, SUEZ implemented a voluntary redundancy scheme with the voluntary period running from April to July 2017. This voluntary redundancy scheme resulted in the recognition of restructuring costs of -EUR 73 million at December 31, 2017.

2.7 Sale of a 9.1% stake in Aquasure

In August 2017, AMP Capital and Unisuper signed an agreement to sell 9.1% of the equity interest the Group holds in Aquasure, a company that holds a management contract for a seawater desalination plant in Melbourne, Australia (a company accounted for in SUEZ's financial statements using the equity method). The transaction was finalized in early December. After this transaction, the Group still holds a 11.7% stake in Aquasure and a significant influence.

The transaction generated a EUR 47.8 million gain on disposal.

2.8 Sale of Palyja

On September 14, 2017, SUEZ sold all its stake in Palyja, a company that manages a water concession contract in Jakarta, for USD 23 million (EUR 19.6 million), to Cantonment Investments Limited and Belle Peau PTE Ltd.

The gain on disposal from this transaction was EUR 10.2 million.

2.9 Employee share issue - SHARING Plan

In September 2017, SUEZ launched SHARING, its third shareholder offering reserved for almost 76,000 Group employees in 22 countries, to grow the Group's employee shareholding.

The reference price communicated on November 9, 2017 was EUR 15.38 per share (the average opening price of SUEZ shares for 20 trading days from October 12 through November 8). The subscription price was EUR 12.31 per share (80% of the reference price).

Nearly 29% of Group employees subscribed to shares under this transaction.

This third SHARING plan sharply increased employees' equity interest in the company, reaching 5.0% as of December 31, 2017.

The transaction resulted in the issuance of 9,978,030 shares with a EUR 4 nominal value and a EUR 120 million capital increase, before issuing costs.

2.10 Completion of the allocation of costs from the business combination related to the takeover of Suez NWS (Hong Kong) at the end of 2016

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

SUEZ contributed with a portion of its activities to SFH and received new SFH shares in exchange, which enabled it, at the completion of the transaction, to own 58% of the newly combined entity renamed SUEZ NWS Limited. NWS Group holds 42% of the combined entity.

This major transaction for SUEZ Group was accounted for in the consolidated financial statements as of December 31, 2016 and as of December 31, 2017 in accordance with IFRS 3 (Revised), Business Combinations. In 2016, SUEZ had already remeasured the shares held in SFH but the identification of assets and liabilities to be valued has been done in 2017 as part of the allocation work accomplished.

The table below shows the fair value of identifiable assets and liabilities as of the transaction date:

| In millions of euros | transaction date of identifiable assets acquired and liabilities assumed |
|--|---|
| NON-CURRENT ASSETS | |
| Net intangible assets | 87 |
| Net tangible assets | 1 |
| Investments in joint ventures | 682 |
| CURRENT ASSETS | |
| Other assets | 15 |
| Cash and cash equivalents | 29 |
| NON-CURRENT LIABILITIES | |
| Other liabilities | 117 |
| Deferred tax liabilities | 16 |
| CURRENT LIABILITIES | |
| Other liabilities | 54 |
| TOTAL NET ASSETS (100%) | 626 |
| Consideration transferred for the 8% acquisition of SUEZ NWS Limited | 89 |
| Remeasured previously owned interests | 339 |
| Non-controlling interests | 267 |
| GOODWILL | 69 |

Accordingly, concession contracts in Macao designated as intangible assets under IFRIC 12, were measured using the Discounted Future Cash Flow (DCF) method while taking into account best estimate assumptions of renewal probability. The remeasurement was recognized under intangible assets and will be amortized on a straight-line basis over the term of the contract (taking the renewal period into account). Contracts in joint ventures with mainland China were also measured using the DCF method, taking into account a renewal period when one is likely. A remeasurement of equity interests in joint ventures was recognized.

Fair value at the

The EUR 69 million in goodwill primarily represents growth capacity in Asia as well as synergies with the Group.

Since the business combination took place on December 30, 2016, the business combination and allocation work impacts correspond to a full year period in 2017.

The additional annual depreciation linked to these various remeasurements had a -EUR 3.6 million impact on net income Group share.

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

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

Lastly, after the acquisition of GE Water, all the water treatment services for industrial customers are now isolated in the WTS 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 sector 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

In 2017, the whole operating segments structure has been modified to be in line with the reorganizations decided by the Management Committee.

These modifications are reflected as follows:

- entities from Europe Latam Business Unit have been reclassified from International segment to Water Europe segment;
- entities from Eau France and SUEZ Advanced Solutions (former USG) Business Units have been reclassified from Water Europe segment to International segment;
- ▶ R&R Poland and Czech Republic entities have been reclassified from Recycling and Recovery Europe segment to International segment.

Moreover, following expected organizational changes resulting from the acquisition of GE Water, SUEZ management follows, since January 1st, 2017, the Industrial Water activity, previously reported in Water Europe and International segments, in the segment WTS.

The 2016 data in the tables below have been restated for comparison purposes.

Revenues

| | Decer | nber 31, 2017 | | December 31, 2016 restated | | | |
|-------------------------------|-----------|---------------|----------|----------------------------|---------|----------|--|
| In millions of euros | Non-Group | Group | TOTAL | Non-Group | Group | TOTAL | |
| Water Europe | 4,680.4 | 69.8 | 4,750.2 | 4,670.1 | 54.3 | 4,724.4 | |
| Recycling and Recovery Europe | 6,164.5 | 38.2 | 6,202.7 | 6,103.7 | 43.0 | 6,146.7 | |
| International | 3,952.0 | 1.5 | 3,953.5 | 3,933.3 | 0.3 | 3,933.6 | |
| WTS | 971.5 | 42.5 | 1,014.0 | 514.7 | 27.7 | 542.4 | |
| Other | 102.9 | 4.6 | 107.5 | 100.2 | 123.1 | 223.3 | |
| Intercompany eliminations | | (156.6) | (156.6) | | (248.3) | (248.3) | |
| TOTAL REVENUES | 15,871.3 | - | 15,871.3 | 15,322.0 | - | 15,322.0 | |

EBITDA

| | | December 31, 2016 |
|-------------------------------|-------------------|-------------------|
| In millions of euros | December 31, 2017 | restated |
| Water Europe | 1,165.4 | 1,222.7 |
| Recycling and Recovery Europe | 707.5 | 720.0 |
| International | 800.9 | 814.7 |
| WTS | 92.0 | 13.2 |
| Other | (124.4) | (119.7) |
| TOTAL EBITDA | 2,641.4 | 2,651.0 |

EBIT

| | December 31, | December 31, |
|-------------------------------|--------------|---------------|
| In millions of euros | 2017 | 2016 restated |
| Water Europe | 516.0 | 564.7 |
| Recycling and Recovery Europe | 302.8 | 296.3 |
| International | 556.7 | 558.1 |
| WTS ^(a) | 59.4 | 6.7 |
| Other | (150.6) | (143.9) |
| TOTAL EBIT | 1,284.3 | 1,281.9 |

⁽a) Including EUR 52 million for ex-GE Water entities, in 2017.

Depreciation and amortization

| | December 31, | December 31, |
|-------------------------------------|--------------|---------------|
| In millions of euros | 2017 | 2016 restated |
| Water Europe | (444.9) | (436.3) |
| Recycling and Recovery Europe | (379.5) | (419.3) |
| International | (245.1) | (230.1) |
| WTS | (34.6) | (11.5) |
| Other | (20.1) | (14.0) |
| TOTAL DEPRECIATION AND AMORTIZATION | (1,124.2) | (1,111.2) |

Capital employed

| | December 31, | December 31, |
|-------------------------------|--------------|---------------|
| In millions of euros | 2017 | 2016 restated |
| Water Europe | 5,758.0 | 5,902.8 |
| Recycling and Recovery Europe | 3,548.7 | 3,552.6 |
| International | 5,617.4 | 5,924.5 |
| WTS | 2,996.0 | 229.9 |
| Other | (25.5) | 77.0 |
| TOTAL CAPITAL EMPLOYED | 17,894.6 | 15,686.8 |

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

| | December 31, | December 31, |
|-------------------------------|--------------|---------------|
| In millions of euros | 2017 | 2016 restated |
| Water Europe | (496.5) | (479.2) |
| Recycling and Recovery Europe | (324.8) | (352.3) |
| International | (433.2) | (322.9) |
| WTS | (2,718.1) | (11.3) |
| Other | (29.5) | (25.4) |
| TOTAL INVESTMENTS | (4,002.1) | (1,191.1) |

Financial investments included in this indicator include the acquisitions and sales of additional interests in still remaining controlled entities, which are accounted for in cash flows used in financing activities in the consolidated statement of cash flows under the item "Change in share of interests in controlled entities". Reconciliation with the cash flow statement is made in paragraph 3.4.3.

3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

| | Revenues | | Capital Employed | |
|----------------------|-------------------|---------------|-------------------|---------------|
| In millions of euros | December 31, 2017 | December 31, | December 31, 2017 | December 31, |
| | December 51, 2017 | 2016 restated | December 51, 2017 | 2016 restated |
| France | 5,091.1 | 5,023.4 | 2,141.6 | 2,333.1 |
| Europe | 5,373.9 | 5,312.4 | 5,648.7 | 7,929.7 |
| International | 5,406.3 | 4,986.2 | 10,104.3 | 5,424.0 |
| TOTAL | 15,871.3 | 15,322.0 | 17,894.6 | 15,686.8 |

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| CURRENT OPERATING INCOME | 1,072.7 | 1,101.6 |
| (+) Share in net income of equity-accounted companies considered as core business | 211.6 | 179.0 |
| (-) Others | - | 1.3 |
| EBIT | 1,284.3 | 1,281.9 |
| (-) Net depreciation, amortization and provisions | 1,099.8 | 1,091.3 |
| (-) Share-based payments (a) | 1.5 | 6.0 |
| (-) Disbursements under concession contracts | 255.8 | 271.8 |
| EBITDA | 2,641.4 | 2,651.0 |

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

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

| | December | December 31, |
|---|-----------|--------------|
| In millions of euros | 31, 2017 | 2016 |
| (+) Tangible and intangible assets, net | 12,629.4 | 12,502.8 |
| (+) Goodwill, net | 5,587.2 | 3,646.9 |
| (+) Available-for-sale securities (excluding marketable | | |
| securities and impact of revaluation of available-for-sale | 131.7 | 142.6 |
| securities to fair value) | | |
| (+) Loans and receivables carried at amortized cost | 865.2 | 879.3 |
| (excluding assets related to financing) | 005.2 | 075.5 |
| (+) Investments in joint ventures (excluding Other | 1,071.0 | 916.0 |
| comprehensive income net of taxes) | 1,071.0 | 310.0 |
| (+) Investments in associates (excluding Other | 1,026.7 | 984.3 |
| comprehensive income net of taxes) | 1,020.7 | 001.0 |
| (+) Trade and other receivables | 4,689.7 | 4,041.4 |
| (+) Inventories | 471.0 | 262.7 |
| (+) Other current and non-current assets | 1,925.1 | 1,784.8 |
| (-) Provisions and actuarial losses/gains on pensions plans | (1,664.8) | (1,656.0) |
| (-) Trade and other payables | (3,713.5) | (3,063.6) |
| (-) Other current and non-current liabilities | (5,081.1) | (4,744.0) |
| (-) Other financial liabilities | (43.0) | (10.4) |
| CAPITAL EMPLOYED | 17,894.6 | 15,686.8 |

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

| | December 31, | December 31, |
|--|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Investments in property, plant and equipment and intangible assets | (1,177.2) | (1,086.4) |
| Takeover of subsidiaries net of cash and cash equivalents acquired | (2,724.8) | (142.9) |
| Acquisitions of interests in associates and joint-ventures | (19.9) | (25.9) |
| Acquisitions of available-for-sale securities | (18.8) | (26.2) |
| Change in share of interests in controlled entities | (61.4) | 90.3 |
| TOTAL INVESTMENTS | (4,002.1) | (1,191.1) |

Note 4 Current operating income

| In millions of euros | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Revenues | 15,871.3 | 15,322.0 |
| Purchases | (3,092.4) | (2,995.9) |
| Personnel costs | (4,115.1) | (3,990.2) |
| Depreciation, amortization and provisions | (1,099.8) | (1,091.3) |
| Other operating income and expenses | (6,491.3) | (6,143.0) |
| CURRENT OPERATING INCOME | 1,072.7 | 1,101.6 |

4.1 Revenues

The following table shows Group's revenues per category:

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Sale, transport and distribution of electricity | 432.7 | 423.1 |
| Water, Recycling and Recovery | 13,510.3 | 13,377.4 |
| Engineering and construction contracts and other services (a) | 1,928.3 | 1,521.5 |
| TOTAL | 15,871.3 | 15,322.0 |

⁽a) including EUR 971.5 million for WTS (of which EUR 510.9 million relating to ex GE Water entities) in 2017.

4.2 Personnel costs

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| Short-term benefits | (4,050.4) | (3,889.4) |
| Share-based payments or by cash payment | 3.6 | (19.5) |
| Post-employment benefit obligations and other long-term benefits | (68.3) | (81.3) |
| TOTAL | (4,115.1) | (3,990.2) |

Short-term benefits correspond to salaries and expenses recognized for the period. The amount of these short-term benefits is reduced by the impact of CICE (tax credit for competitiveness and employment) in France for an amount of EUR 43.6 million in 2017 for the companies included in the French tax consolidation group *versus* EUR 39.3 million in 2016.

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

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

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals:

| | December | December |
|---|-----------|-----------|
| In millions of euros | 31, 2017 | 31, 2016 |
| Depreciation and amortization | (1,124.2) | (1,111.2) |
| Depreciation of inventories, trade receivables and other assets | (28.5) | (43.4) |
| Net change in provisions (a) | 52.9 | 63.3 |
| TOTAL | (1,099.8) | (1,091.3) |

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

The depreciation breakdown is EUR 691.5 million for property, plant and equipment and EUR 432.7 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--------------------------------------|-------------------|-------------------|
| Other operating income | 289.8 | 184.1 |
| Other operating expenses | (6,781.1) | (6,327.1) |
| Sub-contracting | (2,569.6) | (2,124.9) |
| Taxes excluding corporate income tax | (730.1) | (758.7) |
| Other expenses | (3,481.4) | (3,443.5) |
| TOTAL | (6,491.3) | (6,143.0) |

[&]quot;Other expenses" mainly include the following types of costs: rental expenses, external personnel, professional fees and compensation of intermediaries.

Note 5 Income from operating activities

| | | December 31, | December 31, |
|--|------|--------------|--------------|
| In millions of euros | Note | 2017 | 2016 |
| CURRENT OPERATING INCOME | | 1,072.7 | 1,101.6 |
| MtM on operating financial instruments | 5.1 | 1.3 | (1.3) |
| Impairment on property, plant and equipment, intangible and financial assets | 5.2 | (20.3) | (159.5) |
| Restructuring costs | 5.3 | (157.6) | (76.1) |
| Scope effects | 5.4 | 77.6 | 182.9 |
| Other gains and losses on disposals and non-recurring items | 5.5 | 33.6 | 91.3 |
| Costs linked to changes in the brand and visual identity | 5.6 | - | (28.1) |
| Costs linked to the acquisition of GE Water | 5.7 | (44.4) | - |
| INCOME FROM OPERATING ACTIVITIES | | 962.9 | 1,110.8 |

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a gain of EUR 1.3 million at December 31, 2017, versus a loss of -EUR 1.3 million in 2016 resulting primarily from the following factors:

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

gains and losses are recorded in the income statement in respect of the ineffective portion of future cash flow hedging strategies on non-financial assets (cash flow hedge).

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

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Impairments | | |
| Property, plant and equipment and other intangible assets | (12.8) | (144.6) |
| Financial assets | (13.5) | (23.7) |
| Total | (26.3) | (168.3) |
| Write-back of impairments | | |
| Property, plant and equipment and other intangible assets | 5.0 | 1.9 |
| Financial assets | 1.0 | 6.9 |
| Total | 6.0 | 8.8 |
| TOTAL | (20.3) | (159.5) |

5.2.1 Impairments of goodwill

No impairment on goodwill was recognized in 2017, pursuant to the procedure described in Note 9.3.

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

In 2017, this item includes mainly loss of value of property, plant and equipment and intangible assets in the operational sectors of Recycling and Recovery Europe and Water Europe related to difficulties in the market, especially in France and Spain.

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

5.2.3 Impairments of financial assets

In 2017, the evolution in this item is connected mainly with the evolution of financial receivables relating to an International concession contract and with financial assets in the Recycling and Recovery Europe sector.

5.3 Restructuring costs

At December 31, 2017, this item includes in particular the expense linked to the voluntary redundancy scheme for EUR 73 million (see note 2.6).

In 2017, as in 2016, it includes reorganization costs due to adjustment plans linked to the activity level in the three operating segments or to unfavorable evolution on specific contracts.

5.4 Scope effects

At December 31, 2017, this Item includes in particular the sale of 9.1% of Aquasure for EUR 47.8 million (see Note 2.7) and the sale of Palyja for EUR 10.2 million (see Note 2.8).

At December 31, 2016, this item includes several operations completed in the Group's three operational sectors . The most significant operation concerns the acquisition of SUEZ NWS Limited, which resulted in an adjustment gain of EUR 142 million following the adjustment to fair value of SUEZ NWS Limited shares that the SUEZ Group held prior to the transaction. Residual impact is related to the sale of Suez Suomi Oy, Bristol Water and Ocea Smart Building.

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

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Disposals of property, plant and equipment and intangible | 34.3 | 89.7 |
| assets | (5.5) | |
| Disposals of shares | (8.0) | 1.6 |
| Others | 0.1 | - |
| Total | 33.6 | 91.3 |

In 2017, this item mainly registers the profit linked to the sale of Torre Agbar in Spain for EUR 6.3 million as well as the sale of two sites in United Kingdom for EUR 15.5 million.

In 2016, this item mainly registered disposals of property, plant and equipment as part of the sale/leasing of real estate assets and truck fleets in France, the Netherlands, Germany, Belgium and Australia.

5.6 Costs linked to changes of brand and visual identity

In 2016, external service providers worked on the rebranding and change of visual identity. The fees for this work and the costs incurred through the rebranding and change of visual identity reached a total of EUR 28.1 million as at December 31, 2016.

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

5.7 Costs linked to the acquisition of GE Water

In 2017, various external service providers advised SUEZ as part of the acquisition of GE Water. The fees for this work reached a net amount of EUR 44.4 million.

