CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ FOR THE FISCAL YEARS ENDED

DECEMBER 31, 2019 AND 2018

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1 Consolidated statements of financial position

(in millions of euros)	Note	December 31, 2019	December 31, 2018
Non-current assets			
Intangible assets, net	10	4,835.7	4,982.1
Goodwill	9	5,322.1	5,223.8
Property, plant and equipment net	11	8,891.0	8,774.4
Rights of use [(a)]	15	1,405.8	-
Equity instruments	13	132.2	133.0
Loans and receivables carried at amortized cost	13	653.7	610.7
Derivative financial instruments	13	115.7	119.0
Investments in joint ventures	12.1	953.9	897.4
Investments in associates	12.2	1,070.2	1,084.3
Contracts assets	4.1.3	46.2	95.6
Other assets		184.8	214.0
Deferred tax assets	7	541.9	546.6
Total non-current assets		**24,153.2**	**22,680.9**
Current assets			
Loans and receivables carried at amortized cost	13	91.4	109.7
Derivative financial instruments	13	75.5	97.6
Trade and other receivables	13	4,670.9	4,584.0
Inventories		528.0	499.5
Contracts assets	4.1.3	733.8	627.2
Other assets		1,648.5	1,500.7
Financial assets measured at fair value through income	13	29.8	29.2
Cash and cash equivalents	13	3,703.0	3,424.1
Total current assets		**11,480.9**	**10,872.0**
Total assets		**35,634.1**	**33,552.9**
Shareholders' equity, Group share		6,463.4	6,391.8
Non-controlling interests	17	2,824.8	2,600.8
Total shareholders' equity		**9,288.2**	**8,992.6**
Non-current liabilities			
Provisions	18	1,500.0	1,507.6
Long-term borrowings	13	9,914.0	9,803.2
Lease liabilities [(a)]	15	1,159.4	-
Derivative financial instruments	13	6.7	9.5
Other financial liabilities	13	42.8	47.2
Contracts liabilities	4.1.3	267.3	287.7
Other liabilities		566.6	591.6
Deferred tax liabilities	7	791.1	649.4
Total non-current liabilities		**14,247.9**	**12,896.2**
Current liabilities			
Provisions	18	475.2	496.1
Short-term borrowings	13	2,609.1	2,762.1
Lease liabilities [(a)]	15	314.9	-
Derivative financial instruments	13	57.3	47.2
Trade and other payables	13	3,534.3	3,798.9
Contracts liabilities	4.1.3	911.3	976.5
Other liabilities		4,195.9	3,583.3
Total current liabilities		**12,098.0**	**11,664.1**
Total shareholders' equity and liabilities		**35,634.1**	**33,552.9**

(a) Items created to record the effects of the application of IFRS 16 - Leases at January 1, 2019.
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.

2 Consolidated income statements

(in millions of euros)	Note	December 31, 2019	December 31, 2018
Revenues	4.1	18,015.3	17,331.1
Purchases		(3,720.7)	(3,648.6)
Personnel costs		(4,701.4)	(4,598.4)
Depreciation, amortization and provisions		(1,531.7)	(1,167.7)
Other operating expenses		(7,089.8)	(6,999.2)
Other operating income		236.7	225.2
Current operating income	4	**1,208.4**	**1,142.4**
Mark-to-market on operating financial instruments		3.7	(0.8)
Impairment on property, plant and equipment, intangible and financial assets		(64.8)	(25.6)
Restructuring costs		(132.3)	(87.6)
Scope effects		8.4	(6.2)
Other gains and losses on disposals and non-recurring items		26.6	60.1
Aguas Argentinas dispute settlement	2.2	214.9	-
Income from operating activities	5	**1,264.9**	**1,082.3**
Share in net income of equity-accounted companies considered as core business		198.3	192.9
of which: share in net income (loss) of joint ventures	*12.1*	*71.4*	*82.0*
of which: share in net income (loss) of associates	*12.2*	*126.9*	*110.9*
Income from operating activities after share in net income of equity-accounted companies considered as core business		**1,463.2**	**1,275.2**
Financial expenses		(603.8)	(555.6)
Financial income		89.8	90.2
Net financial income (loss)	**6**	**(514.0)**	**(465.4)**
Income tax expense	7	(340.0)	(244.0)
Net income		**609.2**	**565.8**
of which : Group share		351.7	334.9
Non-controlling interests		257.5	230.9
Net income (Group share) per share (in euros)	**8**	**0.49**	**0.47**
Net diluted income (Group share) per share *(in euros)*	**8**	**0.48**	**0.47**

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.