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

Note 6 Net financial income/loss

| | December 31, 2017 | | | Dece | mber 31, 20 | 16 |
|-------------------------------------|-------------------|--------|---------|----------|-------------|---------|
| In millions of euros | Expenses | Income | Total | Expenses | Income | Total |
| Cost of net debt | (417.7) | 39.9 | (377.8) | (414.3) | 54.1 | (360.2) |
| Other financial income and expenses | (100.8) | 49.7 | (51.1) | (102.6) | 39.3 | (63.3) |
| Financial income/(loss) | (518.5) | 89.6 | (428.9) | (516.9) | 93.4 | (423.5) |

6.1 Cost of net debt

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

| | December 31, 2017 | | | Dece | mber 31, 20 | 16 |
|--|-------------------|--------|---------|----------|-------------|---------|
| In millions of euros | Expenses | Income | Total | Expenses | Income | Total |
| Interest expense on gross borrowings | (373.2) | - | (373.2) | (359.0) | - | (359.0) |
| Exchange gain/(loss) on borrowings and hedges | (26.3) | - | (26.3) | (30.3) | - | (30.3) |
| Unrealized income/(expense) from economic hedges on borrowings | - | - | - | - | 0.4 | 0.4 |
| Income/(expense) on cash and cash equivalents, and financial assets at fair value through income | - | 28.7 | 28.7 | - | 42.1 | 42.1 |
| Capitalized borrowing costs | - | 1.2 | 1.2 | - | 1.4 | 1.4 |
| Financial income (expense) relating to a financial debt or receivable restructuring | (18.2) | 10.0 | (8.2) | (25.0) | 10.2 | (14.8) |
| Cost of net debt | (417.7) | 39.9 | (377.8) | (414.3) | 54.1 | (360.2) |

6.2 Other financial income and expenses

| | December 31, 2017 | | Decemb | | nber 31, 2016 | |
|--|-------------------|--------|--------|----------|---------------|--------|
| In millions of euros | Expenses | Income | Total | Expenses | Income | Total |
| Net interest expenses related to post employment and other long term benefits | (16.3) | - | (16.3) | (17.3) | - | (17.3) |
| Unwinding of discounting adjustment to long term provisions (except post employment) | (41.7) | - | (41.7) | (53.7) | - | (53.7) |
| Change in fair value of derivatives not included in net debt | (1.2) | - | (1.2) | - | 1.1 | 1.1 |
| Income from available-for-sale securities | - | 5.0 | 5.0 | - | 7.9 | 7.9 |
| Other | (41.6) | 44.7 | 3.1 | (31.6) | 30.3 | (1.3) |
| Other Financial Income and Expenses | (100.8) | 49.7 | (51.1) | (102.6) | 39.3 | (63.3) |

Note 7 Income tax

7.1 Income tax expense in the income statement

7.1.1 Breakdown of income tax expense in the income statement

Income tax expense for the fiscal year amounted to EUR 225.4 million (compared to EUR 243.5 million in 2016) and breaks down as follows:

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Current income tax | (125.8) | (199.5) |
| Deferred taxes | (99.6) | (44.0) |
| Total income tax expense recognized in income | (225.4) | (243.5) |

7.1.2 Theoretical income tax expense and actual income tax expense

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

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Net income | 520.2 | 622.8 |
| - Share in net income of associates and joint ventures | 211.6 | 179.0 |
| - Income tax expense | (225.4) | (243.5) |
| Income before income tax and share in net income of associates and joint ventures (A) | 534.0 | 687.3 |
| Of which French companies | (28.1) | 82.8 |
| Of which companies outside France | 562.1 | 604.5 |
| Statutory income tax rate of SUEZ (B) (a) | 34.43% | 34.43% |
| Theoretical income tax expense (C) = (A) x (B) | (183.9) | (236.6) |
| In fact : | | |
| Difference between the normal tax rate applicable to SUEZ and the normal tax rate applicable | 42.5 | 59.3 |
| in jurisdictions in France and outside France ^(b) Permanent differences ^(c) | 47.3 | 7.3 |
| | | |
| Income taxed at a reduced rate or tax-exempt | 1.4 | (1.7) |
| Additional tax expense (d) | 11.3 | (61.2) |
| Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences (e) | (181.3) | (82.9) |
| Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences $^{(f)}$ | 26.1 | 46.3 |
| Impact of changes in tax rates (9) | (52.2) | (29.4) |
| Tax savings and credits ^(h) | 29.6 | 49.0 |
| Other (1) | 33.8 | 6.4 |
| Actual income tax expense | (225.4) | (243.5) |
| Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures) | 42.2% | 35.4% |

- (a) The overall corporate tax rate in France is 34.43%. Under current law, this rate will remain in place until the end of year 2019.
- (b) It mainly reflects the impact of the rate difference in 2017 between Chile (25,5%) and France. The corporate tax rate in Chile in 2016 was 24%.
- (c) This item includes mainly the non taxation of the capital gain on the disposal of Aquasure securities. In 2016, this item included the impact of taxation at a reduced rate of the reevaluation gain on SUEZ NWS Limited securities.
- (d) This item includes mainly a EUR 53 million reimbursement by the state of the 3% contribution on dividends paid out between 2013 and 2017. It also includes withholding taxes on dividends and the tax impact of dividends received. In 2016, these items also included the tax impact of gains on disposal of shares and the 3% contribution on dividends paid out.
- (e) In 2017 this item includes an impact of -EUR 139.1 million which corresponds to the impairment of deferred tax assets within the French and Spanish tax consolidation group. In 2016, this item included an impact of -EUR 61.3 million which corresponds to the impairment of deferred tax assets within the French, Spanish, and Dutch tax consolidation group.
- (f) In 2017, this item includes mainly the recognition of deferred tax on SUEZ Treatment Solutions Inc for EUR 8 million and Suez R&R Belgium for EUR 4 million. In 2016, this item was composed of the recognition of deferred tax within the Australian tax consolidation group amounting to EUR 31 million.
- (g) In 2017 this item includes the impact of the revaluation of deferred tax of the entities based in France and US. In 2016, it mainly included the impact of the revaluation of deferred tax of the entities based in France and UK following the gradual change in the corporate tax rate in these two countries on 2020.
- (h) In 2017 this item includes the impact of the tax credit for Competitiveness and Employment (CICE) and the tax credit for research (CIR). Moreover, as in 2016, this item includes tax credits perceived in Spain.
- (i) It mainly includes the impact of the tax savings generated by the tax consolidation group in France and the impact of tax adjustments on prior years.

The increase of the effective tax rate at December 31, 2017 compared to that of 2016 can be explained by the impairment of deferred tax assets within French and Spanish consolidation tax group and the change in US tax rate. These items, more than offset the reimbursement by the French state of the 3% contribution on dividends paid out between 2013 and 2017.

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

| | December 31, | December 31, |
|--|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Deferred tax assets | | _ |
| Loss carryforwards and tax credit | (50.6) | (16.0) |
| Pension obligations | 4.4 | (18.4) |
| Concessions arrangements | (3.0) | 9.1 |
| Non-deductible provisions | (9.7) | (8.3) |
| Differences between the carrying amount of PPE and their tax bases | (1.4) | 3.3 |
| Measurement of financial instruments at fair value (IAS 32/39) | 3.9 | 12.2 |
| Other | (8.3) | (1.0) |
| TOTAL | (64.7) | (19.1) |
| Deferred tax liabilities | | |
| Differences between the carrying amount of PPE and their tax bases | (32.2) | 22.4 |
| Concessions arrangements | (0.2) | (22.0) |
| Tax-driven provisions | (3.1) | (3.7) |
| Measurement of assets and liabilities at fair value (IAS 32/39) | 4.3 | (3.7) |
| Other | (3.7) | (17.9) |
| Total | (34.9) | (24.9) |
| Net Deferred Taxes | (99.6) | (44.0) |

In 2017, the amounts appearing under "Loss carryforwards and tax credit" mainly refers to the impact of the impairment of deferred tax assets within French and Spanish consolidation tax group. The movement shown in "Differences between the carrying amount of PPE and their tax bases" is mainly related to the impact of change in US tax rate on the non-regulated activity.

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

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

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| Available-for-sale securities | - | - |
| Actuarial gains and losses | 19.2 | 1.8 |
| Net investment hedges | (0.1) | 1.7 |
| Cash flow hedges | (2.9) | (1.9) |
| Total excluding share of associates and joint ventures | 16.2 | 1.6 |
| Share of associates | (2.0) | 11.2 |
| Share of joint ventures | - | (0.2) |
| TOTAL | 14.2 | 12.6 |

The impact in 2017 is primarily due to the tax effect of:

> Actuarial losses on pension and other employee benefit obligations in SUEZ Water Inc in the amount of EUR 14 million.

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

> Cash flow hedge income in associates within R&R UK operating segment, in the amount of EUR 9.7 million.

7.3 Deferred taxes in the statement of financial position

7.3.1 Change in deferred taxes

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

| In millions of euros | Assets | Liabilities | Net Balances |
|--|--------|-------------|--------------|
| At December 31, 2016 | 783.1 | (654.5) | 128.6 |
| From income statement | (64.7) | (34.9) | (99.6) |
| From other comprehensive income | 6.6 | 7.6 | 14.2 |
| Scope effects | (12.5) | (23.4) | (35.9) |
| Translation adjustments | (49.4) | 66.3 | 16.9 |
| Other impacts | 7.2 | 109.6 | 116.8 |
| Deferred tax netting off by tax entity | 26.9 | (26.9) | - |
| At December 31, 2017 | 697.2 | (556.2) | 141.0 |

The movement in "other impacts" is mainly related to the impact of US change in tax rate on the regulated activity.

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

| | December 31, | December 31, |
|--|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Deferred tax assets | | |
| Loss carry-forwards and tax credit | 292.6 | 370.1 |
| Pension obligations | 208.8 | 196.8 |
| Concessions arrangements | 97.6 | 125.9 |
| Non-deductible provisions | 173.7 | 188.2 |
| Differences between the carrying amount of PPE and their tax bases | 126.5 | 135.3 |
| Measurement of financial instruments at fair value (IAS 32/39) | 9.6 | 3.7 |
| Other | 303.2 | 304.9 |
| Total | 1,212.0 | 1,324.9 |
| Deferred tax liabilities | | |
| Differences between the carrying amount of PPE and their tax bases | (824.2) | (942.7) |
| Concessions arrangements | (77.4) | (77.5) |
| Tax-driven provisions | (17.4) | (14.5) |
| Measurement of assets and liabilities at fair value (IAS 32/39) | (39.4) | (38.4) |
| Other | (112.6) | (123.2) |
| Total | (1,071.0) | (1,196.3) |
| Net Deferred Taxes | 141.0 | 128.6 |

The deferred tax assets recognized on tax loss carry-forwards amounted to EUR 292.6 million as of December 31, 2017 versus EUR 370.1 million as of December 31, 2016.

In 2017, the Group has impaired deferred tax assets generated during the period within the French tax consolidation group, especially by the impact of the voluntary departure plan. The total amount of net deferred tax assets within the French tax consolidation group, including all temporary differences, is of EUR 211.3 million as of December 31, 2017 (including EUR 132.7 million of deferred tax loss carry forwards) and amounted to EUR 226.0 million as of December 31, 2016.

In addition, the creation of SWTS company, in which all French companies specialized in Industrial Water activity were transferred, owned at 70% by SUEZ, led to the exit of all these companies from the SUEZ tax consolidation group.

Management considers that the French tax consolidation group will be able to use up its deferred tax assets not depreciated on loss carry-forwards over the 5-year medium-term plan (approximately 54% of them) or beyond.

7.4 Unrecognized deferred taxes

7.4.1 Deductible temporary differences not recognized

TEMPORARY DIFFERENCES ON LOSSES CARRIED FORWARD

As of December 31, 2017, unused tax losses carried forward and not recognized in the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to EUR 417.8 million for ordinary tax loss carry-forwards, *versus* EUR 232.0 million as of December 31, 2016. This movement is mainly related to the tax losses of the period, not recognized in the French tax consolidation group.

OTHER TEMPORARY DIFFERENCES NOT RECOGNIZED

The amount of deferred tax assets on other unrecognized temporary differences amounted to EUR 81.2 million as of December 31, 2017, compared to EUR 108.4 million as of December 31, 2016.

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

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

Note 8 Earnings per share

| Numerator (in millions of euros) | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Net income, Group share | 301.8 | 420.3 |
| (-) coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014 | (15.0) | (15.0) |
| (-) coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015 | (12.5) | (12.5) |
| Adjusted Net Income, Group Share | 274.3 | 392.8 |
| Denominator (in millions) Weighted average number of outstanding shares | 593.2 | 547.3 |
| Earnings per share (in euros) | | |
| Net income Group share per share | 0.46 | 0.72 |
| Net diluted income Group share per share | 0.46 | 0.70 |

The Group's dilutive instruments included in the calculation of diluted earnings per share are as follows: the SUEZ stock option plans;

the SUEZ employee share issue;

the OCEANE 2020 convertible bonds, i.e. 19,052,803 securities issued in 2014, which generate financial expense of EUR 6.5 million in 2017.

Note 9 Goodwill

9.1 Movements in the carrying amount of goodwill

| In millions of euros | Gross amount | Impairment Losses | Carrying amount |
|-------------------------|--------------|-------------------|-----------------|
| At December 31, 2015 | 3,576.3 | (96.8) | 3,479.5 |
| Scope effects | 188.8 | 2.0 | 190.8 |
| Impairment losses | - | - | - |
| Translation adjustments | (30.4) | 2.0 | (28.4) |
| Other | 6.6 | (1.6) | 5.0 |
| At December 31, 2016 | 3,741.3 | (94.4) | 3,646.9 |
| Scope effects | 2,156.5 | 4.7 | 2,161.2 |
| Impairment losses | - | - | - |
| Translation adjustments | (222.6) | 2.2 | (220.4) |
| Other | 4.3 | (4.8) | (0.5) |
| At December 31, 2017 | 5,679.5 | (92.3) | 5,587.2 |

In 2017, the net change in goodwill comes to +EUR 1,940.3 million. This is mainly the result of:

the acquisition of GE Water which generates a goodwill of EUR 2,170.5 million (Refer to note 2.1);

translation adjustments mainly related to fluctuations in the US dollar (-EUR 118.0 million), the pound sterling (-EUR 14.2 million), and the Hong Kong dollar for (-EUR 72.0 million);

the sale of 9,1% of Aquasure which led to the transfer of EUR 14.0 million of goodwill deduced from the gain on the disposal.

In 2016, the net change in goodwill came to +EUR 167.4 million. This was mainly the result of:

the takeover of SUEZ NWS Limited by SUEZ which generated a preliminary goodwill of EUR 131.6 million;

the acquisitions of Nantaise des Eaux in France for +EUR 18.6 million, Ecoltecnica in Italia for +EUR 16.6 million, Edifi Nord in France for +EUR 13.1 million, DETS in the UK for +EUR 10.9 million, Driplex in India for +EUR 10.4 million, and Perthwaste in Australia for +EUR 9.5 million;

the sale of SUEZ Suomi Oy for -EUR 30.8 million;

translation adjustments (mainly related to fluctuations in the pound sterling, the US dollar and Hong Kong dollar for -EUR 32.9 million).

9.2 Main goodwill cash generating units (CGUs)

In 2017, in order to reflect the internal mergers and acquisitions, two cash generating units have been created:

SUEZ WTS which includes entities coming from both the acquisition of GE Water and other entities already included in the Degreemont CGU.

SUEZ NWS which includes the operational assets of SUEZ New World Services in China (China, Hong Kong, Macao and Taiwan)

Goodwill CGUs break down as follows:

| | | December 31, | December 31, |
|---|-------------------------------|--------------|---------------|
| In millions of euros | Operating segment | 2017 | 2016 restated |
| Material CGUs | | | _ |
| R&V France | Recycling and Recovery Europe | 615.4 | 616.2 |
| SUEZ Spain | Water Europe | 562.1 | 583.6 |
| R&R News | Recycling and Recovery Europe | 507.1 | 506.4 |
| SUEZ Water Inc regulated activity | International | 436.1 | 496.1 |
| R&R UK | Recycling and Recovery Europe | 350.5 | 363.2 |
| Water France | Water Europe | 332.1 | 330.6 |
| SUEZ NWS | International | 248.7 | 340.2 |
| R&R Australia | International | 166.0 | 176.5 |
| SUEZ WTS | SWTS | 2,186.0 | 16.0 |
| Other CGUs (individual goodwill of less than EUR150 million or between 3% and 6% of the total amount of goodwill) | | 183.3 | 218.1 |
| TOTAL | | 5,587.2 | 3,646.9 |

9.3 Impairment test

All goodwill cash-generating units (CGUs), with the exception of SUEZ WTS, are tested for impairment. Impairment tests were carried out based on actual results at the end of June, on the last forecast of the year taking into account the upcoming events in the second half of the year, on the following year budget and on the medium-term plan (MTP) over four years for the rest of the business plan. The SWTS exception is due to its recent acquisition, to the fact there is no costs allocation accounted and there is no indication of impairment loss.

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

cash flow projections prepared over the duration of the medium-term plan approved by the Group's Board of Directors. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in pricing regulations and future market outlooks:

a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 2% and 3% depending on the activity, to normalized free cash flow⁽¹⁾ (used specifically in impairment tests) in the final year of the projections;

a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2017 range from 4.4% to 6.7%.

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

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

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

Main assumptions used for material goodwill

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

| Cash-generating units | Measurement method | Discount rates |
|-----------------------------------|--------------------------------|----------------|
| R&V France | DCF | 5.1% |
| R&R News | DCF | 5.1% |
| SUEZ Water Inc regulated activity | multiples ^(a) + DCF | 4.4% |
| SUEZ Spain | DCF | 5.7% |
| R&R UK | DCF | 5.4% |
| Water France | DCF | 4.7% |
| SUEZ NWS | DCF | 6.7% |
| R&R Australia | DCF | 6.3% |

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

9.4 Sensitivity to interest rate and operational assumptions

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

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

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

to changes in discount rates and growth rates:

| Impact in % on excess of recoverable value over book | Discount ra | tes | Free Cash F | low |
|--|-------------|---------|-------------|---------|
| value | - 50 pb | + 50 pb | - 50 pb | + 50 pb |
| R&V France | 39% | -28% | -25% | 35% |
| R&R News | 46% | -33% | -29% | 41% |
| SUEZ Water Inc regulated activity | 113% | -52% | -27% | 58% |
| SUEZ Spain | 67% | -51% | -44% | 58% |
| R&R UK | 29% | -22% | -19% | 25% |
| Water France | 33% | -22% | -20% | 30% |
| SUEZ NWS | 53% | -40% | -35% | 46% |
| R&R Australia | 19% | -15% | -13% | 16% |

Moreover, we have ensured that, in 2017, a reasonable decrease (equal to or less than 5%) of both cash flows during the medium-term plan and of the terminal value does not call into question the goodwill values of the different significant CGUs.

9.5 Segment information

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

| | December 31, | December 31, |
|-------------------------------|--------------|---------------|
| In millions of euros | 2017 | 2016 restated |
| Water Europe | 744.3 | 748.7 |
| Recycling and Recovery Europe | 1,533.7 | 1,548.4 |
| International | 1,120.5 | 1,331.1 |
| SWTS | 2,186.0 | 16.0 |
| Other | 2.7 | 2.7 |
| Total | 5,587.2 | 3,646.9 |

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

Note 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

| | | Intangible rights | | |
|---|--------------------|-------------------------|---------------------|---------------------|
| | | arising on | | |
| In millions of euros | Softwares | concession contracts | Other | Total |
| A. Gross amount at December 31, 2015 | 698.5 | 5,528.3 | 1.178.7 | 7,405.5 |
| Acquisitions | 54.0 | 158.0 | 84.6 | 296.6 |
| Disposals | (34.8) | (158.4) ^(a) | (11.0) | (204.2) |
| Translation adjustments | ` 5.9 [′] | (13.8) | `51.9 [′] | ` 44.0 [′] |
| Changes in scope of consolidation | (12.1) | 67.1 ^(b) | 96.2 ^(b) | 151.2 |
| Other | 45.1 | (19.0) | (42.4) | (16.3) |
| At December 31, 2016 | 756.6 | 5,562.2 | 1,358.0 | 7,676.8 |
| Acquisitions | 38.8 | 154.7 | 131.9 | 325.4 |
| Disposals | (27.7) | (191.8) ^(a) | (6.8) | (226.3) |
| Translation adjustments | (4.6) | (59.2) | (56.7) | (120.5) |
| Changes in scope of consolidation | 18.8 | 83.0 ^(c) | 70.2 | 172.0 |
| Other | 19.2 | 289.1 | (143.6) | 164.7 |
| At December 31, 2017 | 801.1 | 5,838.0 | 1,353.0 | 7,992.1 |
| B. Accumulated depreciation and impairment at December 31, 2015 | (466.5) | (2,189.5) | (535.9) | (3,191.9) |
| Depreciation | (64.0) | (287.0) | (50.4) | (401.4) |
| Impairment losses | (8.4) | (4.0) | (36.9) | (49.3) |
| Disposals Translation adjustments | 32.9 | 155.1 ^(a) | 10.1 | 198.1 |
| Translation adjustments Changes in scope of consolidation | (4.2) 6.1 | (1.9) 0.7 | (2.9) | (9.0) 5.7 |
| Other | (3.0) | 12.4 | (1.1) (15.4) | (6.0) |
| At December 31, 2016 | (507.1) | (2,314.2) | (632.5) | (3,453.8) |
| Depreciation | (66.8) | (312.3) | (53.6) | (432.7) |
| Impairment losses | (00.0) | (1.9) | (5.3) | (7.2) |
| Disposals | 33.9 | 169.4 ^(a) | 5.1 | 208.4 |
| Translation adjustments | 3.0 | 24.3 | 18.7 | 46.0 |
| Changes in scope of consolidation | (0.4) | (0.2) | 2.6 | 2.0 |
| Other | (7.7) | (224.4) | 39.2 | (192.9) |
| At December 31, 2017 | (545.1) | (2,659.3) | (625.8) | (3,830.2) |
| C. Carrying Amount | | | | |
| At December 31, 2015 | 232.0 | 3,338.8 | 642.8 | 4,213.6 |
| • | 232.0 249.5 | , | 725.5 | |
| At December 31, 2016 | | 3,248.0 | | 4,223.0 |
| At December 31, 2017 | 256.0 | 3,178.7 | 727.2 | 4,161.9 |

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

The change in scope of consolidation is mainly due to the takeover of GE Water for EUR 92 million. This amount comprises software for EUR 18 million and non-depreciable intangible assets for EUR 74 million.

10.1.1 Intangible rights arising on concession contracts

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

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

⁽c) Changes in the scope of consolidation in 2017 are mainly due to the takeover of VAK Karlovy Vary, the finalization of the allocation work related to the business combination cost of SUEZ NWS (Hong Kong) takeover (see Note 2.10) and the entry of GE Water.

10.1.2 Non-depreciable intangible assets

Non-depreciable intangible assets, mainly composed of water rights, amounted to EUR 105 million as of December 31, 2017, *versus* EUR 78 million as of December 31, 2016, and were included in the column "Other". No significant impairment was posted in this asset category in 2017.

10.2 Information on research and development expenses

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

Research and development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of EUR 92 million, a slight increase as compared with the EUR 74 million registered in 2016.