3 Consolidated statements of comprehensive income

(in millions of euros)	December 31, 2019	December 31, 2019 of which Group share	December 31, 2019 of which non controlling interests	December 31, 2018	December 31, 2018 of which Group share	December 31, 2018 of which non controlling interests
Net income	**609.2**	**351.7**	**257.5**	**565.8**	**334.9**	**230.9**
Available for sale securities [(a)]	-	-	-	2.4	2.7	(0.3)
Net investment hedges	-	-	-	0.4	0.4	-
Cash flow hedges (excluding commodities)	(20.1)	(19.7)	(0.4)	27.6	25.3	2.3
Commodity cash-flow hedges	10.3	9.2	1.1	(4.2)	(3.5)	(0.7)
Deferred taxes on items above	(2.3)	(2.1)	(0.2)	(2.2)	(1.7)	(0.5)
Translation adjustments	(15.6)	36.0	(51.6)	(5.0)	24.9	(29.9)
Total reclassifiable items	**(27.7)**	**23.4**	**(51.1)**	**19.0**	**48.1**	**(29.1)**
Of which share of joint ventures in reclassifiable items, net of taxes	**9.0**	**9.0**	**-**	**0.8**	**0.8**	**-**
Of which share of associates in reclassifiable items, net of taxes	**(7.7)**	**(7.7)**	**-**	**9.1**	**9.1**	**-**
Actuarial gains and losses	(90.6)	(65.4)	(25.2)	9.6	6.2	3.4
Deferred taxes on actuarial gains and losses	(16.0)	(22.0)	6.0	(35.3)	(34.3)	(1.0)
Equity instrument [(a)]	6.3	6.3	-	(124.0)	(123.6)	(0.4)
Deferred taxes on equity instrument [(a)]	(0.1)	(0.1)	-	0.2	0.2	-
Total non-reclassifiable items	**(100.4)**	**(81.2)**	**(19.2)**	**(149.5)**	**(151.5)**	**2.0**
Of which share of joint ventures in non-reclassifiable items, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**
Of which share of associates in non-reclassifiable items, net of taxes	**-**	**-**	**-**	**2.9**	**2.9**	**-**
Other comprehensive income	**(128.1)**	**(57.8)**	**(70.3)**	**(130.5)**	**(103.4)**	**(27.1)**
Comprehensive income	**481.1**	**293.9**	**187.2**	**435.3**	**231.5**	**203.8**

(a) IFRS 9 standard replaces IAS 39 as from January 1, 2018. Available-for-sale financial assets as specified in IAS 39 at December 31, 2017 had been reclassified and measured in accordance with the principles of IFRS 9 standard. Since January 1, 2018, reclassifiable items of comprehensive income corresponding to available-for-sale assets are no longer measured as reclassifiable items in accordance with IFRS 9. Their variation over the financial year corresponds to the repayment of the opening stock.

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.

4 Statements of changes in consolidated shareholders' equity

(in millions of euros)	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non-controlling interests	Total
Shareholders' equity at December 31, 2017		**623,362,579**	**2,493.4**	**5,236.4**	**(2,441.5)**	**(228.3)**	**(53.2)**	**(77.0)**	**1,580.6**	**6,510.4**	**2,511.4**	**9,021.8**
Net income					334.9					334.9	230.9	565.8
Other comprehensive income items IFRS 9 [(a)]						(122.8)				(122.8)	(0.8)	(123.6)
Other comprehensive income items excluding IFRS 9					(28.2)	22.7	24.9			19.4	(26.3)	(6.9)
Comprehensive income					**306.7**	**(100.1)**	**24.9**			**231.5**	**203.8**	**435.3**
Retained earnings IFRS 9 restatement [(a)]					67.5					67.5	(0.1)	67.4
Share-based payment					1.1					1.1		1.1
Dividends distributed in cash					(401.9)					(401.9)	(221.3)	(623.2)
Interests of undated deeply subordinated notes issue					(44.8)					(44.8)	-	(44.8)
Purchase/sale of treasury shares					(0.1)			25.2		25.1	-	25.1
Capital increase / decrease [(b)]		(2,000,000)	(8.0)	(21.2)	(0.8)					(30.0)	(18.0)	(48.0)
Transactions between shareholders [(c)]					36.0					36.0	29.3	65.3
Business combinations [(d)]										-	96.6	96.6
Other changes					(3.1)					(3.1)	(0.9)	(4.0)
Shareholders' equity at December 31, 2018		**621,362,579**	**2,485.4**	**5,215.2**	**(2,480.9)**	**(328.4)**	**(28.3)**	**(51.8)**	**1,580.6**	**6,391.8**	**2,600.8**	**8,992.6**

(a) See Note 1.2.4.4. of 2018 Reference Document.

(b) EUR 30 million capital reduction resulting from the cancellation of 2,000,000 treasury shares held by SUEZ. The decrease of -EUR 18 million in non-controlling interests corresponds to the repayment of the contribution to shareholder CDPQ by SWTS.

(c) Primarily concerned movements resulting from the Group's sale of 6.5% stake of the Chilean company IAM, a shareholder of Aguas Andinas, without loss of control.

(d) Primarily concerned the change of consolidation method of a Chinese joint venture to full consolidation.

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.