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

Note 11 Property, plant and equipment

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

| | | | Plant and | Transport | Capitalized dismanting and restoration | Construction | | Total property, plant and |
|--|-----------|---------------|-----------|-----------|--|--------------------|---------|---------------------------|
| In millions of euros | Lands C | constructions | equipment | equipment | costs | in progress | Other | equipment |
| A. Gross amount | | | | | | | | |
| At December 31, 2015 | 1,944.3 | 3,353.4 | 7,717.2 | 1,509.9 | 552.4 | 683.9 | 471.9 | 16,233.0 |
| Acquisitions | 11.7 | 39.0 | 127.5 | 52.1 | - | 554.0 | 24.3 | 808.6 |
| Disposals | (117.4) | (129.1) | (198.2) | (137.4) | (0.2) | = | (20.2) | (602.5) |
| Translation adjustments | (50.1) | 89.0 | 209.1 | (16.7) | (14.9) | (12.9) | 2.6 | 206.1 |
| Changes in scope of consolidation | 39.4 | 12.2 | (76.2) | 3.3 | 7.4 | (2.0) | 7.1 | (8.8) |
| Other ^(a) | 22.9 | (52.7) | 304.6 | 49.4 | (6.6) | (477.7) | 26.1 | (134.0) |
| At December 31, 2016 | 1,850.8 | 3,311.8 | 8,084.0 | 1,460.6 | 538.1 | 745.3 | 511.8 | 16,502.4 |
| Acquisitions | 26.9 | 52.6 | 158.0 | 31.7 | - | 608.8 | 28.7 | 906.7 |
| Disposals | (11.8) | (169.3) | (223.6) | (129.3) | - | - | (26.1) | (560.1) |
| Translation adjustments | (43.2) | (98.1) | (447.6) | (18.7) | (6.3) | (29.1) | (25.2) | (668.2) |
| Changes in scope of consolidation | 22.7 | 105.5 | 355.3 | (0.7) | ` - | `58.9 [´] | 0.1 | 541.8 |
| Other ^(b) | 153.2 | 105.1 | 343.4 | 3.2 | 7.5 | (533.0) | 15.9 | 95.3 |
| At December 31, 2017 | 1,998.6 | 3,307.6 | 8,269.5 | 1,346.8 | 539.3 | 850.9 | 505.2 | 16,817.9 |
| B. Accumulated depreciation and impairment | (1,030.9) | (1,430.0) | (3,513.9) | (1,100.5) | (549.4) | (16.4) | (317.0) | (7,958.1) |
| At December 31, 2015 Depreciation | (67.9) | (1,430.0) | (332.1) | (1,100.5) | (0.4) | (10.4) | (62.2) | (709.8) |
| Impairment losses | (11.6) | (8.8) | (57.8) | (117.8) | (0.4) | (0.1) | (02.2) | (95.3) |
| Disposals | 71.4 | 95.5 | 171.6 | 103.4 | 0.3 | (0.1) | 19.0 | 461.2 |
| Translation adjustments | 58.5 | (11.4) | (41.5) | 13.4 | 14.9 | (0.3) | 10.0 | 33.6 |
| Changes in scope of consolidation | (7.8) | (3.9) | 40.0 | 4.3 | (7.5) | (0.1) | (1.8) | 23.2 |
| Other ^(a) | 6.9 | 13.3 | (23.9) | 3.7 | 6.5 | 0.6 | 15.5 | 22.6 |
| At December 31, 2016 | (981.4) | (1,474.7) | (3,757.6) | (1,110.4) | (535.6) | (16.3) | (346.6) | (8,222.6) |
| Depreciation | (67.2) | (127.5) | (347.6) | (90.4) | (0.3) | - | (58.5) | (691.5) |
| Impairment losses | (13.7) | (4.7) | (4.4) | (0.1) | - | - | (0.1) | (23.0) |
| Disposals | 9.3 | 35.6 | 215.3 | 109.0 | - | = | 19.3 | 388.5 |
| Translation adjustments | 19.6 | 23.3 | 123.9 | 13.1 | 6.3 | 1.4 | 14.1 | 201.7 |
| Changes in scope of consolidation | - | (0.1) | (7.7) | 0.3 | - | - | (3.8) | (11.3) |
| Other ^(b) | (28.1) | 10.3 | 7.6 | 8.0 | (7.5) | - | 17.5 | 7.8 |
| At December 31, 2017 | (1,061.5) | (1,537.8) | (3,770.5) | (1,070.5) | (537.1) | (14.9) | (358.1) | (8,350.4) |
| C. Carrying Amount | | | | | | | | |
| At December 31, 2015 | 913.4 | 1,923.4 | 4,203.3 | 409.4 | 3.0 | 667.5 | 154.9 | 8,274.9 |
| At December 31, 2016 | 869.4 | 1,837.1 | 4,326.4 | 350.2 | 2.5 | 729.0 | 165.2 | 8,279.8 |
| At December 31, 2017 | 937.1 | 1,769.8 | 4,499.0 | 276.3 | 2.2 | 836.0 | 147.1 | 8,467.5 |

⁽a) Following the signature of a sales contract for Torre Agbar in Barcelona at the end of December 2016 with no conditions precedent, this asset was reclassified as an "asset held for sale" in accordance with IFRS 5, for a total amount of EUR 131.8 million. The corresponding finance-lease liability was also classified as a liability directly related to an asset held for sale in the amount of EUR 92.5 million.

In 2017, the main changes are as follows:

the GE Water acquisition as of September 29, 2017 generates a scope effect of EUR 533 million;

the main translation adjustments on the carrying amount of property, plant and equipment concern the Chilean peso (-EUR 131 million) and the US dollar (-EUR 303 million).

In 2016, the main changes were as follows:

disposals included the sale/leaseback of sites and trucks mainly carried out in Australia, France, the Netherlands and Belgium The assets concerned by these disposals had a net book value of EUR 105 million;

the main translation adjustments on the carrying amount of property, plant and equipment concerned the Chilean peso (+EUR 256 million), the US dollar (+EUR 77 million) and the pound sterling (-EUR 59 million).

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to EUR 11.0 million at December 31, 2017 against EUR 12.3 million at December 31, 2016.

⁽b) In 2017, "The asset held for sale" linked to the sale of Torre Agbar in Barcelona, in accordance with IFRS 5 in December 2016, has been reclassified in tangible asset for a total amount of EUR 131.8 million. On January 12, 2017, SUEZ sold the Torre Agbar to the Spanish real estate group Merlin (Refer Note 2.5).

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

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

The Group's contractual commitments for property, plant and equipment amounted to EUR 429.7 million at December 31, 2017, against EUR 432.9 million at December 31, 2016.

Note 12 Investments in joint ventures and associates

12.1 Investments in joint ventures

TOTAL

| | Carrying amount of investments in joint ventures | | · · | |
|----------------------------|---|--------------|--------------|--------------|
| | December 31, | December 31, | December 31, | December 31, |
| In millions of euros | 2017 | 2016 | 2017 | 2016 |
| SUEZ NWS Limited group (a) | 681.7 | 605.7 | 67.3 | 23.1 |
| Suyu group | 284.6 | 288.0 | 14.8 | 50.5 |
| Other | 37.6 | 21.9 | 10.1 | 10.8 |

⁽a) Finalization of the allocation work related to the business combination following the takeover of SUEZ NWS (Hong Kong) by SUEZ. This impacting Chinese joint ventures for EUR 85 million.

1,003.9

915.7

92.2

84.4

| In millions of euros | December 31, 2017 | December 31, 2016 |
|----------------------------------|-------------------|-------------------|
| Net income | 92.2 | 84.4 |
| Other comprehensive income (OCI) | (53.5) | (24.0) |
| Comprehensive income | 38.7 | 60.4 |

The most significant joint ventures of the Group are now those Chinese ventures with whom SUEZ NWS Limited, based in Hong Kong, is a 50% partner. The distribution of stakes in the Chinese joint ventures is 50% to SUEZ NWS Limited and 50% to the local authorities who licensed them. In view of the full consolidation of SUEZ NWS Limited in SUEZ, the shares of the Chinese joint ventures are accounted for by the equity method up to 50% in the consolidated statement of financial position at December 31, 2017 in the amount of EUR 681.7 million. Another major joint venture is with the Suyu Group based in China, which is 50% owned.

The summarized financial information at 100% of chinese joint ventures held at 50% by SUEZ NWS group are presented below, before fair value adjustment of assets and liabilities in the business combination at SUEZ NWS (see note 2.10).

Summarized Statement of financial position at 100%

| | December 31, | December 31, |
|--|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Non-current assets | 629.9 | 636.2 |
| Current assets | 320.3 | 263.2 |
| of which Cash and cash equivalents | 159.0 | 156.5 |
| Total assets | 950.2 | 899.4 |
| Shareholders' equity, Group share | 529.0 | 543.1 |
| Non-controlling interests | 4.5 | 3.9 |
| Total shareholders' equity | 533.5 | 547.0 |
| Non-current liabilities | 196.2 | 139.0 |
| Current liabilities | 220.5 | 213.4 |
| Total shareholders' equity and liabilities | 950.2 | 899.4 |

Summarized Income Statement at 100%

| | December 31, | December 31, |
|---|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Revenues | 341.9 | 321.4 |
| Current operating income | 77.8 | 78.0 |
| Net income - group share | 60.5 | 58.1 |
| Net income - non-controlling interests | 0.5 | 0.9 |
| Netincome | 61.0 | 59.0 |
| Other comprehensive income (OCI) ^(a) | (34.3) | (19.2) |
| Comprehensive income | 26.7 | 39.7 |

⁽a) This amount corresponds to translation adjustments

Dividends at 100%

| | Dividends | Dividends |
|--|-----------------|-----------------|
| In millions of euros | related to 2016 | related to 2015 |
| Dividends paid by Chinese joint ventures | 89.2 | 46.9 |

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

Summarized Statement of financial position at 100%

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| Non-current assets (a) | 750.0 | 789.0 |
| Current assets | 0.6 | 1.3 |
| of which Cash and cash equivalents | 0.6 | 1.3 |
| Total assets | 750.6 | 790.3 |
| Shareholders' equity, Group share | 569.2 | 575.9 |
| Total shareholders' equity | 569.2 | 575.9 |
| Non-current liabilities | 181.4 | 214.4 |
| Current liabilities | 0.0 | 0.0 |
| Total shareholders' equity and liabilities | 750.6 | 790.3 |

⁽a) Includes Derun Environment shares equity accounted.

Summarized Income Statement at 100%

| In millions of euros | December 31, 2017 | December 31, 2016 |
|----------------------------------|----------------------|----------------------|
| Net income (a) | 49.2 | 119.0 |
| Other comprehensive income (OCI) | (44.0) | (24.1) |
| Comprehensive income | 5.2 | 94.9 |

⁽a) Derun Environment's share in net income accounted for using the equity method in the Suyu group. The variation is explained by the impact of the completion of transactions for EUR 36 million regarding the purchase of significant influence in Derun Environment during the first half of 2016, which does not have an equivalent in 2017.

Dividends at 100%

| | Dividends | Dividends related |
|------------------------------|-----------------|-------------------|
| In millions of euros | related to 2016 | to 2015 |
| Dividends paid by Suyu Group | - | 20.4 |

12.2 Investments in associates

| | Carrying amount of investments in associates | | Share in net in | , , |
|---|--|--------------|-----------------|--------------|
| | December 31, | December 31, | December 31, | December 31, |
| In millions of euros | 2017 | 2016 | 2017 | 2016 |
| In Acea group | 580.0 | 559.1 | 48.8 | 35.1 |
| In Agbar group | 183.7 | 200.0 | 15.9 | 21.4 |
| In the company Aquasure Holding | 74.1 | 99.2 | 19.3 | 17.4 |
| In the company Brnenske Vodarny A Kanalizace | 36.0 | 34.2 | 1.3 | 1.3 |
| In R&R BeLux | 18.4 | 18.9 | 2.5 | 4.8 |
| In the company ACQUE BLU FIORENTINE SpA | 17.2 | - | 1.8 | - |
| In the company Aguas de Saltillo S.A. de C.V. | 15.9 | 17.0 | 1.2 | 1.1 |
| In R&V France group | 12.9 | 10.3 | 3.4 | (3.3) |
| In WTS scope group | 12.7 | - | 1.2 | - |
| In the company Aguas de Cartagena S.A E.S.P | 12.5 | - | 2.4 | - |
| In the company Degrémont WTE Praha v.o.s. | 8.4 | 4.2 | 5.2 | 3.4 |
| In the R&R UK group | 7.4 | 2.5 | 8.3 | 11.3 |
| In the company Arte SA de CV | 7.2 | 7.8 | 1.4 | 1.2 |
| In SUEZ Polska sp zoo group | 6.9 | 2.7 | 0.4 | 0.2 |
| In the company Interagbar de Colombia S.A.S | 5.9 | - | - | - |
| In the company Aquasystema Maribor | 5.7 | 5.5 | 1.2 | 1.6 |
| In SUEZ R&R Deutschland GmbH group | 5.0 | 4.2 | 1.7 | 1.9 |
| In SUEZ Water Inc. group | 1.9 | 4.1 | - | (0.3) |
| In the company SUEZ Water Treatment Company Limited | 1.8 | 2.4 | (0.5) | - |
| Other | 6.8 | 8.7 | 3.9 | (2.5) |
| TOTAL | 1,020.4 | 980.8 | 119.4 | 94.6 |

| | December 31, | December 31, |
|----------------------------------|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Net income | 119.4 | 94.6 |
| Other comprehensive income (OCI) | (8.3) | (56.3) |
| Comprehensive income | 111.1 | 38.3 |

The Group's largest individual associate is the Acea Group, based in Rome. At December 31, 2017, SUEZ holds 23.33% of the capital of Acea and still continues to consolidate Acea with the equity method.

The book value of Acea in the statement of financial position as of December 31, 2017 is EUR 580.0 million. Its market value is EUR 765.2 million.

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

Summarized Statement of financial position at 100%

| | September 30, | December 31, |
|--|-----------------|--------------|
| In millions of euros | 2017 (a) | 2016 |
| Non-current assets | 4,951.0 | 4,771.2 |
| Current assets | 2,118.5 | 2,133.5 |
| of which Cash and cash equivalents | 441.7 | 665.5 |
| Total assets | 7,069.5 | 6,904.7 |
| Shareholders' equity, Group share | 1,702.0 | 1,671.1 |
| Non-controlling interests | 90.7 | 86.8 |
| Total shareholders' equity | 1,792.7 | 1,757.9 |
| Non-current liabilities | 3,135.0 | 3,382.5 |
| Current liabilities | 2,141.8 | 1,764.3 |
| Total shareholders' equity and liabilities | 7,069.5 | 6,904.7 |

⁽a) The consolidated financial statements of Acea group at December 31, 2017 are not available at the date of publication of the Group's 2017 consolidated financial statements.

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

| | September 30, | September 30, |
|--|-----------------|---------------|
| In millions of euros | 2017 (a) | 2016 |
| Revenues | 2,037.9 | 2,047.5 |
| Gross operating profit | 607.9 | 625.3 |
| Operating profit /(loss) | 291.3 | 378.1 |
| Net income - group share | 152.6 | 200.9 |
| Net income - non-controlling interests | 9.0 | 6.6 |
| Netincome | 161.6 | 207.5 |
| Other comprehensive income (OCI) | (1.0) | (9.9) |
| Comprehensive income | 160.6 | 197.6 |

⁽a) The consolidated financial statements of Acea group at December 31, 2017 are not available at the date of publication of the Group's 2017 consolidated financial statements.

Dividends (at 100%)

| | Dividends related | Dividends related |
|------------------------|-------------------|-------------------|
| In millions of euros | to 2016 | to 2015 |
| Dividends paid by Acea | 131.8 | 106.4 |

In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2017 corresponds to the latest available information.

In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2017 corresponds to the latest available information.

Note 13 Financial instruments

13.1 Financial assets

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

| | December 31, 2017 | | | Dece | mber 31, 2016 | |
|---|-------------------|---------|---------|-------------|---------------|---------|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total |
| Available-for-sale securities | 127.1 | - | 127.1 | 138.3 | - | 138.3 |
| Loans and receivables carried at amortized cost | 728.6 | 4,826.3 | 5,554.9 | 739.9 | 4,180.8 | 4,920.7 |
| Loans and receivables carried at amortized cost (excluding trade and other receivables) | 728.6 | 136.6 | 865.2 | 739.9 | 139.4 | 879.3 |
| Trade and other receivables | - | 4,689.7 | 4,689.7 | - | 4,041.4 | 4,041.4 |
| Financial assets measured at fair value | 149.5 | 146.4 | 295.9 | 198.2 | 93.5 | 291.7 |
| Derivative financial instruments | 149.5 | 89.5 | 239.0 | 198.2 | 31.2 | 229.4 |
| Financial assets measured at fair value through income | - | 56.9 | 56.9 | - | 62.3 | 62.3 |
| Cash and cash equivalents | - | 3,058.1 | 3,058.1 | - | 2,924.7 | 2,924.7 |
| TOTAL | 1,005.2 | 8,030.8 | 9,036.0 | 1,076.4 | 7,199.0 | 8,275.4 |

13.1.1 Available-for-sale securities

In millions of euros

| AT DECEMBER 31, 2016 | 138.3 |
|--|--------|
| Acquisitions | 18.8 |
| Net book value of disposals | (3.9) |
| Changes in fair value posted to equity as other comprehensive income | 0.1 |
| Changes in fair value posted to income statement | (0.9) |
| Changes in scope, exchange rates and other | (25.3) |
| AT DECEMBER 31, 2017 | 127.1 |

The value of available-for-sale securities held by the Group amounts to EUR 127,1 million as of December 31, 2017, which is divided between EUR 23.6 million for listed securities and EUR 103.5 million for unlisted securities (versus EUR 24.2 million and EUR 114.1 million respectively in 2016).

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

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

| | Post acquisition remeasurement | | | | |
|----------------------------|--------------------------------|------------|----------------|------------|------------------|
| | _ | Change in | Impact of | | Profit (loss) on |
| In millions of euros | Dividends | fair value | exchange rates | Impairment | disposals |
| Shareholders' equity (a) | | 0.1 | - | | |
| Net income | 5.0 | - | | (0.9) | (0.3) |
| TOTAL AT DECEMBER 31, 2017 | 5.0 | 0.1 | - | (0.9) | (0.3) |
| Shareholders' equity (a) | | (1.8) | - | | |
| Net income | 7.9 | - | | (2.3) | 3.2 |
| TOTAL AT DECEMBER 31, 2016 | 7.9 | (1.8) | - | (2.3) | 3.2 |

⁽a) Excluding tax impact

13.1.1.2 Analysis of available-for-sale securities as part of impairment tests

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

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

13.1.2 Loans and receivables carried at amortized cost

| | December 31, 2017 | | | Dece | | |
|---|-------------------|---------|---------|-------------|---------|---------|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total |
| Loans and receivables carried at amortized cost (excluding trade and other receivables) | 728.6 | 136.6 | 865.2 | 739.9 | 139.4 | 879.3 |
| Loans granted to affiliated companies (a) | 214.6 | 98.4 | 313.0 | 229.7 | 91.6 | 321.4 |
| Other receivables at amortized cost | 100.7 | 28.3 | 129.0 | 89.9 | 27.4 | 117.3 |
| Concession receivables | 412.6 | 9.8 | 422.4 | 419.4 | 20.3 | 439.6 |
| Finance lease receivables | 0.7 | 0.1 | 8.0 | 0.9 | 0.1 | 1.0 |
| Trade and other receivables | - | 4,689.7 | 4,689.7 | - | 4,041.4 | 4,041.4 |
| TOTAL | 728.6 | 4,826.3 | 5,554.9 | 739.9 | 4,180.8 | 4,920.7 |

⁽a) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to EUR 281.8 million as of December 31, 2017, versus EUR 285.9 million as of December 31, 2016.

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

| | December 31, 2017 | | | December 31, 2016 | | | |
|---|-------------------|------------|---------|-------------------|------------|---------|--|
| | Depreciation | | | Depreciation | | | |
| | | and | | | and | | |
| In millions of euros | Gross | impairment | Net | Gross | impairment | Net | |
| Loans and receivables carried at amortized cost (excluding trade and other receivables) | 962.9 | (97.7) | 865.2 | 1,051.2 | (171.9) | 879.3 | |
| Trade and other receivables | 4,997.6 | (307.9) | 4,689.7 | 4,358.1 | (316.7) | 4,041.4 | |
| TOTAL | 5,960.5 | (405.6) | 5,554.9 | 5,409.3 | (488.6) | 4,920.7 | |

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

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

| | | Evaluation ultérieure à l'acquisition | | |
|---------------------|--------------|---------------------------------------|-----------------|--|
| En millions d'euros | Intérêts | Effet de change | Perte de valeur | |
| Au 31 décembre 2016 | 73.8 | 3.5 | (56.5) | |
| Au 31 décembre 2017 | 58.5 | (4.3) | (41.9) | |

TRADE AND OTHER RECEIVABLES

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

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

13.1.3 Financial assets measured at fair value

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

| | December 31, 2017 | | | December 31, 2016 | | |
|--|-------------------|---------|-------|-------------------|---------|-------|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total |
| DERIVATIVE FINANCIAL INSTRUMENTS | 149.5 | 89.5 | 239.0 | 198.2 | 31.2 | 229.4 |
| Debt-related derivatives (see Note 13.3.1) | 136.0 | 58.3 | 194.3 | 175.8 | 1.8 | 177.6 |
| Derivative hedging commodities (see Note 14.1.1.2) | - | 0.4 | 0.4 | - | 1.1 | 1.1 |
| Derivative hedging other items (a) | 13.5 | 30.8 | 44.3 | 22.4 | 28.3 | 50.7 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES | - | 56.9 | 56.9 | - | 62.3 | 62.3 |
| Financial assets measured at fair value through income (see Note 13.3.1) | - | 56.9 | 56.9 | - | 62.3 | 62.3 |
| TOTAL | 149.5 | 146.4 | 295.9 | 198.2 | 93.5 | 291.7 |

⁽a) includes derivative financial instruments:

Commodities derivatives, debt-related derivatives, and derivatives hedging other items are set up as part of the Group's risk management policy and are analyzed in Note 14.1.1.

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

Income recognized on all financial assets measured at fair value through income as of December 31, 2017 was EUR 0.4 million.

13.1.4 Cash and cash equivalents

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

"Cash and cash equivalents" amounted to EUR 3,058.1 million as of December 31, 2017 versus EUR 2,924.7 million as of December 31, 2016.

This item mainly includes term deposits of less than three months in the amount of EUR 600.2 million, versus EUR 657.7 million as of December 31, 2016, and cash in the amount of EUR 2,402.5 million versus EUR 2,213.5 million as of December 31, 2016.

In addition, restricted cash amounted to EUR 19.5 million as of December 31, 2017.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2017 amounted to EUR 28.1 million versus EUR 41.0 million as of December 31, 2016.

13.1.5 Pledged and mortgaged assets

| In millions of euros | December 31, 2017 | December 31, 2016 |
|-----------------------------|-------------------|-------------------|
| Pledge and mortgaged assets | 103.1 | 141.3 |

13.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as of December 31, 2017, as well as their breakdown as "non-current" and "current":

⁻ for net investment hedging for EUR 0.9 million at December 31, 2017, compared with EUR 9.9 million at December 31, 2016.

⁻ for the interest rate futures portion of debt-related derivatives not designated as hedges for EUR 5.0 million at December 31, 2017, compared with EUR 6.1 million at December 31, 2016.

| | Dece | mber 31, 201 | 7 | Dece | 16 | |
|----------------------------------|-------------|--------------|----------|-------------|---------|----------|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total |
| Borrowings | 9,760.6 | 2,004.4 | 11,765.0 | 8,665.5 | 2,499.8 | 11,165.3 |
| Derivative financial instruments | 26.4 | 38.3 | 64.7 | 45.6 | 62.8 | 108.4 |
| Trade and other payables | - | 3,713.5 | 3,713.5 | - | 3,063.6 | 3,063.6 |
| Other financial liabilities | 43.1 | - | 43.1 | 10.4 | - | 10.4 |
| TOTAL | 9,830.1 | 5,756.2 | 15,586.3 | 8,721.5 | 5,626.2 | 14,347.7 |

13.2.1 Borrowings and debt

| | December 31, 2017 | | | Decer | 16 | |
|---|-------------------|---------|----------|---------|---------|----------|
| | Non- | | | Non- | | |
| In millions of euros | current | Current | Total | current | Current | Total |
| Bonds issues | 9,135.0 | 210.5 | 9,345.5 | 7,641.7 | 431.5 | 8,073.2 |
| Commercial paper | - | 400.0 | 400.0 | - | 764.0 | 764.0 |
| Draw downs on credit facilities | 26.5 | 46.0 | 72.5 | 46.5 | 44.4 | 90.9 |
| Borrowings under finance leases | 74.9 | 74.2 | 149.1 | 150.0 | 49.0 | 199.0 |
| Other bank borrowings | 428.5 | 276.0 | 704.5 | 670.6 | 119.8 | 790.4 |
| Other borrowings | 98.6 | 41.5 | 140.1 | 111.4 | 115.7 | 227.1 |
| BORROWINGS (gross amounts) | 9,763.5 | 1,048.2 | 10,811.7 | 8,620.2 | 1,524.4 | 10,144.6 |
| Overdrafts and current cash accounts | - | 824.6 | 824.6 | - | 845.4 | 845.4 |
| OUTSTANDING FINANCIAL DEBT | 9,763.5 | 1,872.8 | 11,636.3 | 8,620.2 | 2,369.8 | 10,990.0 |
| Impact of measurement at amortized cost | (77.6) | 131.6 | 54.0 | (69.0) | 125.5 | 56.5 |
| Impact of fair value hedge | 74.7 | - | 74.7 | 114.3 | 4.5 | 118.8 |
| BORROWINGS AND DEBT | 9,760.6 | 2,004.4 | 11,765.0 | 8,665.5 | 2,499.8 | 11,165.3 |

The fair value of borrowings and debt as of December 31, 2017 was EUR 12,864.3 million for a net book value of EUR 11,765.0 million (for details see Note 13.4.2).

Borrowings are analyzed in Note 13.3 "Net debt".

Variations by flows of financial debts are presented in the following table:

| In millions of euros | December 31, 2016 | Cash flows | Forex effect | Non cash flor | Change in fair | Others | December 31, 2017 |
|--|-------------------|------------|--------------|---------------|----------------|--------|-------------------|
| Bond issues | 8,073.2 | 1,430.1 | (157.7) | - | - | (0.1) | 9,345.5 |
| Commercial paper | 764.0 | (364.0) | - | - | - | - | 400.0 |
| Draw downs on credit facilities | 90.9 | (11.6) | (0.1) | - | - | (6.7) | 72.5 |
| Borrowings under finance leases | 199.0 | (143.5) | (1.7) | (0.3) | - | 95.6 | 149.1 |
| Other bank borrowings | 790.4 | (62.8) | (44.5) | 20.3 | - | 1.1 | 704.5 |
| Other borrowings | 227.1 | (87.0) | (16.3) | 35.4 | - | (19.1) | 140.1 |
| BORROWINGS (gross amounts) | 10,144.6 | 761.2 | (220.3) | 55.4 | - | 70.8 | 10,811.7 |
| Overdrafts and current cash accounts (a) | 845.4 | (200.5) | 0.1 | 172.4 | - | 7.2 | 824.6 |
| OUTSTANDING FINANCIAL DEBT | 10,990.0 | 560.7 | (220.2) | 227.8 | - | 78.0 | 11,636.3 |
| Impact of measurement at amortized cost | 56.5 | (29.4) | (3.6) | 0.1 | 20.9 | 9.5 | 54.0 |
| Impact of fair value hedge | 118.8 | - | - | | (44.1) | - | 74.7 |
| BORROWINGS AND DEBT | 11,165.3 | 531.4 | (223.9) | 227.9 | (23.2) | 87.5 | 11,765.0 |

⁽a) including EUR 174.5 million relating to the former GE securitization program taken over by SUEZ WTS on the GE Water acquisition.

13.2.2 Derivative financial instruments (including commodities)

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

| | Dece | mber 31, 2017 | | Dece | mber 31, 2016 | 31, 2016 | |
|-------------------------------------|-------------|---------------|-------|-------------|---------------|----------|--|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total | |
| Debt-related derivatives | 5.7 | 11.3 | 17.0 | 5.5 | 35.3 | 40.8 | |
| Derivatives hedging commodities | - | 3.9 | 3.9 | - | 2.3 | 2.3 | |
| Derivatives hedging other items (a) | 20.7 | 23.1 | 43.8 | 40.1 | 25.2 | 65.3 | |
| TOTAL | 26.4 | 38.3 | 64.7 | 45.6 | 62.8 | 108.4 | |

⁽a) mainly includes derivative financial instruments::

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

13.2.3 Trade and other payables

| | December 31, | December 31, |
|--------------------------|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Trade payables | 3,391.6 | 2,788.7 |
| Payables on fixed assets | 321.9 | 274.9 |
| Total | 3,713.5 | 3,063.6 |

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

13.2.4 Other financial liabilities

| | December 31, | December 31, |
|--|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Payables on acquisition of shares | 7.6 | 9.5 |
| Other financial liabilities ^(a) | 35.5 | 0.9 |
| Total | 43.1 | 10.4 |

⁽a) EUR 34.6 million in 2017 related to the expansion of an Australian landfill.

⁻ for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for EUR 15.1 million at December 31, 2017, compared with EUR 22.4 million at December 31, 2016.

⁻ for forward interest pre-rate hedges maturing in 8 years with deferred start dates in 2018, designated as cash flow hedge, for EUR 8.6 million at December 31, 2017, compared with EUR 10.4 million at December 31, 2016.

⁻ As of December 31, 2017 there is no longer any net investment hedge, compared with EUR 10.7 million at December 31, 2016.

13.3 Net debt

13.3.1 Analysis by type of debt

| | December 31, 2017 | | | December 31, 2016 | | |
|---|-------------------|-----------|-----------|-------------------|-----------|-----------|
| In millions of euros | Non-current | Current | Total | Non-current | Current | Total |
| Outstanding borrowings | 9,763.5 | 1,872.8 | 11,636.3 | 8,620.2 | 2,369.8 | 10,990.0 |
| Impact of measurement at amortized cost (a) | (77.6) | 131.6 | 54.0 | (69.0) | 125.5 | 56.5 |
| Impact of fair value hedge ^(b) | 74.7 | - | 74.7 | 114.3 | 4.5 | 118.8 |
| Borrowings and debts | 9,760.6 | 2,004.4 | 11,765.0 | 8,665.5 | 2,499.8 | 11,165.3 |
| Debt-related derivatives under liabilities (c) | 5.7 | 11.3 | 17.0 | 5.5 | 35.3 | 40.8 |
| Gross debt | 9,766.3 | 2,015.7 | 11,782.0 | 8,671.0 | 2,535.1 | 11,206.1 |
| Financial assets measured at fair value through income excluding financial derivative instruments | - | (56.9) | (56.9) | - | (62.3) | (62.3) |
| Cash and cash equivalents | - | (3,058.1) | (3,058.1) | - | (2,924.7) | (2,924.7) |
| Debt-related derivatives under assets (c) | (136.0) | (58.3) | (194.3) | (175.8) | (1.8) | (177.6) |
| Net cash | (136.0) | (3,173.3) | (3,309.3) | (175.8) | (2,988.8) | (3,164.6) |
| Net debt | 9,630.3 | (1,157.6) | 8,472.7 | 8,495.2 | (453.7) | 8,041.5 |
| Outstanding borrowings | 9,763.5 | 1,872.8 | 11,636.3 | 8,620.2 | 2,369.8 | 10,990.0 |
| Financial assets measured at fair value through income excluding financial derivative instruments | - | (56.9) | (56.9) | - | (62.3) | (62.3) |
| Cash and cash equivalents | - | (3,058.1) | (3,058.1) | - | (2,924.7) | (2,924.7) |
| NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS | 9,763.5 | (1,242.2) | 8,521.3 | 8,620.2 | (617.2) | 8,003.0 |

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

The decrease in the current portion of outstanding borrowings at December 31, 2017 is mainly due to:

- the repayment of the bond issued by SUEZ maturing in January 2017 for EUR 200 million;
- the repayment of the bond issued by SUEZ in 2009 maturing in October 12, 2017 for EUR 150 million;
- the reduction in outstanding commercial papers in the amount of EUR 364 million.

The increase in the non-current portion of outstanding financial debt at December 31, 2017, is explained by the transactions presented in Note 13.3.3.

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

13.3.2 Issue of Undated Deeply Subordinated Notes

Following the announcement on March 8, 2017 of GE Water & Process Technologies acquisition project alongside with the Caisse de dépôt et placement du Quebec (CDPQ), SUEZ issued on April 19, 2017 undated deeply subordinated notes in the amount of EUR 600 million with an initial fixed coupon of 2.875 %.

As with previous issues still alive (in 2014 and 2015), this new issue is not recognized in financial debt because it fulfils the conditions stipulated in IAS 32 allowing it to be recognized as shareholders' equity (see Note 2.3).

13.3.3 Bond and Commercial paper issues

Following the announcement on March 8, 2017 of the proposed acquisition of GE Water & Process Technologies alongside with the Caisse de depôt et placement du Québec (CDPQ), on March 27, 2017 SUEZ issued bonds amounting to EUR 1,200 million in total, as part of its EMTN program:

EUR 500 million, maturing on April 3, 2025 and with a fixed annual coupon of 1.00%, and

EUR 700 million, maturing on April 3, 2029 and with a fixed annual coupon of 1.50%.

On September 13, 2017 SUEZ issued bonds amounting to EUR 500 million, maturing on September 21, 2032 and

with a fixed annual coupon of 1.625%.

SUEZ has a commercial paper program. At December 31, 2017, the outstanding notes totaled EUR 400 million.

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

At December 31, 2017, outstanding commercial paper was entirely covered by confirmed available for more than one-year credit lines.

13.3.4 Securitization of receivables

Context

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

This so-called "deconsolidation" program concerns assignors from R&R France, IWS France, R&R Netherlands, R&R UK and SUEZ Deutschland.

In april 2017, this program was renewed for five years, and the scope of the transferred receivables portfolio was amended: the assignor, SUEZ R&R UK, was removed and new French assignors 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 IAS 39.

The main characteristics of the program are as follows:

- (a) A compartment dedicated to the Group's receivables was created within a FCT;
- (b) The FCT used in the program is financing the compartment by issuing three types of instruments:
 - shares known as "senior", issued on the markets through a dedicated channel,
 - a deposit known as "mezzanine", underwritten by the Group,
 - shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group;
- (c) These shares are presented here in order of payment priority related to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last;
- (d) The Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

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

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

- (e) Set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above;
- (f) Set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ or to the non-respect by the Group of its contractual obligations. At December 31, 2017, this security deposit had not yet been formed;
- (g) An option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term), or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date;
- (h) Issue of a guarantee for the risk of modification of tax rules;
- (i) Preservation by each Group subsidiary of the follow-up and collection of receivables that it has transferred to the compartment; to this effect, a follow-up and collection agreement was signed by each of the subsidiaries acting as collector and by the compartment, this service being remunerated by FCT.

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

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low.

Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favorable than those attributable to the Group, and the granting of the liquidation profit.

Accounting treatment

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

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

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

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

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

The figures as of December 31, 2017 are presented below:

In millions of euros

| Impact of sales of derecognized receivables in the sense of IAS 39 on net debt | 404.6 | (a) + (b) + (c) + (d) - (e) |
|--|---------|-----------------------------|
| Residual maturity of CC1 | 50 | months |
| Book value of CC2 | * | |
| Fair value of CC1 | 36.0 | |
| Book value of CC1 as of December 31, 2017 | 36.0 | (e) |
| Outstanding receivables transferred as of December 31, 2017 | 447.4 | (a) |
| Remuneration of services for follow-up and recovery of receivables transferred over the period | 10.8 | (d) |
| Remuneration for CC1 | 0.7 | (c) |
| Gain / (loss) arising from sale over the period | (18.3) | (b) |
| Total of receivables sold over the period | 2,452.1 | |
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^{*} No security deposit known as "CC2" had been made as of December 31, 2017; payment of this deposit is subject to the conditions described above.

13.3.5 Change in net debt

Net debt increased by EUR 431.2 million during the year 2017.

Key transactions that led to an increase of Net debt are the following:

GE Water's acquisition:

- Global amount of the Investment (a) of EUR 2,902.6 million;
- The increase in SUEZ's share capital on May 24, 2017, net of expenses (b), generated a EUR 745.6 million reduction in the net financial debt;
- The issue of undated deeply subordinated notes on April 19, 2017 net of expenses (c), for an amount of EUR 597.7 million;
- Cash contribution of EUR 668.2 million by CDPQ to SWTS capital (d), in exchange CDPQ received 30% of SWTS capital;
 - Net financed by debt: (a) (b) (c) (d)= EUR 891.1 million

the payment of cash dividends to shareholders of SUEZ amounting to EUR 366.6 million;

the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 218.8 million (withholding taxes included):

Key transaction that led to a decrease of Net debt are the following:

sale of 9.1% of Aquasure for EUR 98.7 million;

reimbursement of 3% tax on distribution amounting EUR 53.1 million, perceived between 2013 and 2017;

besides, a securitization of CICE (tax credit for competitiveness and employment) receivables for years 2016 and 2017 was completed, contributing to a reduction of EUR 76.7 million in financial debt.

capital increase reserved to employees realized on December 19, 2017, for EUR 117.9 million;

variation of foreign exchange rates for EUR 364.3 million, primarily related to the depreciation of the US dollar against the euro for EUR 220 million;

excess cash generated by the Group's activities generated a decrease in net debt of EUR 448.4 million.

13.3.6 Debt/equity ratio

| | December 31, | December 31, |
|----------------------|--------------|--------------|
| In millions of euros | 2017 | 2016 |
| Net debt | 8,472.7 | 8,041.5 |
| Total equity | 9,066.0 | 7,365.8 |
| Debt/equity ratio | 93.5% | 109.2% |

13.4 Fair value of financial instruments by level

13.4.1 Financial assets

AVAILABLE-FOR-SALE SECURITIES:

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 23.6 million at December 31, 2017. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 103.5 million at December 31, 2017 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As of December 31, 2017, the change in Level 3 available-for-sale securities breaks down as follows:

In millions fo euros

| AT DECEMBER 31, 2016 | 114.1 |
|--|--------|
| Acquisitions | 18.8 |
| Disposals (book value of assets disposed) | (3.9) |
| Gains and losses posted to equity | 0.1 |
| Gains and losses posted to income | (0.9) |
| Changes in scope, exchange rates and other | (24.7) |
| AT DECEMBER 31, 2017 | 103.5 |

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 865.2 million at December 31, 2017, may contain elements that contribute to a fair value hedging relationship. At December 31, 2017, no hedge was put in place.

DERIVATIVE FINANCIAL INSTRUMENTS:

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options and forward currency sales and purchases. It is recognized at its fair value at December 31, 2017 for EUR 239.0 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME:

Financial assets measured at fair value through income amounting to EUR 56.9 million at December 31, 2017, determined based on observable data, are considered Level 2.

13.4.2 Financial liabilities

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

| | December 31, 2017 | | | December 31, 2016 | | | | |
|----------------------------------|-------------------|---------|---------|-------------------|----------|---------|---------|---------|
| In millions of euros | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Borrowings | 12,864.3 | 7,716.4 | 5,147.9 | | 12,404.3 | 6,556.4 | 5,847.9 | |
| Derivative financial instruments | 64.7 | | 64.7 | | 108.4 | | 108.4 | |
| Debt-related derivatives | 17.0 | | 17.0 | | 40.8 | | 40.8 | |
| Derivatives hedging commodities | 3.9 | | 3.9 | | 2.3 | | 2.3 | |
| Derivatives hedging other items | 43.8 | | 43.8 | | 65.3 | | 65.3 | |
| TOTAL | 12,929.0 | 7,716.4 | 5,212.6 | | 12,512.7 | 6,556.4 | 5,956.3 | - |

BONDS AND BORROWINGS:

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

DERIVATIVE FINANCIAL INSTRUMENTS:

See Note 13.4.1 for details on fair value level.

13.5 Offsetting of derivative assets and liabilities

At December 31, 2017, as at December 31, 2016, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, SUEZ has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These master netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

| | | December 31, 2017 | | | | December 31, 2016 | | | | |
|-------------------------|-----------|--|--------|--|--------|--|--------|----------------------------------|--|--|
| | instrumer | Financial derivatives instruments on net debt and others | | Financial derivatives instruments on commodities | | Financial derivatives instruments on net debt and others | | erivatives ents on odities | | |
| In millions of euros | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | | |
| Gross amount (a) | 238.7 | (60.8) | 0.4 | 3.9 | 228.3 | (106.1) | 1.1 | (2.3) | | |
| AMOUNT AFTER OFFSETTING | 215.2 | (37.3) | 0.4 | 3.9 | 191.3 | (69.1) | 0.0 | (1.2) | | |

⁽a) Gross amounts of recorded assets and liabilities

Note 14 Management of risks arising from financial instruments

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

14.1 Market risks

14.1.1 Commodity market risks

14.1.1.1 HEDGING OPERATIONS

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

14.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

The fair value of derivative instruments linked to commodities at December 31, 2017 and 2016 is presented in the table below:

| | December 31, 2017 | | | | December 31, 2016 | | | | |
|----------------------|-------------------|-------------|--------------------|-------------|-------------------|-------------|---------|-------------|--|
| | Assets | | Assets Liabilities | | Assets | | Liabi | Liabilities | |
| In millions of euros | Current | Non-current | Current | Non-current | Current | Non-current | Current | Non-current | |
| Cash flow hedges | 0.4 | - | 3.9 | - | 1.1 | - | 2.3 | - | |
| TOTAL | 0.4 | - | 3.9 | - | 1.1 | - | 2.3 | - | |

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

| | | December 31, 2016 | | | | | | |
|----------------------|-------------|-------------------|-------------|----------|-------------|----------|-------------|-------------|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| In millions of euros | Current Nor | -current | Current Nor | -current | Current Non | -current | Current I | Non-current |
| ELECTRICITY | - | - | 3.9 | - | - | - | 2.3 | - |
| Swaps | - | - | 3.9 | - | - | - | 2.3 | - |
| OIL | 0.4 | - | - | - | 1.1 | - | - | - |
| Swaps | 0.4 | - | - | - | 1.1 | - | - | - |
| TOTAL | 0.4 | - | 3.9 | - | 1.1 | - | 2.3 | - |

14.1.2 Currency risk

Subsidiaries use mostly local currency, consequently exposure to currency risk linked to transactions is limited.

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.

14.1.2.1 ANALYSIS OF FINANCIAL INSTRUMENTS BY CURRENCY

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

Outstanding borrowings

| | Decembe | r 31, 2017 | December 31, 2016 | | |
|------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|
| In % | Before impact of derivatives | After impact of derivatives | Before impact of derivatives | After impact of derivatives | |
| Euro zone | 75% | 52% | 73% | 59% | |
| US\$ zone | 7% | 22% | 7% | 16% | |
| £ zone | 3% | 4% | 3% | 4% | |
| CLP (Chilean peso) | 11% | 11% | 12% | 12% | |
| HKD (Hong-Kong dollar) | 1% | 6% | 2% | 4% | |
| Other currencies | 3% | 5% | 3% | 5% | |
| TOTAL | 100% | 100% | 100% | 100% | |

Net debt

| | December 3 | 1,2017 | December 31, 2016 | | | |
|------------------------|-----------------------------------|--------------------------------|-------------------|------|--|--|
| In % | Before impact A of derivatives | Before impact A of derivatives | • | | | |
| Euro zone | 77% | 44% | 72% | 53% | | |
| US\$ zone | 7% | 27% | 9% | 21% | | |
| £ zone | 3% | 5% | 4% | 4% | | |
| CLP (Chilean peso) | 14% | 14% | 15% | 15% | | |
| HKD (Hong-Kong dollar) | 1% | 8% | -3% | 1% | | |
| Other currencies | -2% | 2% | 3% | 6% | | |
| TOTAL | 100% | 100% | 100% | 100% | | |

14.1.2.2 ANALYSIS OF CURRENCY RISK SENSITIVITY

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

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

Impact on income after the impact of foreign exchange derivatives:

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional currency of the companies carrying the liabilities on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/-10% change of foreign currencies against euro would generate a gain or a loss of EUR 2.4 million.

Impact on equity after taking into account foreign exchange derivatives:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform \pm 10% change of foreign currencies against euro would have a negative or positive impact on equity of EUR 0.6 million. This impact is offset by a counter-effect on the net investment in the hedged currency.

14.1.3 Interest rate risk

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

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

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

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

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

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euro, US dollar, pound sterling, Chilean peso and Hong-Kong dollar, which represented 98% of net debt as of December 31, 2017.

14.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE

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

Outstanding borrowings

| | December | r 31, 2017 | December 31, 2016 | | | |
|---------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|--|
| In % | Before impact of derivatives | After impact of derivatives | Before impact of derivatives | After impact of derivatives | | |
| Floating rate | 16% | 30% | 24% | 36% | | |
| Fixed rate | 75% | 61% | 66% | 54% | | |
| Fixed rate indexed to inflation | 9% | 9% | 10% | 10% | | |
| TOTAL | 100% | 100% | 100% | 100% | | |

Net debt

| | Decembe | r 31, 2017 | December 31, 2016 | | | |
|---------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|--|
| In % | Before impact of derivatives | After impact of derivatives | Before impact of derivatives | After impact of derivatives | | |
| Floating rate | -17% | 2% | -7% | 11% | | |
| Fixed rate | 105% | 86% | 94% | 76% | | |
| Fixed rate indexed to inflation | 12% | 12% | 13% | 13% | | |
| TOTAL | 100% | 100% | 100% | 100% | | |

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

14.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY

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

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

Impact on income after taking into account interest rate derivatives:

(See Note 1.5.10.3)

A +/-1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt, inflation-linked debt included, and the floating-rate component of derivatives would have a negative or positive impact of EUR 3.2 million on net interest expense.

A 1% increase in all interest rates (uniform for all currencies) would generate a loss of EUR 1.4 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 1.5 million.

Impact on equity after taking into account interest rate derivatives:

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of EUR 27.4 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 30.7 million.

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

14.1.4 Currency and interest rate risk hedges

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

Foreign currency derivatives

| | December | 31, 2017 | December 31, 2016 | | |
|--|--------------|---------------|-------------------|---------------|--|
| | Total market | Total nominal | Total market | Total nominal | |
| In millions of euros | value | value | value | value | |
| Fair-value hedges | (0.2) | 391.8 | (1.2) | 629.7 | |
| Cash-flow hedges | (0.3) | 11.7 | 4.0 | 68.2 | |
| Net investment hedges | 0.3 | 34.9 | (1.1) | 1,335.8 | |
| Derivative instruments not qualifying for hedge accounting | 70.5 | 3,425.4 | (7.0) | 1,786.1 | |
| Total | 70.3 | 3,863.8 | (5.3) | 3,819.8 | |

Interest rate derivatives

| | December | 31, 2017 | December 31, 2016 | | |
|--|--------------|---------------|-------------------|---------------|--|
| | Total market | Total nominal | Total market | Total nominal | |
| In millions of euros | value | value | value | value | |
| Fair-value hedges | 106.6 | 1,700.0 | 147.4 | 1,550.0 | |
| Cash-flow hedges | (12.2) | 55.5 | (17.9) | 400.0 | |
| Derivative instruments not qualifying for hedge accounting | (3.1) | 143.7 | (4.5) | 146.8 | |
| TOTAL | 91.3 | 1,899.2 | 125.0 | 2,096.8 | |

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

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

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

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

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

Fair-value hedges

As of December 31, 2017, the net impact of fair value hedges recognized in the income statement, including compensation payments and redemption premium was EUR 3.5 million.

Cash flow hedges

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

At December 31, 2017

| In millions of euros | Total | 2018 | 2019 | 2020 | 2021 | 2022 | Beyond 5 years |
|--|--------|-------|-------|-------|-------|-------|-------------------|
| Fair value of derivatives by maturity date | (12.6) | (0.5) | (0.1) | (0.3) | (2.8) | - | (8.9) |
| At December 31, 2016 | | | | | | | |
| In millions of euros | Total | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond 5 years |
| Fair value of derivatives by maturity date | (13.9) | 2.6 | (8.0) | (0.2) | (0.8) | (4.3) | (10.4) |

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2017 amounted to EUR 20.7 million (including impacts on associates).

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

Net investment hedges

The ineffective portion of net Investment hedges recognized in income is nil.

14.2 Counterparty risk

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

14.2.1 Operating activities

TRADE AND OTHER RECEIVABLES

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

| Trade and other receivables | Past-du | e non impaired ass | date | Impaired assets ^(a) | Non-impaired and not past-due assets | | |
|-----------------------------|------------|--------------------|-------------|-----------------------------------|--|---------|---------|
| In millions of euros | 0-6 months | 6-12 months Ove | er one year | Total | Total | Total | Total |
| At December 31, 2017 | 290.6 | 49.7 | 73.9 | 414.2 | 397.7 | 4,185.7 | 4,997.6 |
| At December 31, 2016 | 225.6 | 40.0 | 47.4 | 313.0 | 450.1 | 3,595.0 | 4,358.1 |

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

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

OTHER ASSETS

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

14.2.2 Financial activities

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the carrying amount of financial assets excluding available-for-sale securities and the fair value of derivatives on the assets side of the statement of financial position (*i.e.* EUR 8,908.9 million at December 31, 2017, and EUR 8,137.1 million at December 31, 2016).

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

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

| Loans and receivables carried at amortized cost (excluding trade and other receivables) | Past-due non impaired assets at closing date | | | | Impaired assets ^(a) | Non-impaired and not past-due assets | | |
|---|--|-------------|---------------|-------|--------------------------------|--|---------|--|
| In millions of euros | 0-6 months | 6-12 months | Over one year | Total | Total | Total | Total | |
| At December 31, 2017 | - | - | 0.2 | 0.2 | 97.7 | 865.6 | 963.5 | |
| At December 31, 2016 | - | - | 0.5 | 0.5 | 201.3 | 848.6 | 1,050.4 | |

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (EUR 97.7 million as of December 31, 2017 and EUR 171.9 million as of December 31, 2016) or amortized cost (-EUR 0.6 million as of December 31, 2017 and EUR 0.8 million as of December 31, 2016). The change in these items is presented in Note 13.1.2, "Loans and receivables at amortized cost".

14.2.2.2 COUNTERPARTY RISK ARISING FROM INVESTMENT ACTIVITIES

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

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

At December 31, 2017, "Cash and cash equivalents" and derivatives assets were the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

| | | December 31, 2017 | | | | December | 31, 2016 | |
|---|---------|------------------------------------|-------------|---|---------|------------------------------------|-------------|---|
| Counterparty risk arising from investing activities | Total | Investment Grade ^(a) | Unrated (b) | Non Investment Grade ^(b) | Total | Investment Grade ^(a) | Unrated (b) | Non Investment Grade ^(b) |
| % of exposure | 3,236.2 | 94% | 5% | 1% | 3,094.1 | 93% | 6% | 1% |

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

14.3 Liquidity risk

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

14.3.1 Available cash

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

diversification of financing sources between the banking and capital markets;

balanced repayment profile of borrowings.

As of December 31, 2017, the Group's total net cash stood at EUR 3,309.3 million, consisting of cash and cash equivalents of EUR 3,058.1 million, financial assets at fair value through income of EUR 56.9 million, and debt-related derivatives recorded as assets of EUR 194.3 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2017, the Group specifically had EUR 2,686.9 million in confirmed credit facilities, including EUR 72.5 million already drawn; unused credit facilities therefore totaled EUR 2,614.4 million, EUR 176.2 million of which will be maturing in 2018.

88% of total credit lines and 91% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As of December 31, 2017, bank funding accounted for 7.2% of the outstanding borrowings (excluding bank overdrafts and liability current accounts as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 86.4% and commercial paper for 3.7%) represented 90.1% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

Moreover, available cash, composed of cash and cash equivalents (EUR 3,058.1 million) and financial assets measured at fair value through income (EUR 56.9 million), net of bank overdrafts and liability current accounts (EUR 824.6 million), amounted to EUR 2,290.4 million at December 31, 2017 versus EUR 2,141.6 million at December 31, 2016.

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

14.3.2 Undiscounted contractual payments

of derivative financial instruments

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

At December 31, 2017, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

| At December 31, 2017 | | | | | | | Beyond |
|--|-----------|-----------|---------|---------|---------|---------|---------|
| In millions of euros | Total | 2018 | 2019 | 2020 | 2021 | 2022 | 5 years |
| Bonds issues | 9,345.5 | 210.5 | 844.8 | 464.6 | 1,023.5 | 827.3 | 5,974.8 |
| Commercial paper | 400.0 | 400.0 | | | | | |
| Draw downs on credit facilities | 72.5 | 46.0 | 13.1 | | 13.4 | | |
| Borrowings under finance leases | 149.1 | 74.2 | 33.0 | 13.5 | 6.2 | 3.4 | 18.8 |
| Other bank borrowings | 704.5 | 276.0 | 159.5 | 97.1 | 69.0 | 32.5 | 70.4 |
| Other borrowings | 140.1 | 41.5 | 24.0 | 6.9 | 10.0 | 5.6 | 52.1 |
| Overdrafts and current accounts | 824.6 | 824.6 | | | | | |
| Outstanding borrowings | 11,636.3 | 1,872.8 | 1,074.4 | 582.1 | 1,122.1 | 868.8 | 6,116.1 |
| Financial assets measured at fair value through income | (56.9) | (56.9) | - | - | - | - | - |
| Cash and cash equivalents | (3,058.1) | (3,058.1) | - | - | - | - | _ |
| Net debt excluding amortized cost and impact of derivative financial instruments | 8,521.3 | (1,242.2) | 1,074.4 | 582.1 | 1,122.1 | 868.8 | 6,116.1 |
| At December 31, 2016 | | | | | | | |
| | | | | | | | Beyond |
| In millions of euros | Total | 2017 | 2018 | 2019 | 2020 | 2021 | 5 years |
| Outstanding borrowings | 10,990.0 | 2,369.8 | 589.8 | 1,061.1 | 575.2 | 1,112.3 | 5,281.8 |
| Financial assets relating to financing, Financial | | | | | | | |
| assets measured at fair value through income | (2,987.0) | (2,987.0) | - | - | - | - | - |
| and Cash and cash equivalents | | | | | | | |
| Net debt excluding amortized cost and impact | 8,003.0 | (617.2) | 589.8 | 1,061.1 | 575.2 | 1,112.3 | 5,281.8 |

As of December 31, 2017, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

| At December 31, 2017 | | | | | | | |
|--|---------|-------|-------|-------|-------|-------|---------|
| | | | | | | | Beyond |
| In millions of euros | Total | 2018 | 2019 | 2020 | 2021 | 2022 | 5 years |
| Undiscounted contractual interest payments on outstanding borrowings | 2,384.5 | 319.3 | 309.9 | 247.6 | 238.8 | 198.9 | 1,070.0 |
| A4 Days when 04 004C | | | | | | | |
| At December 31, 2016 | | | | | | | |
| | | | | | | | Beyond |
| In millions of euros | Total | 2017 | 2018 | 2019 | 2020 | 2021 | 5 years |
| Undiscounted contractual interest payments on outstanding borrowings | 2,532.4 | 331.7 | 320.3 | 293.5 | 232.4 | 224.4 | 1,130.1 |

At December 31, 2017 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

At December 31, 2017

| In millions of euros | Total | 2018 | 2019 | 2020 | 2021 | 2022 | Beyond |
|-------------------------------------|---------|--------|--------|--------|--------|--------|-----------------|
| Derivatives (excluding commodities) | (155.5) | (77.3) | (37.9) | (21.7) | (21.8) | (10.5) | 5 years 13.7 |
| | , , | . , | , , | . , | , , | , , | |
| | | | | | | | |
| At December 31, 2016 | | | | | | | |
| | | | | | | | Beyond |
| In millions of euros | Total | 2017 | 2019 | 2020 | 2022 | 2021 | 5 years |
| Derivatives (excluding commodities) | (99.5) | 37.1 | (55.1) | (34.5) | (21.4) | (20.2) | (5.4) |

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

| In millions of euros | Total | 2018 | 2019 | 2020 | 2021 | 2022 | Beyond 5 years |
|----------------------|---------|-------|-------|-------|---------|-------|-------------------|
| At December 31, 2017 | 2,614.4 | 176.2 | 150.4 | 165.9 | 1,595.1 | 480.0 | 46.8 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | Beyond |
| In millions of euros | Total | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond 5 years |

Confirmed but unused lines of credit include a EUR 1.5 billion multi-currency club deal (maturing in 2021).

As of December 31, 2017, no counterparty represented more than 6% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2017, available-for-sale securities held by the Group amounted to EUR 127.1 million (see Note 13.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around EUR 2.3 million on Group shareholders' equity.

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

Note 15 Shareholders' equity

15.1 Share capital

| | | | | Value | | | |
|---|-------------|----------------|-------------|------------------------|-----------------|----------|--|
| | Nu | mber of shares | Outstanding | (in millions of euros) | | | |
| | | Treasury | | | Additional | Treasury | |
| | Total | shares | shares | | paid-in capital | shares | |
| At December 31, 2015 | 542,643,468 | 1,959,749 | 540,683,719 | 2,170.6 | 4,406.8 | 29.4 | |
| Purchase and disposal of treasury shares | | (44,953) | 44,953 | | | (8.0) | |
| Contribution by ENGIE of the Suez brand | 1,757,778 | | 1,757,778 | 7.0 | 22.0 | | |
| Contribution of ACEA shares | 20,000,000 | | 20,000,000 | 80.0 | 214.4 | | |
| Deduction from additional paid-in capital for the 2015 dividend | | | | | (10.9) | | |
| payment | | | | | (10.9) | | |
| At December 31, 2016 | 564,401,246 | 1,914,796 | 562,486,450 | 2,257.6 | 4,632.3 | 28.6 | |
| Purchase and disposal of treasury shares | | 3,153,117 | (3,153,117) | | | 48.4 | |
| Delivery of shares from the 2013 Worldwide Bonus Share | 1,176,328 | | 1,176,328 | 4.7 | (4.7) | | |
| Allocation Plan | 1,170,020 | | 1,170,020 | 7.7 | (4.7) | | |
| Delivery of 2013 performance share plan | 338,621 | | 338,621 | 1.3 | (1.3) | | |
| Allocation to the legal reserve | | | | | (0.1) | | |
| Capital increase reserved for employees, net of expenses (SHARING 2017) | 9,978,030 | | 9,978,030 | 39.9 | 78.0 | | |
| Legal reserve appropriation (SHARING 2017) | | | | | (4.0) | | |
| Financing of the acquisition of GE Water (a) | 47,468,354 | | 47,468,354 | 189.9 | 555.7 | | |
| Allocation to the legal reserve | | | | | (19.0) | | |
| At December 31, 2017 | 623,362,579 | 5,067,913 | 618,294,666 | 2,493.4 | 5,236.4 | 77.0 | |
| (a) See Note 2.1 and 2.4. | | | | | | | |

The change in the number of shares during 2017 to 58,961,333 is due to four share issuances:

- the issuance of 1,176,328 new shares on January 19, 2017 to deliver to beneficiaries outside France, Italy and Spain related to the expiration of the vesting period for the bonus share plan granted on January 17, 2013;
- the issuance of 338,621 new shares on March 28, 2017 to deliver performance shares granted on March 27, 2013 to beneficiaries outside France, Belgium and Spain;
- the issuance of 47,468,354 new shares, on May 24, 2017, with a waiver of preferential subscription rights and priority subscription period to finance the acquisition of GE Water & Process Technologies (see Note 2.4);
- the issuance of 9,978,030 new shares on December 19, 2017 as part of a worldwide employee shareholding plan called "SHARING".

15.2 Treasury shares

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

As of December 31, 2017, treasury shares amount to 4,667,913 against 1,914,796 as of December 31, 2016. 2,000,000 shares will be canceled as part of the capital reduction decided by the Board of Directors on February 28, 2018, the balance being allocated for the purpose of covering the share allocation plan to employee and 400,000 treasury shares as per the liquidity contract.

15.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (EUR 5,684 million as of December 31, 2017), incorporate the SUEZ legal reserve. In accordance with French law, SUEZ's legal reserve represents 10% of the share capital. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

15.4 Dividend distribution

As it did for fiscal years 2015 and 2016, the Board will propose a dividend, in this case EUR 0.65 per share for a total of EUR 401.9 million in cash based on the number of outstanding shares as of December 31, 2017, to the SUEZ's Shareholders' Meeting convened to approve the financial statements for the fiscal year which ended on December 31, 2017.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2018. This dividend is not recognized under liabilities in the financial statements at December 31, 2017 as these financial statements are presented before net income allocation.

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

| | Dec. 31, | | Dec. 31, |
|---|----------|---------|----------|
| In millions of euros | 2017 | Change | 2016 |
| Available-for-sale securities | (2.7) | (0.1) | (2.6) |
| Net investment hedges | (159.2) | (4.0) | (155.2) |
| Cash-flow hedges (excluding commodities) | (4.6) | 12.3 | (16.9) |
| Commodity cash-flow hedges | (3.1) | (1.9) | (1.2) |
| Deferred tax on available-for-sale securities and hedges | 10.9 | (2.4) | 13.3 |
| Share of associates on reclassifiable items, net of tax | (29.3) | (53.5) | 24.2 |
| Share of joint ventures on reclassifiable items, net of tax | (69.4) | (8.3) | (61.1) |
| Translation adjustments | (41.2) | (180.0) | 138.8 |
| TOTAL reclassifiable items | (298.6) | (237.9) | (60.7) |
| Actuarial gains and losses | (397.7) | 8.7 | (406.4) |
| Deferred tax on actuarial gains and losses | 98.7 | 19.2 | 79.5 |
| Share of joint ventures on non reclassifiable items, net of tax | - | - | - |
| Share of associates on non reclassifiable items, net of tax | (4.9) | 0.1 | (5.0) |
| TOTAL non reclassifiable items | (303.9) | 28.0 | (331.9) |
| TOTAL | (602.5) | (209.9) | (392.6) |

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

15.6 Undated deeply subordinated notes

In June 2014, SUEZ issued undated deeply subordinated notes, also denominated hybrids, of EUR 500 million with an initial fixed coupon of 3%. On March 30, 2015, SUEZ issued another undated deeply subordinated notes for a total amount of EUR 500 million. The new notes beared interest at a fixed rate of 2.5%, revised for the first time seven years after issuance on the basis of the 5-year swap rate, and then every five years.

On April 19, 2017, SUEZ realized an issue of undated deeply subordinated notes for a total amount of EUR 600 million, with an initial fixed coupon of 2.875%, revised for the first time seven years after the issue on the basis of the swap rate after 5 years, and then again every five years. This issuance was prepared in order to secure funding for the acquisition of GE Water.

In accordance with the provisions of IAS 32, these notes or hybrid bonds are considered as an instrument of equity rather than a debt in the Group's consolidated accounts as there is no direct or indirect obligation to pay interest (except in the case of a distribution of dividends by the issuer or a redemption of the notes), nor is there any maturity of the final redemption, but only optional redemption dates (see Note 2.3).

Following this issuance, the Group's outstanding hybrid bonds amounted to EUR 1.6 billion as at December 31, 2017.

15.7 Equity management

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

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

Note 16 Non-controlling interests

Changes in "Non-controlling interests" between 2016 and 2017 for the amount of EUR 633.8 million are principally due to the creation of SUEZ Water Technologies & Solutions (SWTS), company owned at 70% by SUEZ Group. SWTS includes ex-GE Water entities as well as SUEZ entities specialized in Industrial Water (see note 2.1).

The contribution of the business unit WTS to the item "Non-controlling interests" is EUR 706.2 million at December 31, 2017.

The Agbar group is nonetheless the primary contributor to the "Non-controlling interests" in the consolidated statement of financial position of the Group. This contribution amounts to EUR 1,063.1 million out of a total of EUR 2,503.7 million at December 31, 2017, compared to EUR 1,164.2 million out of a total of EUR 1,869.9 million at December 31, 2016.

The contribution of EUR 1,063.1 million at December 31, 2017 is primarily the result of the 71.6% non-controlling interest in Aguas Andinas in Chile.

SUEZ fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 100% at December 31, 2017.

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

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

Aguas Andinas is therefore fully consolidated within the SUEZ Group with a percentage of interest of 28.4%.

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

Summarized financial information on the Aguas Andinas (at 100%) are presented belowThey are extracted from the data published by the company.

Summarized Statement of financial position at 100%

| | September 30, | December 31, |
|--|----------------------------|--------------|
| In millions of euros | 2017 ^(a) | 2016 |
| Non-current assets | 2,137.2 | 2,259.4 |
| Current assets | 166.0 | 258.8 |
| of which Cash and cash equivalents | 7.1 | 92.2 |
| Total assets | 2,303.2 | 2,518.2 |
| Shareholders' equity, Group share | 854.5 | 901.3 |
| Non-controlling interests | 68.0 | 74.9 |
| Total shareholders' equity | 922.2 | 976.2 |
| Non-current liabilities | 1,163.3 | 1,240.7 |
| Current liabilities | 217.4 | 301.3 |
| Total shareholders' equity and liabilities | 2,303.2 | 2,518.2 |
| | | |
| Closing exchange rate CLP / EUR | 755.4 | 703.6 |

⁽a) The Aguas Andinas group's consolidated financial statements as at December 31, 2017 were not yet available on the date when the Group's annual consolidated financial statements were published.

The summarized statement of financial position at September 30, 2017 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

| | September 30, | September 30, |
|--|----------------------------|---------------|
| In millions of euros | 2017 ^(a) | 2016 |
| Revenues | 514.8 | 475.4 |
| Operating profit /(loss) | 224.3 | 215.1 |
| | | |
| Net income - Group share | 139.4 | 131.3 |
| Net income - non-controlling interests | 3.7 | 3.9 |
| · | | |
| Netincome | 143.1 | 135.1 |
| Other comprehensive income (OCI) | - | _ |
| Comprehensive income | 143.1 | 135.1 |
| | | |
| Average exchange rate CLP / EUR | 727.7 | 758.3 |

⁽a) The Aguas Andinas group's consolidated financial statements as at December 31, 2017 were not yet available on the date when the Group's annual consolidated financial statements were published.

Dividends (100%)

| | Dividends related | Dividends related |
|---------------------------------|-------------------|-------------------|
| In millions of euros | to 2016 | to 2015 |
| Dividends paid by Aguas Andinas | 186.0 | 170.1 |

Moreover, the 42% of non-controlling interest in SUEZ NWS group entities, in China and Hong Kong represent EUR 424.4 million at December 31, 2017.

The summarized income statement at September 30, 2017 is extracted from the most recent published data (not audited).

Note 17 Provisions

| | December | | Reversals | Reversals (surplus | Scope | Impact of unwinding discount | Translation | · | December |
|--|----------|------------|----------------|-----------------------|---------|------------------------------------|-------------|-------|----------|
| In millions of euros | 31,2016 | Allowances | (utilizations) | provisions) | effects | adjustments (a) | adjustments | Other | 31, 2017 |
| Post-employment benefit obligations and other long-term benefits | 801.1 | 43.8 | (85.4) | - | 50.1 | 16.4 | (29.5) | (8.4) | 788.1 |
| Sector-related risks | 88.5 | 2.8 | (10.2) | - | - | - | - | 2.5 | 83.6 |
| Warranties | 20.4 | 14.7 | (11.4) | - | 3.3 | - | (0.7) | (1.0) | 25.3 |
| Tax risks, other disputes and claims | 134.1 | 28.1 | (53.9) | (18.6) | (1.7) | - | (1.2) | 3.5 | 90.3 |
| Site restoration | 567.0 | 41.3 | (72.5) | - | - | 17.1 | (10.2) | 0.6 | 543.3 |
| Restructuring costs | 46.9 | 136.6 | (79.4) | (1.3) | 1.7 | - | (1.0) | 8.0 | 104.3 |
| Other contingencies (b) | 421.5 | 83.4 | (99.3) | (7.9) | 39.5 | 7.9 | (12.9) | 13.6 | 445.8 |
| TOTAL PROVISIONS | 2,079.5 | 350.7 | (412.1) | (27.8) | 92.9 | 41.4 | (55.5) | 11.6 | 2,080.7 |

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

As of December 31, 2017, the variation of total provisions mainly derives from:

- the translation adjustments of -EUR 55.5 million, which are primarily generated by the American and Australian subsidiaries;
- ▶ the scope effects for +EUR 92.9 million mainly due to GE Water's acquisition.
- ▶ the +EUR 41.4 million impact of unwinding discount adjustments mainly related to provisions for site restoration and to provisions for post-employment benefit obligations and other long-term benefits, as well as provisions for onerous contracts, classified as provisions for other contingencies.

The increase in provisions for restructuring for +EUR 58.4 million which are primarily generated by amounts to be paid for voluntary redundancy plan in France.

Diminution of tax risks, other contingencies and claim for -EUR 42.6 million mainly due to litigation in Spain. (see Note 26).

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for 2017:

| In millions of euros | (Reversals) / net allowances |
|-------------------------------------|------------------------------|
| Income from operating activities | (50.5) |
| Other financial income and expenses | 41.4 |
| Income tax expense | (38.7) |
| TOTAL | (47.8) |

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

17.1 Post-employment benefits and other long-term benefits

See Note 18.

17.2 Sector-related risks

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

17.3 Tax risks, other disputes and claims

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

⁽b) Provisions for "other contingencies" include a provision for onerous contracts for EUR 87.5 million in 2017 versus EUR 93.6 million in 2016, following the acquisition of WSN by SUEZ R&R Australia in 2010.

17.4 Site restoration

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

These two types of provisions (rehabilitation and long-term monitoring) are calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are recorded over the period that the site is in operation, pro rata to the depletion of landfill capacity (void-space) (matching of income and expenses). Costs to be incurred at the time of a site's closure or during the long-term monitoring period (30 years after a site is shut down within the European Union, 20 years in France starting the application of the ministerial decree of February 15, 2016 with a renewable 5 years monitoring period, and 60 years in Great-Britain) are discounted to present value. An asset is recorded as a counterparty against the provision. It is depreciated in line with the depletion of the landfill capacity or the need for capping, during the period.

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

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

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

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

17.5 Other contingencies

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

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

18.1 Description of the main pension plans and related benefits

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

18.1.1 Main pension plans

In France, employees have defined-contribution retirement plans, such as the basic social security benefits, and supplementary pension schemes. Some employees also have optional retirement plans, some of which are defined-benefit plans through which the employer agrees to pay its employees, or a category of its employees, retirement benefits based on a contractually agreed amount. Thus, the so-called "1991" and "1998" defined-benefit plans at SUEZ, SUEZ Groupe, SUEZ Eau France apply to those companies' senior executives. At December 31, 2017, the Projected Benefit Obligation (PBO) for this senior executives' plan was EUR 103.4 million, versus EUR 106.5 million at December 31, 2016. The average duration of the actuarial liability for the senior executives' plans is 20 years. It should be noted that these plans are partially funded (25% of gross debt at December 31, 2017).

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

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

In the United States, there are two defined benefit plans: the United Water Resources Inc. Retirement Plan, closed to new employees since January 2010, and the United Water Environmental Services Pension Plan for employees of the unregulated business sector. The latter was closed to non-unionized employees in December 2010. In addition, key executives have a specific retirement plan (SERP). At December 31, 2017, the PBO for the SUEZ Water Inc. defined-benefit pension plans was EUR 420.8 million, versus EUR 422.7 million at December 31, 2016. The average duration of the actuarial liability for the SUEZ Water Inc. plans is 15 years. It should be noted that these plans are funded up to 67% at December 31, 2017.

In addition, SUEZ Water Inc. commits to support a portion of healthcare costs of retirees. The corresponding actuarial liability amounted to EUR 94.8 million against EUR 90.3 million at 31 December 2016.

The former GE Water entities joined SUEZ by bringing two defined benefit plans in Canada and in the United States: the Pension Plan for Employees of GE Water & Process Technologies Canada and the Ionics, Incorporated Retirement Plan.

In addition, key executives have a specific retirement plan (Ionics, Incorporated Supplemental Executive Retirement Plan).

At December 31, 2017, the PBO for the GE Water defined-benefit pension plans was EUR 166.0 million. The average duration of the actuarial liability for the GE Water plans is 16 years. It should be noted that these plans are funded up to 67% at December 31, 2017.

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

In the United Kingdom, SUEZ R&R UK has several defined-benefit retirement plans, most of which are closed to new hires, except for the Sita Final Salary Pension Scheme. SUEZ R&R UK, as part of its expansion, has acquired various entities throughout the United Kingdom. These entities were most often public companies prior to their acquisition, so their staff was affiliated with the Local Government Pension Schemes (LGPS), which Sita UK must maintain. At December 31, 2017, the PBO for the SUEZ R&R UK retirement plans was EUR 141.3 million, versus EUR 144.6 million at December 31, 2016. The average duration of the actuarial liability for the SUEZ R&R UK plans is 20 years. It should be noted that these plans are funded up to 89% at December 31, 2017.

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

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

18.1.2 Multi-employer pension plans

Employees of some Group companies are affiliated to multi-employer pension plans. This is especially the case in

the Netherlands, where most of the Group's entities are in business activities that make it mandatory to join an industry-wide scheme. These plans spread risk so that financing is assured through payroll-based contributions, calculated uniformly across all affiliated companies. In the Netherlands, multi-employer plans are defined benefit plans. However, the Group recognizes them as defined contribution plans in accordance with IAS 19.

Total contributions of EUR 3.2 million are expected in 2018.

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

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

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

18.2 Defined benefit plans

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

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

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

| In millions of euros | Asset | Liability | Total |
|---|-------|-----------|---------|
| BALANCE AT DECEMBER 31, 2015 | 5.4 | (671.1) | (665.7) |
| Translation gains and losses | (0.2) | (5.4) | (5.6) |
| Actuarial gains and losses (a) | (0.9) | (118.8) | (119.7) |
| Changes in scope of consolidation and other | - | (10.6) | (10.6) |
| Expense of the period ^(b) | - | (36.5) | (36.5) |
| Contributions | - | 41.3 | 41.3 |
| BALANCE AT DECEMBER 31, 2016 | 4.3 | (801.1) | (796.8) |
| Translation gains and losses | 0.6 | 28.9 | 29.5 |
| Actuarial gains and losses (a) | 1.0 | 7.0 | 8.0 |
| Changes in scope of consolidation and other | - | (50.1) | (50.1) |
| Expense of the period (b) | (0.1) | (22.3) | (22.4) |
| Contributions | 0.1 | 49.5 | 49.6 |
| BALANCE AT DECEMBER 31, 2017 | 5.9 | (788.1) | (782.2) |

⁽a) Actuarial gains and losses on employee benefits.

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

The expense for 2017 amounted to -EUR 22.4 million versus an expense of -EUR 36.5 million in 2016. The main components of this expense in 2017 are explained in section 18.2.3.

Accumulated actuarial gains and losses recognized in equity amounted -EUR 415.9 million at December 31, 2017, against -EUR 423.7 million at December 31, 2016. They are shown below, excluding translation gains and losses which are presented separately in the statement of comprehensive income.

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

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| OPENING BALANCE | (423.7) | (293.3) |
| Actuarial gains and (losses) generated during the year (a) | 8.0 | (119.7) |
| Equity-accounted companies and other | (0.2) | (10.7) |
| CLOSING BALANCE | (415.9) | (423.7) |

⁽a) On employee benefits.

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

18.2.2 Change in the amount of obligations and plan assets

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

In 2017, the increase of the commitment is mainly related to the acquisition of GE-Water. The scope effect related to this acquisition amounts to -EUR 53,9 million.

| | December 31, 2017 | | | | December 31, 2016 | | | | |
|---|-------------------|----------------------------------|--|--------|-------------------|-----------------------------------|---|------------------------------|-----------|
| In millions of euros | ol | Pension benefit oligations | Other post- employment benefits ^(b) | | Total | Pension benefit obligations | Other post- employment benefits (b) | Other long term benefits (c) | Total |
| Change in projected benefit obligation | | | | | | | | | |
| Projected benefit obligation at the beginning of the period | | (1,209.3) | (262.2) | (23.2) | (1,494.7) | (1,064.4) | (232.1) | (21.0) | (1,317.5) |
| Service Cost | | (34.2) | (6.2) | (1.8) | (42.2) | (31.4) | (6.1) | (1.8) | (39.3) |
| Interest cost | | (29.6) | (7.5) | (0.2) | (37.3) | (31.2) | (7.7) | (0.2) | (39.1) |
| Contributions paid | | (1.5) | - | - | (1.5) | (1.4) | - | - | (1.4) |
| Amendments | | (0.6) | 4.1 | (1.2) | 2.3 | (0.7) | - | - | (0.7) |
| Acquisitions/Disposals of subsidiaries | | (170.3) | (0.6) | - | (170.9) | (1.0) | - | - | (1.0) |
| Curtailments/settlements | | 20.3 | 4.9 | 1.6 | 26.8 | 27.6 | 0.8 | 0.7 | 29.1 |
| Special terminations | | 0.3 | (0.3) | | - | 0.1 | - | - | 0.1 |
| Financial actuarial gains and losses | | (5.8) | (5.4) | 0.5 | (10.7) | (132.2) | (25.3) | (2.1) | (159.6) |
| Demographic actuarial gains and losses | | (4.0) | (0.7) | 8.5 | 3.8 | (9.9) | 4.0 | 0.7 | (5.2) |
| Benefits paid | | 38.3 | 8.8 | 0.7 | 47.8 | 37.2 | 8.5 | 1.1 | 46.8 |
| Other | | 75.2 | 15.8 | 0.7 | 91.7 | (2.0) | (4.3) | (0.6) | (6.9) |
| Projected benefit obligation at the end of period | A | (1,321.2) | (249.3) | (14.4) | (1,584.9) | (1,209.3) | (262.2) | (23.2) | (1,494.7) |
| Change in fair value of plan assets | | | | | | | | | |
| Fair value of plan assets at the beginning of the period | | 618.0 | 79.9 | - | 697.9 | 576.5 | 75.3 | - | 651.8 |
| Expected return on plan assets | | 17.8 | 3.1 | | 20.9 | 18.4 | 3.4 | | 21.8 |
| Contributions received | | 44.1 | 5.2 | | 49.3 | 35.5 | 4.9 | | 40.4 |
| Acquisitions/Disposals of subsidiaries | | 115.4 | - | | 115.4 | - | - | | - |
| Curtailments/settlements | | (1.9) | - | | (1.9) | (7.0) | - | | (7.0) |
| Actuarial gains and losses | | 18.6 | 5.3 | | 23.9 | 41.6 | 2.1 | | 43.7 |
| Benefits paid | | (37.2) | (8.8) | | (46.0) | (36.0) | (8.5) | | (44.5) |
| Other | | (46.7) | (10.1) | | (56.8) | (11.0) | 2.7 | | (8.3) |
| Fair value of plan assets | В | 728.1 | 74.6 | _ | 802.7 | 618.0 | 79.9 | _ | 697.9 |
| at the end of period | | | | | | | | | |
| Funded status | A+B | (593.1) | (174.7) | (14.4) | (782.2) | (591.3) | (182.3) | (23.2) | (796.8) |
| Net benefit obligation | | (593.1) | (174.7) | (14.4) | (782.2) | (591.3) | (182.3) | (23.2) | (796.8) |
| TOTAL LIABILITIES TOTAL ASSETS | | (599.0) 5.9 | (174.7) | (14.4) | (788.1) 5.9 | (595.6) 4.3 | (182.3) | (23.2) | (801.1) |
| IUIAL ASSEIS | | 5.9 | | | 5.9 | 4.3 | | | 4.3 |

⁽a) Pensions and retirement bonuses

In 2017, the decrease of the net liability was mainly attributable to contributions paid by entities of the Group of around -EUR 48 million and a foreign exchange effect of about -EUR 30 million. These were partially offset by the integration of GE Water which increased the commitment for about EUR 54 million.

In 2016, the increase in the net liability found its main explanation in the significant decline of the discount rate, since there was an actuarial loss on financial assumptions of around EUR 114 million.

18.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2017 and 2016 breaks down as follows:

⁽b) Medical coverage, gratuities and other post-employment benefits.

⁽c) Long-service awards and other long-term benefits. The decrease of the liability in 2017 is due to a reassesment of long-term benefits related to jubilees payable to employees in France.

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| Current service cost | (42.2) | (39.3) |
| Net interest expense on the net defined benefit liability | (16.4) | (17.3) |
| Actuarial gains or losses | 9.0 | (1.4) |
| Past service cost | 2.3 | (0.7) |
| Gains or losses on pension plan curtailments, terminations and settlements | 24.9 | 22.1 |
| Special terminations | - | 0.1 |
| Total | (22.4) | (36.5) |
| Of which recognized in current operating income | (6.0) | (19.2) |
| Of which recognized in financial income/(loss) | (16.4) | (17.3) |

18.2.4 Funding policy and strategy

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

These strategies have a twofold objective:

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

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

The funding of these obligations breaks down as follows:

| | | | Limit on defined benefit | |
|-------------------------|------------|---------------|-----------------------------|------------|
| | Present | | assets and | |
| | benefit | Fair value of | supplementary | Total net |
| In millions of euros | obligation | plan assets | provision | obligation |
| Underfunded plans | (1,050.7) | 670.9 | - | (379.8) |
| Overfunded plans | (22.7) | 27.0 | - | 4.3 |
| Unfunded plans | (421.3) | - | - | (421.3) |
| Total December 31, 2016 | (1,494.7) | 697.9 | - | (796.8) |
| Underfunded plans | (1,169.4) | 778.7 | - | (390.7) |
| Overfunded plans | (18.1) | 24.0 | - | 5.9 |
| Unfunded plans | (397.4) | - | - | (397.4) |
| Total December 31, 2017 | (1,584.9) | 802.7 | - | (782.2) |

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

| | 2017 | 2016 |
|---|------|------|
| Securities | 36% | 35% |
| Bonds | 35% | 45% |
| Real Estate | 2% | 2% |
| Other (including money market securities) | 27% | 18% |
| TOTAL | 100% | 100% |

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

| | Furene | North | Latin | Asia | Others |
|---|--------|---------|---------|---------|---------|
| | Europe | America | America | Oceania | Officis |
| Securities | 35% | 44% | 0% | 13% | 19% |
| Bonds | 39% | 44% | 0% | 78% | 0% |
| Real Estate | 7% | 0% | 0% | 0% | 0% |
| Other (including money market securities) | 19% | 12% | 0% | 9% | 81% |
| TOTAL | 100% | 100% | 0% | 100% | 100% |

18.2.5 Actuarial assumptions

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

The weighted rates are presented below:

| | Pens | sions | Other post-employment benefits | | Long-term benefits | | Total benefit obligation | |
|--|----------|----------|--------------------------------|----------|--------------------|----------|--------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Discount rate | 2.6% | 2.4% | 3.1% | 2.8% | 1.4% | 1.4% | 2.7% | 2.4% |
| Estimated future increase in salaries | 2.6% | 2.7% | 2.4% | 2.4% | 1.5% | 1.9% | 2.6% | 2.7% |
| Inflation Rate | 2.0% | 2.1% | 2.2% | 2.3% | 1.8% | 1.9% | 2.0% | 2.1% |
| Average remaining working lives of participating employees | 17 years | 17 years | 15 years | 17 years | 15 years | 17 years | 17 years | 17 years |

Discount and salary increase rates are shown including inflation.

18.2.5.1 DISCOUNT RATE AND INFLATION

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

As for December 31, 2016, the 2017 rates were determined for each currency area (euro, US dollar and pound sterling) from data on AA bond yields (according to Bloomberg and iBoxx) extrapolated to long-term maturities based on the performance of government bonds. A discount rate curve has been used per currency area and has been applied to debt and to the components of the current cost (Service Cost and Net Interest).

According to estimates made by the Group, a change of plus or minus 1% of the discount rate would result in a change in actuarial liabilities of approximately 16%.

Inflation rates were determined for each currency zone. A change in the inflation rate of roughly 1% would result in a change in the actuarial liability of 9%.

18.2.6 Geographical breakdown of obligations

In 2017, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

| | Euro | Euro Zone | | United Kingdom | | United States | | Rest of the World | |
|--|--------------------|---------------------------|-------------------|---------------------------|----------|---------------------------|----------|---------------------------|--|
| In millions of euros | Pensions | Other benefit obligations | Pensions | Other benefit obligations | Pensions | Other benefit obligations | Pensions | Other benefit obligations | |
| Funded status (a) | (362.7) | (109.1) | (16.0) | 0.0 | (149.3) | (20.4) | (65.1) | (59.6) | |
| Discount rate | 1.6% | 1.5% | 2.4% | 0.0% | 3.8% | 3.8% | 3.0% | 3.5% | |
| Estimated future increase in salaries | 1.7% | 1.3% | 3.2% | 0.0% | 3.3% | 3.1% | 3.3% | 2.7% | |
| Inflation Rate | 1.7% | 1.7% | 2.2% | 0.0% | 2.3% | 2.5% | 1.7% | 2.5% | |
| Average remaining working lives of participating employees | 17 years | 16 years | 21 years | 0 | 15 years | 8 years | 16 years | 11 years | |
| (a) Funded status corresponds to the difference | e between the pres | ent benefit obligatio | n and the fair va | lue of the plan asset | s. | | | | |

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

18.2.7 Payments due in 2018

The Group expects to contribute to defined benefit plans in 2018 and to pay benefits for a total approximate amount of EUR 38.3 million.

18.3 Defined contribution plans

In 2017, the Group SUEZ recorded a EUR 65.7 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

Note 19 Construction contracts

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

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|---|---------------|---------------|
| Amounts due from customers under construction contracts | 288.1 | 218.2 |
| Amounts due to customers under construction contracts | 198.4 | 114.5 |
| NET POSITION | 89.7 | 103.7 |

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

Contracts in progress at the closing date:

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| Cumulated cost incurred and margins recognized | 4,282.6 | 4,123.5 |
| Advances received | 101.8 | 85.9 |
| Retentions | 37.8 | 38.2 |

The variation of the cumulated costs incurred and margins recognizes between 2016 and 2017 is mainly attributable to the acquisition of GE Water.

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

Note 20 Finance leases

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

The main finance leases entered into by the Group as at December 31, 2017 concern the incineration plants of Novergie in France.

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

| | Future minimum payments at Dec. | | Future minimum lease payments at Dec. 31, 2016 | | |
|---|------------------------------------|------------------|--|---------------|--|
| In millions of euros | Undiscounted value | Present value | Undiscounted value | Present value | |
| During year 1 | 76.6 | 76.0 | 51.0 | 50.2 | |
| During years 2 to 5 inclusive | 66.5 | 59.8 | 140.0 | 135.4 | |
| Beyond year 5 | 20.3 | 13.9 | 24.2 | 14.1 | |
| TOTAL FUTURE MINIMUM LEASE PAYMENTS (a) | 163.4 | 149.7 | 215.2 | 199.7 | |

⁽a) Including amortized cost.

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

| In millions of euros | Total | During year 1 | During years 2 to 5 inclusive | Beyond year 5 |
|---|-------|---------------|----------------------------------|---------------|
| Liabilities under financial lease (a) | 149.7 | 76.0 | 59.8 | 13.9 |
| Impact of discounting future repayments of principal and interest | 13.7 | 0.6 | 6.7 | 6.4 |
| UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS | 163.4 | 76.6 | 66.5 | 20.3 |

⁽a) Including amortized cost.

Note 21 Operating leases

Operating lease income and expenses recognized for fiscal years 2017 and 2016 break down as follows:

| In millions of euros | December 31, 2017 | December 31, 2016 |
|--------------------------------|-------------------|-------------------|
| Minimum lease payments | (414.6) | (399.2) |
| Contingent lease payments | (5.4) | (7.6) |
| Sub-letting income | 0.5 | 0.5 |
| Sub-letting expense | (3.6) | (5.9) |
| Other operating lease expenses | (40.1) | (23.3) |
| TOTAL | (463.2) | (435.5) |

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

| In millions of euros | December 31, 2017 | December 31, 2016 |
|-------------------------------|-------------------|-------------------|
| During year 1 | 252.5 | 242.4 |
| During years 2 to 5 inclusive | 638.2 | 584.3 |
| Beyond year 5 | 483.4 | 473.6 |
| TOTAL | 1,374.1 | 1,300.3 |

The increase of the minimum lease payments is partly due to the acquisition of GE Water for EUR 42.2 million.

Note 22 Service concession arrangements

SIC 29 – "Service Concession Arrangements-Disclosures" was published in May 2001 and deals with the information regarding concession contracts which should be disclosed in the Notes to the Financial Statements.

IFRIC 12 – "Service Concession Arrangements", published in November 2006 deals with the recognition of concession contracts which meet certain criteria according to which it is estimated that the concession-grantor controls the facilities (see Note 1.5.6).

As specified in SIC 29, a service concession agreement generally involves a transfer by the concession-grantor to the concession-holder for the entire duration of the concession:

- (a) Of the right to offer services enabling the public to access major economic and social services; and
- (b) Of the right, in certain cases, to use tangible and intangible assets and/or specified financial assets;
- in exchange for the commitment made by the concession-holder:
- (c) To offer services in accordance with certain terms and conditions during the length of the concession; and
- (d) If the need arises, to return the rights received at the beginning of the concession and/or acquired during the concession.

The common characteristic of all the service concession agreements is the fact that the concession holder is both granted a right and becomes bound by an obligation to offer public services.

The Group manages a large number of concession contracts as defined by SIC 29 in drinking water distribution, wastewater treatment, and waste management.

These concession contracts include terms and conditions on rights and obligations with regard to the infrastructure and to the obligations relating to public service, in particular the obligation to allow users to access the public service, an obligation, which, in certain contracts, may be subject to a timeframe. The terms of the concessions vary between 12 and 50 years, depending mainly on the level of investments to be made by the concession operator.

In exchange for these obligations, the Group is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users for the services provided. That right gives rise either to an intangible asset, or to a receivable, or a tangible asset, depending on the accounting model applicable (see Note 1.5.6).

The tangible asset model is used when the concession-grantor does not control the infrastructure, like for example, water distribution concession contracts in the United States which do not provide for the return to the concession grantor at the end of the contract of the infrastructure, which remains the property of the SUEZ Group.

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.5.6), this obligation results in the recognition of a capital renewal and replacement liability. The replacement liability amounted to EUR 203 million at December 31, 2017 versus EUR 230 million at December 31, 2016 and is classified as "Other current liabilities".

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts contain clauses providing for periodic price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions which were initially expected when the contracts were signed.

Note 23 Share-based payments or cash-based payments

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

(Expense) for the period In millions of euros Note 2016 23.1 Stock-option plans Performance share plans 23.2 (0.1)(0.6)Worldwide financial incentive scheme 23.3 (0.1)(3.1)Employees share issues (a) 23.4 (1.2)(2.3)Long-term incentive plan (b) 23.5 5.0 (13.5)**TOTAL** 3.6 (19.5)

23.1 Stock option plans

23.1.1 Arrangements and grants

Since 2010, no more stock options are granted. Arrangements relating to plans still in force in 2017 are described in previous SUEZ and ENGIE Reference Documents.

23.1.2 Description of current plans

SUEZ STOCK OPTION PLANS

| | Date of the authorizing | Starting point for exercise | Adjusted | Outstanding number of | | | | Outstanding number of | | |
|---------------------------|-------------------------|-----------------------------|----------|-----------------------|-----------|---------|--------------|-----------------------|------------|----------|
| | Shareholders' | of the | Exercise | shares at | | | Cancelled or | shares at | Expiration | Residual |
| Plan | Meeting | options | price | 12/31/2016 | Exercised | Granted | Expired | 12/31/2017 | date | life |
| 12/17/2009 ^(a) | 05/26/2009 | 12/17/2013 | 15.49 | 1,193,126 | 216,717 | - | 976,409 | | 12/16/2017 | |
| 12/16/2010 ^(a) | 05/26/2009 | 12/16/2014 | 14.20 | 665,990 | 30,252 | | | 635,738 | 12/15/2018 | 1.0 |
| TOTAL | | | | 1,859,116 | 246,969 | - | 976,409 | 635,738 | | |
| (a) Exercisable | plans. | | | | | | | | | |

The average share price for SUEZ in 2017 was EUR 15.28.

ENGIE STOCK OPTION PLANS

| | Date of the authorizing | Starting point for exercise | Adiusted | Outstanding number of | | | | Outstanding number of | | |
|---------------------------|--------------------------|-----------------------------|----------------|-------------------------|-----------|---------|-------------------------|-------------------------|-----------------|------------------|
| Plan | Shareholders' Meeting | of the options | Exercise price | shares at 12/31/2016 | Exercised | Granted | Cancelled or Expired | shares at 12/31/2017 | Expiration date | Residual life |
| 11/10/2009 ^(a) | 05/04/2009 | 11/10/2013 | 29.44 | 378,806 | | | 378,806 | - | 11/9/2017 | |
| TOTAL | | | | 378,806 | - | - | 378,806 | - | | |

⁽a) Exercisable plans.

The average share price for ENGIE in 2017 was EUR 13.45.

⁽a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the 2017 impact related to capital increases reserved for employees amounts to -EUR 2.7 million. In 2016 the impact was a profit of +EUR 0.5 million.

⁽b) The positive impact in 2017 is explained by the reversal of provision following 2014 plan delivery. The expenses related to the amount paid to the beneficiaries are booked in personnel costs (short term benefits)

23.1.3 Impact on the income statement

SUEZ PLANS

In 2017, as for 2016, no expense has been recorded in relation to the SUEZ stock option plans.

ENGIE PLAN

In 2017, as for 2016, no expense has been recorded in relation to the ENGIE stock option plan.

23.2 Performance share plans

23.2.1 Arrangements and grants

No performance share plan has been granted since 2013. Arrangements relating to plans still in force in 2017 are described in previous SUEZ and ENGIE Reference Documents.

23.2.2 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets are not fully met, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end.

23.2.3 Impact on the income statement

SUEZ PLAN

During the period, a net cost of -EUR 0.1 million was recognized for the SUEZ performance share plans.

| | | | | (Expense) fo | r the period |
|------------|----------------|------------------|------------------|--------------|--------------|
| | | Outstanding | | | |
| | Number of | number of shares | Weighted average | | |
| | shares granted | at 12/31/2017 | fair value | 2017 | 2016 |
| March 2013 | 1,315,100 | - | EUR 6.5 | (0.1) | (0.6) |
| TOTAL | | | | (0.1) | (0.6) |

ENGIE PLAN

During the period, no expense has been recorded in relation to the performance share plans.

23.3 Worldwide incentive scheme

23.3.1 Arrangements and grant

No worldwide incentive scheme has been granted since 2013. Arrangements relating to plans still in force in 2017 are described in previous SUEZ and ENGIE Reference Documents.

23.3.2 Impact on the income statement

SUEZ PLAN

During the period, an expense of -EUR 0.1 million was recognized for the SUEZ worldwide incentive scheme.

| | | | | (Expense) for | or the period |
|--------------|--------------------------|--|--------------------------------|---------------|---------------|
| | Number of shares granted | Outstanding number of shares at 12/31/2017 | Weighted average fair value | | 2016 |
| January 2013 | 3,018,720 | - | EUR 6.2 | (0.1) | (2.0) |
| TOTAL | | | | (0.1) | (2.0) |

ENGIE PLAN

During the period, no expense has been recorded in relation to the ENGIE worldwide incentive schemes. There are no ENGIE plan running.

| | | | (Expense) fo | r the period |
|--------------|----------------|------------------|--------------|--------------|
| | Number of | Weighted average | | |
| | shares granted | fair value | 2017 | 2016 |
| October 2012 | 1,140,525 | EUR 11.7 | - | (1.1) |
| TOTAL | | | | (1.1) |

23.4 Employee share issues

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

| | | | (Expense) io | r the period |
|------------------------|---|---------------|--------------|--------------|
| | | | 2017 | 2016 |
| SUEZ Sharing 2017 plan | Share issue and matching shares in France and SIP | December 2017 | (2.5) | - |
| SUEZ Sharing 2017 plan | Matching shares - International | December 2017 | - | - |
| SUEZ Sharing 2017 plan | Share Appreciation Rights | December 2017 | 1.8 | - |
| SUEZ Sharing 2014 plan | Matching shares - International | July 2014 | (0.2) | (0.2) |
| SUEZ Sharing 2014 plan | Share Appreciation Rights | July 2014 | (0.3) | (1.2) |
| SUEZ Sharing 2011 plan | Matching shares - International | December 2011 | - | (0.1) |
| SUEZ Sharing 2011 plan | Share Appreciation Rights | December 2011 | - | (8.0) |
| TOTAL (a) | | | (1.2) | (2.3) |

⁽a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the expense of the year 2017 related to employee share issue amounts to -EUR 2.7 million. In 2016 the impact was EUR 0.5 million.

23.4.1 Sharing 2017 plan

In 2017, SUEZ launched its third global employee shareholding plan, called Sharing. This employee share issue program is part of the policy to increase employee shareholding and strengthen the existing relationship between SUEZ and its employees by offering them the possibility of being more closely associated with the Group's growth and performance. Two formulas were offered:

- a "Classic" formula, which includes a discount and employer contribution and in which the subscriber is
 exposed to movements in the share price. In France, employees benefited from matching shares as part
 of the company savings plan. Outside France, matching shares took the form of a bonus share allocation.
 In the United Kingdom, a Share Incentive plan (SIP) was implemented alternatively. It allowed employees
 to subscribe at the share price measured on December 19, 2017, date of the capital increase.
- a "Multiple" formula, which allows employees to benefit from a leverage effect to supplement their personal
 contribution as well as a discounted subscription price. A swap agreement with the bank that structures

the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed minimum return. In some countries (especially in the United States), the Multiple formula was adapted to local laws and Share Appreciation Rights were granted as an alternative.

The capital increase itself was achieved on December 19, 2017, and has resulted in a creation of 9.98 million shares, of 4 euros nominal value.

23.4.1.1 ACCOUNTING IMPACT OF THE EMPLOYEE SHARE ISSUE AND OF THE MATCHING SHARES IN FRANCE

The subscription price for the plan was defined as the SUEZ average opening share price over the 20 trading days preceding the date of the CEO's decision to start the subscription/rejection period, less 20%, which was EUR 12.31.

Pursuant to IFRS 2, an expense is recognized in the books of SUEZ against equity. With respect to discount, the cost of the Classic and Multiple plans corresponds to the difference between the fair value of the subscribed share and the subscription price. The fair value takes into account the 5-year lock-in period required by French law, as well as, for the Multiple formula, the opportunity gain implicitly borne by SUEZ in allowing its employees to benefit from more advantageous pricing than they could obtain as ordinary private investors. The fair value of the matching shares under the employer contribution in France has been calculated using the method described in Note 1.5.14. In this case, the shares are delivered immediately with no vesting period, but are subject to a 5-year lock-in period.

The following assumptions were used:

5-year risk-free interest rate: 0.22%;

Retail banking spread: 4.68%;

• Financing rate for an employee: 4.90%;

Cost of securities lending: 0.50%;

Volatility spread: 6.04%.

The result is a total expense of -EUR 2.4 million for 2017.

| | | Sharing | Sharing | Matching shares in | Tatal |
|---|--------------------|-----------------|-------------------|-----------------------|----------------|
| Amount subscribed (EUR millions) | | Classic 15.6 | Multiple 104.2 | France | Total 119.8 |
| , | | 13.0 | | - | |
| Number of shares subscribed (millions) | (a) | 1.3 | 8.5 | 0.2 | 9.9 |
| Gross value of the employee benefit (EUR/share) | b1 | 3.1 | 3.1 | 15.4 | |
| Lock-in cost for the employee (EUR/share) | b2 | (4.3) | (4.3) | (4.3) | |
| Measure of opportunity gain (EUR/share) | <i>b3</i> | - | 0.9 | - | |
| Total benefit granted to employees (EUR/share) | (b) = b1 + b2 + b3 | - | - | 11.1 | |
| Book expense | - (a) x (b) | - | - | (2.4) | (2.4) |

^{*} When the benefit granted to the personnel is negative, it is brought to 0.

On the Classic and multiple formula, the benefit granted to employees proving to be negative, has been capped at EUR 0.

The valuation of the recognized expense depends upon, among other factors, the estimation of the financing rate for employees and the valuation of the opportunity gain. A \pm 0.5% change in these rates would have the following impact on the recognized expense:

| | | Matching | | |
|---|----------|-----------|-------|--|
| | Sharing | shares in | | |
| | Multiple | France | Total | |
| Sensitivity (change in expense in EUR millions) | | | | |
| Decrease in financing rate for employee -0.5% | (1.2) | (0.1) | (1.3) | |
| Increase in opportunity gain +0.5% | - | - | - | |

23.4.1.2 ACCOUNTING IMPACT OF THE SHARE INCENTIVE PLAN (SIP) IN THE UNITED KINGDOM

SIP rules required the CEO of SUEZ to set the subscription price at EUR 14.62 on December 19, 2017. The fair value of the matching shares has been calculated using the method described in Note 1.5.14. In this case, the shares are delivered immediately with no vesting period, but are subject to a 3-year lock-in period.

The following assumptions were used:

• 3-year risk-free interest rate: 0.005%;

Retail banking spread: 5.935%;

Financing rate for an employee: 5.94%;

• Cost of securities lending: 0.50%;

• Share price on grant date: EUR 14.62.

The result is a total expense of -EUR 0.1 million in 2017.

| | | | Matching | |
|---|----------------|-------|--------------|-------|
| | | SIP | shares (SIP) | Total |
| Amount subscribed (EUR millions) | | 0.33 | 0.12 | 0.45 |
| Number of shares subscribed (millions) | (a) | 0.02 | 0.01 | 0.03 |
| Gross value of the employee benefit (EUR/share) | b1 | 0.1 | 14.7 | |
| Lock-in cost for the employee (EUR/share) | b2 | - | (4.7) | |
| Measure of opportunity gain (EUR/share) | b3 | - | - | |
| Total benefit granted to employees (EUR/share subscribed) | (b) = b1+b2+b3 | 0.1 | 10.0 | |
| Book expense | - (a) x (b) | (0.0) | (0.1) | (0.1) |

23.4.1.3 ACCOUNTING IMPACT OF MATCHING SHARES OUTSIDE OF FRANCE

The matching shares internationally (excluding France and the United Kingdom) took the form of a bonus share allocation. Vesting was subject to five years' service within the Group. The fair value of the allocated shares was calculated using the method described in Note 1.5.14.

The following assumptions were used:

| | | Share price | | Market | | |
|------------|--------------|---------------|---------------|----------------------|-----------|--|
| | | on allocation | Expected | Expected performance | | |
| Grant date | Vesting date | date | dividend rate | condition | share | |
| 12/19/2017 | 12/20/2022 | EUR 14.74 | 5% | no | EUR 12.81 | |

As the expense is amortized over the vesting period, matching shares internationally have a non-material impact on SUEZ income statement in 2017.

23.4.1.4 ACCOUNTING IMPACT OF SHARE APPRECIATION RIGHTS

In some countries (especially in the United States), the Multiple formula takes the form of an alternative mechanism called share appreciation rights (SARs). Employees benefit from a multiplier on the performance of SUEZ shares that is paid in cash at the end of a 5-year period. The resulting debt to employees is covered by warrants issued by the bank in charge of structuring the operation.

The accounting impact of the cash-settled share appreciation rights (SARs) involves recognizing an expense against an employee payable over the vesting period of the SARs. The amortization of the debt had no material impact on the Group's financial statements. The SARs are covered by warrants that offset the expenses incurred by the SARs at the end of the five-year plan.

23.5 Long-term incentive plan

The Board of Directors, in its meeting of February 28, 2017, has decided to implement a long-term incentive plan in the form of a cash bonus, whose total budget amounts to EUR 15 million, which concerns 1,413 beneficiaries.

The vesting period extends from February 28, 2017 to March 31, 2020.

The February 27, 2017 plan concerns two separate lists of beneficiaries, Beneficiaries A and Beneficiaries B, under the following stipulations:

▶ Beneficiaries A (483 beneficiaries):

- Executive Corporate Officer, Members of the Management Committee and of the Executive Committee: two performance conditions apply cumulatively (cumulative EBIT figures and changes in the Total Shareholder Return of SUEZ compared to the change in Total Shareholder Return of the Euro Stoxx Utilities index over the period of January 1, 2017 to December 31, 2019) on 100% of total compensation that may be paid.
- Top Executives: an initial performance condition based on cumulative EBIT figures over the period of January 1, 2017 to December 31, 2019 (inclusive) on 100% of total compensation that may be paid; a second performance condition of changes in the Total Shareholder Return of SUEZ compared to the change in Total Shareholder Return of the Euro Stoxx Utilities index over the period of January 1, 2017 to December 31, 2019 (inclusive), in addition to the first condition, which applies to 50% of the total compensation that may be paid.
- Other beneficiaries: a performance condition based on cumulative EBIT figures over the period of January 1, 2017 to December 31, 2019 (inclusive) on 100% of the total compensation that may be paid.

The amount of variable long-term Incentive to be paid to Beneficiaries A as determined based on performance conditions, may be increased or decreased by 10% depending on the level achieved in terms of a condition related to the gender ratio in management, the "TPE" at December 31, 2019.

▶ Beneficiaries B :

A performance condition based on cumulative EBIT figures over the period of January 1, 2017 to December 31, 2019 (inclusive), which applies to 100% of the total compensation that may be paid.

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

In 2017, the ongoing LTI plans have generated a EUR 5.0 million income (including provisions recorded for social charges). This income is explained by 2014 LTI plan delivery, for which conditions were met between 81% and 100% depending on beneficiaries categories. The provision on this plan has been entirely reversed and the real expense had been booked as personnel costs (see note 4.2).

Note 24 Related-party transactions

The purpose of this note is to present material transactions between the Group and its related parties as defined by IAS 24. Compensation for key executives is disclosed under Note 25 "Executive compensation". The main subsidiaries (fully consolidated companies) are listed under Note 28 "List of the main consolidated companies at December 31, 2017 and 2016". Only material transactions are described below.

24.1 Transactions with ENGIE and related entities

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| Transactions with ENGE | | |
| Purchases/sales of goods and services | 3.0 | (0.9) |
| Non financial payables | 7.4 | 9.0 |
| Non financial receivables | 0.3 | 0.4 |
| Receivables carried at amortized cost (a) | 14.8 | 16.3 |
| Transactions with companies linked to ENGE | | |
| Purchases/sales ofgoods and services | 2.7 | 8.2 |
| Non financial receivables | 23.2 | 26.9 |
| Non financial payables | 0.7 | 1.0 |
| Borrowings excluding financial instruments | 0.7 | 1.0 |
| Commodity derivatives (Liabilities) | (0.2) | 0.1 |

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

24.2 Transactions with joint operations, joint ventures and associates

24.2.1 Joint operations

The Group has a EUR 291 million current account in the joint venture that was responsible for the construction of the seawater desalination plant near Melbourne (Australia). This joint operation is proportionately consolidated at 35%. The non-Group share of EUR 189 million was recognized under assets in the Group's consolidated statement of financial position.

24.2.2 Joint ventures and associates

As at December 31, 2017, the Group lend a total amount of EUR 36 million to joint ventures in water business in Europe.

The Group also lend EUR 96 million to associates in charge of the commissioning and operation of incinerators in the United Kingdom

Moreover, SUEZ lends, following the acquisition of GE Water, to a joint venture located in Kuwait, a EUR 13 million amount for a maintenance contract of a waste treatment plant.

Note 25 Executive compensation

The Group's key executives were the nine members of the Management Committee at December 31, 2017. At December 31, 2016, there were eight members in the Management Committee.

Their compensation breaks down as follows:

| In millions of euros | Dec. 31, 2017 | Dec. 31, 2016 |
|-----------------------------|---------------|---------------|
| Short-term benefits | 8.6 | 7.3 |
| Post-employment benefit (a) | 1.3 | 1.0 |
| Long Term Incentive Plan | 0.3 | 0.9 |
| TOTAL | 10.2 | 9.2 |

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

Note 26 Legal and arbitration proceedings

26.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to EUR 90.3 million as of December 31, 2017 (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 liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

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

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

Concerning the Santa Fe concession, in a December 4, 2015 decision, ICSID ordered the Argentine Republic to pay USD 225 million to the shareholders of Aguas Provinciales de Santa Fe as a result of the termination of the concession agreement, and the entire amount 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 in 2018.

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

26.2 Tax litigation

SUEZ Spain

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

SUEZ Spain received a reassessment notice relating to the 1999-2001 fiscal years. In May 2009, SUEZ Spain was also notified of a reassessment in the amount of EUR 60.5 million for the 2002-2004 fiscal years, without additional penalties.

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

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

In December 2016, the only outstanding item in litigation was the late interest in the amount of EUR 9.1 million, which was contested before the Central Administrative Court. The latter's decision was unfavorable to SUEZ Spain.

The company looked into the possibility of lodging an appeal with the Court of Appeal but chose not to in the end – as there was no argument to do so. As a result, the ruling became final, SUEZ Spain paid the EUR 9.1 million penalty interest and the legal proceedings are thus now definitively completed.

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

In June 2009, SUEZ Spain filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012, the Court reached a decision partially in SUEZ Spain favor.

SUEZ Spain filed an appeal before the Court of Appeal regarding the other elements for which the Administrative Court has not held in favor of SUEZ Spain.

In July 2015, SUEZ Spain received a partially favorable decision from the Court of appeal and then submitted an appeal to the Supreme Court.

At the beginning of 2017, the company received a ruling from the Supreme Court rejecting the company's prescriptive arguments. This ruling is final and irrevocable and the tax authorities have proceeded to execute it. SUEZ Spain paid the sum of EUR 18.5 million, ending the legal proceedings.

Note 27 Subsequent events

There is no significant subsequent event.

Note 28 List of the main consolidated companies at December 31, 2017 and 2016

This note aims to present the list of entities covering 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

| | | % inte | erest | %co | ntrol | Consolidation methods (a) | | |
|---|---|--------|-------|-------|-------|---------------------------|------|--|
| Managa | Handana adda a | Dec. | Dec. | Dec. | Dec. | Dec. | Dec. | |
| Names | Headquarters address Tour CB21, 16 Place de l'Iris, | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| SUEZ | 92040 Paris La Défense Cedex - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| | WATER EUROPE | | | | | | | |
| SUEZ Eau France | Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| EAU ET FORCE (b) | 300, rue Paul Vaillant Couturier BP 712 92007 Nanterre - France | - | 100.0 | | 100.0 | - | FC | |
| SEERC | 0270 Rue Pierre Duhem 13290 Aix en Provence - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SOCIETE DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC) | 5-7 Rue Pierre Lescot 78000 Versailles - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SERAMM | 35 boulevard du Capitaine Gèze, 13014 Marseille - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Spain | Edificio D38 – Passeig Zona Franca 08038 Barcelona – Spain | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| AGUAS ANDINAS | Avenida Presidente Balmaceda 1398, Piso 4, Santiago – Chile | 28.4 | 28.4 | 50.1 | 50.1 | FC | FC | |
| | RECYCLING AND RECOVERY EUROPE | | | | | | | |
| SUEZ Recycling and Recovery Holdings UK Ltd | Grenfell road, Maidenhead, Berkshire SL6 1ES – United Kingdom | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Recycling & Recovery Deutschland GmbH | Industriestrasse 161 D-50999 Köln – Germany | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Nederland Holding B.V. | Meester E.N. van Kleffensstraat 10, 6842 CV Arnhem – Netherlands | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ R&V France | Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ R&R Belgium N.V. | Avenue Charles-Quint 584 7 1082 Berchem, Sainte-Agathe – Belgium | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SOCALUX | Lamesch SA ZI Wolser Nord BP 75 - L3201 Bettembourg, Luxembourg | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Recycling AB | Kungsgardsleden, 26271 Angelholm - Sweden | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |

⁽a) FC : Full consolidation.

⁽b) Merged into SUEZ Eau France as of January 1st, 2017.

| | | % into | erest | %co | ntrol | Consolidation methods (a) | | |
|---|---|--------|-------|-------|-------|---------------------------|------|--|
| | | Dec. | Dec. | Dec. | Dec. | Dec. | Dec. | |
| Names | Headquarters address | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| SUEZ Recycling & Recovery Pty Ltd | INTERNATIONAL Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australia | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| ACEA Spa | p.le Ostiense, 2 - 00154 Roma - Italy | 23.3 | 23.3 | 23.3 | 23.3 | EM | EM | |
| AQUASURE HOLDING Ltd | 492 St Kilda Road - level 7 Melbourne, VIC 3004 - Australia | 11.7 | 20.8 | 11.7 | 20.8 | EM | EM | |
| SUEZ Australia Holdings Pty Ltd | Level 7, 5 Rider Blvd Rhodes Sydney, New South Wales, 2138 - Australia | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Water Inc. | 461 From Road Suite 400, Paramus 07652 New Jersey – United States of America | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ North America Inc | 461 From Road Suite 400, Paramus 07652 New Jersey – États-Unis | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Water Advanced Solutions, LLC | 1230 Peachtree Street NE, Suite 1100, Promenade II Building, Atlanta, GA 30309 – Etats-Unis | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| The Macao Water Supply Company Limited | 718 avenida do Conselheiro, Macao – China | 49.3 | 49.3 | 58.0 | 58.0 | FC | FC | |
| Sita Waste Services Ltd. | Room 702, 7/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong | 58.0 | 100.0 | 58.0 | 100.0 | FC | FC | |
| SUEZ Polskas p. z.o.o. | Zawodzie 5, 02-981 Warszawa - Poland | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| LYDEC | 48, Boulevard Mohamed Diouri, Casablanca – Morocco | 51.0 | 51.0 | 51.0 | 51.0 | FC | FC | |
| SUEZ International | Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| | Water Technologies & Solutions - WTS (b) | | | | | | | |
| SUEZ Water Technologies & Solutions | Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France | 70.0 | NA | 70.0 | NA | FC | NC | |
| | OTHER | | | | | | | |
| SUEZ Groupe | Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |
| SUEZ Consulting | 15, rue du Port, Nanterre - France | 100.0 | 100.0 | 100.0 | 100.0 | FC | FC | |

⁽a) FC: Full consolidation.

EM: Equity method of consolidation. NC: Not consolidated. NA: Not applicable.

⁽b) This Business Unit created in 2017 includes entities acquired to GE as well as all SUEZ entities specialized in the Industrial Water Activity.

Note 29 Fees of the Statutory Auditors and members of their networks

The accounting firms EY and Mazars act as statutory auditors for the SUEZ Group.

| | EY | | | | | | | | MAZARS | | | | | | | | |
|---|---|---------------|--------|------|--|--------------|--------|-----------|-----------------------------|------|--------|------|-----------------------------|------|--------|------|--|
| | 2017 2016 | | | | | | | 2017 2016 | | | | | | | | | |
| | Statuto audito Ernst & Y and Oth | rs : 'oung | Résea | u | Statuto auditor Ernst & Y and Oth | rs : oung | Résea | au | Statuto audito Mazars | rs: | Résea | u | Statute audito Mazars | rs : | Rése | au | |
| In thousands of euros | Amount | | Amount | | Amount | % | Amount | % | Amount | | Amount | | Amount | % | Amount | % | |
| Audit and limited review on the statutory and consolidated financial statements | | | | | | | | | | | | | | | | | |
| SUEZ SA | 736 | 18% | n/a | n/a | 709 | 22% | n/a | n/a | 611 | 13% | - | - | 584 | 18% | - | - | |
| Fully consolidated subsidiaries and joint operations | 2,426 | 61% | 4,684 | 83% | 1,602 | 49% | 3,635 | 75% | 3,332 | 74% | 2,459 | 95% | 2,581 | 78% | 2,259 | 91% | |
| Other services | | | | | | | | | | | | | | | | | |
| SUEZ SA | 184 | 5% | - | - | 196 | 6% | - | - | 154 | 3% | 88 | 3% | 60 | 2% | - | - | |
| Fully consolidated subsidiaries and joint operations | 662 | 17% | 991 | 17% | 763 | 23% | 1,202 | 25% | 377 | 9% | 28 | 1% | 93 | 3% | 225 | 9% | |
| TOTAL | 4,008 | 100% | 5,675 | 100% | 3,270 | 100% | 4,837 | 100% | 4,473 | 100% | 2,575 | 100% | 3,319 | 100% | 2,484 | 100% | |

Other services provided during the year to SUEZ SA and its controlled entities include primarily the review of GE Water's opening balance sheet, verifications of CSR information and review of information systems micration.

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SUEZ

Year ended December 31, 2017

Statutory auditors' report on the consolidated financial statements

MAZARS

Tour Exaltis
61, Henri Regnault
92400 Courbevoie
S.A. à drectoire et conseil de surveillance
au capital de € 8.320.000
784 824 153 R.C.S. Nanterre

Commissaire aux Comptes Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres

Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes Membre de la compagnie régionale de Versailles

SUEZ

Year ended December 31, 2017

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of SUEZ,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of SUEZ for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of goodwill

Risk identified

As at December 31, 2017, the amount of goodwill net value is € 5,587.2 million including € 2,170.5 million relating to GE Water's acquisition on September 29, 2017.

As indicated in note 1.5.4.1 to the consolidated financial statements, the goodwill is not depreciated but the goodwill impairment losses is tested every year, or more frequently when an indication of impairment loss is identified. The methods used to carry out these impairment tests are described in notes 1.5.7 and 9 to the consolidated financial statements.

Impairment tests require the use of assumptions and estimates whose completion is by nature uncertain, including:

- ▶ the projections of the operating cash flows;
- the terminal value determined by applying a long-term growth rate to after-tax cash flows,
- the discount rates based on the characteristics of the concerned operational entities.

The recoverable amount of goodwill is sensible to the fluctuation of these assumptions and estimates.

Consequently, we considered the valuation of goodwill as a key audit matter.

Our response

In this context, we performed the verification of the methods applied to carry out these impairment tests and we focused on the significant cash-generating units ("CGU") indicated in Note 9.2 to the consolidated financial statements (except for the SUEZ WTS CGU recently acquired, containing no indication of impairment loss, and whose purchase price allocation is still to be completed).

We reconciled the data used for impairment tests with the Medium-Term Plan approved by the Board of Directors.

We considered the following underlying assumptions:

- the projections of operating cash flows prepared over the duration of the Medium-Term Plan and related to operating conditions provided for the Management Committee, specifically the contracts duration carried by the entities of the CGU in question, changes in pricing regulations and future market outlooks;
- the terminal value for the period over the Medium-Term Plan, calculated by applying a long-term growth rate, comprised between 2% and 3%, depending on the activity, to normalized "free cash flow" in the final year of the projections.

We involved our experts in valuation and performed the verification of discount rates, long-term growth rates and discount cash flow method to calculate the projections of operating cash flows. .

Besides, we obtained and considered the sensitivity of the analyses conducted by the Group's management, whose results are indicated in note 9.4 to the consolidated financial statements.

Recoverability of deferred tax assets related to tax loss carry-forwards in the French tax consolidation group

Risk identified

As at December 31, 2017, the deferred tax assets related to tax loss carry-forwards in the statement of the financial position amount to \in 293 million, including \in 133 million for the French tax consolidation group.

As disclosed in note 1.4.1.9 to the consolidated financial statements, deferred tax assets are carried on tax loss carry-forwards when it is probable that the future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. The likelihood of future taxable profits is estimated by taking into account the existence of temporary taxable differences from the same tax entity and is passed on to the same deadlines towards the tax authority as well as the estimates of future taxable profits.

The estimates of taxable profits and utilizations of tax loss carryforwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

The recoverability of deferred tax assets related to tax loss carryforwards relies in particular on the ability of the French tax consolidation group to achieve these projections of future taxable profits.

We thus considered the determination of recoverable amounts of these assets as a key audit matter by taking into consideration the uncertainty of the recoverability of deferred tax assets, as at December 31, 2017, related to tax loss carry-forwards in the French tax consolidation group and the management's judgement in this respect.

The recoverability of capitalized losses relies in particular on the ability to achieve objectives set out in the budget for the following year and in the medium-term plan for the next four years.

Our response

Our audit approach consisted in assessing the ability of the French tax consolidation group to use, within a reasonable timescale, the tax loss carry-forwards generated and recognized as deferred tax assets as at December 31, 2017, in particular with regard to the ability to make, on the tax consolidation group that originated these losses, sufficient future taxable profits.

We thus preformed the verification of the methodology chosen by the Management to estimate tax-loss carry-forwards that will be utilized by taxable profits.

We assess the reliability of the process of making future taxable profits by :

- considering the setting-up procedure of the tax medium-term plan (MTP) that served as a basis for the estimates;
- comparing the taxable income projections with the actual taxable income for the year ended December 31, 2017;
- considering the MTP tax to assess the likelihood of the assumptions underlying the future taxable income forecasts in France;
- comparing the future tax rates applied with the rates applicable under French tax legislation.

We included in our teams tax specialists who analyzed the opportunities related to tax management. They also considered the correct setting-up of the tax medium-term plan.

Valuation of revenues from water distribution, generated but not metered in the operating segment Water Europe (called « en compteur»)

Risk identified

As at December 31, 2017, revenues from water distribution in the operating segment Water Europe amount to € 544 million.

As disclosed in note 1.4.1.7, revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that enable to estimate revenues.

We considered measurement of revenues from water distribution, generated but not metered as a key audit matter given the uncertainty relating to the volume of water distributed at the reporting date and the evaluation of the corresponding sale price.

Our response

In this context:

- we evaluated the control environment along with the invoicing chain and processes allowing the reliability of estimates on water metered;
- we performed the verification of key automated controls used to estimate water metered, and we audited the functioning of the computing algorithm;
- we analyzed the reconciliation between estimated volumes of water consumed and volumes of water distributed over the period, prepared by the Group;
- we assessed the calculation method of the price charged for these volumes;
- we analyzed the clearance of receivables related to water metered in the subsequent period according to invoicing terms of different customers.

Valuation of revenues relating to construction contracts

Risk identified

As at December 31, 2017, revenues of construction contracts amount to € 907 million.

As disclosed in notes 1.5.13 and 1.15.16 to the consolidated financial statements, the Group carries out part of their business activities through construction contracts for which revenues and margin are accounted for using the percentage of completion method. For each project, this stage of completion is determined by bringing the costs incurred as at December 31, 2017 to the total estimated costs of the contract. This method aims at keeping the level of expenses incurred and recognize the margin based only on accounted revenues.

The determination of revenues and margin relating to construction contracts depends on data at completion forecasted by operational and financial managers. These estimates are reviewed on a quarterly basis or more frequently in the event of any major development as the projects evolve.

When the total contract costs may exceed total contract revenues, the expected loss at termination is recognized as an expense immediately.

Our response

Our work consisted in setting up the following procedures:

- ► testing key controls related to project management process;
- recomputing revenues using the percentage of completion method;
- performing the necessary reconciliations between management reporting data (revenues, costs and margin) and accounting records;
- selecting a sample of contracts and performing the work program detailed below.

We analyzed a sample of contracts selected on the basis of the following criteria :

- significant margin contribution for the year;
- significant fluctuation of data at termination during the period;
- contracts presenting specific significant risks (technical, contractual, geopolitical, etc.).

For each of the contracts selected, our work consisted in:

We considered determination of revenues relating to construction contracts as a key audit matter given the importance of estimates in this process.

- meeting with operational and financial managers of the considered contract (« revue d'affaire ») to take note of the operational situation of the project (examination of the significant events during the period, risks assessment, analysis of costs to be committed to complete the project);
- performing reconciliations between costs at termination analyzed during our « revue d'affaire » and costs at termination used for the calculation of the percentage of completion;
- comparing projects revenues as outlined in the contracts and/or contract amendments to revenues at termination used for the calculation of the turnover to record for the period.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

■ Appointment of the Statutory Auditors

We were appointed as statutory auditors of SUEZ by your Annual General Meeting held on July 15, 2008 for MAZARS and on December 21, 2007 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS was in the 10th year of uninterrupted engagement and ERNST & YOUNG et Autres in the 11th year of uninterrupted engagement, which was the 10th year since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, the internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement or not. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ▶ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ► Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or not. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ► Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Accounts Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 1st, 2018

The Statutory Auditors
French original signed by

MAZARS ERNST & YOUNG et Autres

Achour Messas Dominique Muller Jean-Pierre Letartre Stéphane Pédron