(in millions of euros)	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes [(a)]	Shareholders' equity, Group share	Non-controlling interests	Total
Shareholders' equity at December 31, 2018		**621,362,579**	**2,485.4**	**5,215.2**	**(2,480.9)**	**(328.4)**	**(28.3)**	**(51.8)**	**1,580.6**	**6,391.8**	**2,600.8**	**8,992.6**
IFRIC 23 restatement	1.2.4				(88.5)					(88.5)	(19.9)	(108.4)
Shareholders' equity at January 1, 2019		**621,362,579**	**2,485.4**	**5,215.2**	**(2,569.4)**	**(328.4)**	**(28.3)**	**(51.8)**	**1,580.6**	**6,303.3**	**2,580.9**	**8,884.2**
Net income					351.7					351.7	257.5	609.2
Other comprehensive income items					(12.6)	(81.2)	36.0			(57.8)	(70.3)	(128.1)
Comprehensive income					**339.1**	**(81.2)**	**36.0**			**293.9**	**187.2**	**481.1**
Share-based payment					17.5					17.5		17.5
Dividends distributed in cash					(401.8)					(401.8)	(259.7)	(661.5)
Issue of new undated deeply subordinated note net of issuance fees [(b)]									497.8	497.8	-	497.8
Partial redemption of undated deeply subordinated notes (including redemption premium) [(b)]					(9.1)				(354.6)	(363.7)	-	(363.7)
Interests of undated deeply subordinated notes issue					(47.1)					(47.1)	-	(47.1)
Purchase/sale of treasury shares					(1.4)			4.3		2.9	-	2.9
Transactions between shareholders [(c)]					209.1					209.1	292.0	501.1
Business combinations [(d)]					(9.7)					(9.7)	18.0	8.3
Deferred taxes recognized through equity write off					(32.2)					(32.2)	-	(32.2)
Other changes					(6.6)					(6.6)	6.4	(0.2)
Shareholders' equity at December 31, 2019		**621,362,579**	**2,485.4**	**5,215.2**	**(2,511.6)**	**(409.6)**	**7.7**	**(47.5)**	**1,723.8**	**6,463.4**	**2,824.8**	**9,288.2**

(a) Undated deeply subordinated note net of issuance fees.

(b) See Note 2.4. In addition, early partial redemption was accompanied by redemption premium of EUR 9.1 million.

(c) Mainly related to the sale without loss of control of 20% of the regulated water business in the United States for EUR 217.0 million.

(d) Related to the takeover of Mina Publica in Spain in the column "Non-controlling interests".

(e) See Note 7.3.2.

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.

5 Consolidated statements of cash flows

(in millions of euros)	Note	December 31, 2019	December 31, 2018
Net income		**609.2**	**565.8**
- Share in net income (loss) of joint ventures	12.1	(71.4)	(8.6)
- Share in net income (loss) of associates	12.2	(126.9)	(184.3)
+ Dividends received from joint ventures and associates		131.8	144.6
- Amortization, depreciation and provisions		1,474.8	1,103.7
- Other gains and losses on disposal and scope effects		(36.6)	(56.8)
- Other items with no cash impact		17.8	2.9
- Lease contracts impact [d]		4.1	-
- Income tax expense	7	340.0	244.0
- Financial income	6	514.0	465.4
Cash flows from operations before financial income/(expense) and income tax		**2,856.8**	**2,276.7**
+ Tax paid		(253.3)	(156.9)
Change in working capital requirements		**(153.1)**	**(146.4)**
Cash flows from operating activities		**2,450.4**	**1,973.4**
Investments in property, plant and equipment and intangible assets	3.4.3	(1,417.3)	(1,342.9)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(49.6)	(66.9)
Acquisitions of interests in associates and joint-ventures	3.4.3	(23.1)	(47.8)
Acquisitions of equity instrument	3.4.3	(15.9)	(31.7)
Disposals of propery, plant and equipment and intangible assets		85.6	157.9
Disposals of interests in associates and joint-ventures		15.8	(5.3)
Disposal of equity instruments		8.7	4.2
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		27.6	88.4
Other net interest on financial assets		(23.4)	14.1
Dividends received on non-current financial assets		3.6	8.5
Change in loans and financial receivables		(66.7)	(8.8)
Cash flows from investing activities		**(1,454.6)**	**(1,230.3)**
Capital increase/ reduction of parent company		-	-
Purchase/sale of treasury shares		2.9	(4.9)
Capital increase/ reduction of non controlling interests		5.2	(23.4)
Change in share of interests in controlled entities [a]	3.4.3	501.7	(10.8)
Dividends paid to parent company's shareholders [b]		(448.8)	(446.7)
Dividends paid to non controlling interests [b]		(266.8)	(249.4)
Issue of undated deeply subordinated notes net of costs	13.3.2	497.8	-
Repayment of undated deeply subordinated notes net of costs	13.3.2	(363.7)	-
Increase in loans and financial debt [c]	13.2.1	1,401.2	1,323.0
Repayment of lease liabilities [d]	15	(325.1)	-
Repayment of borrowings and financial debts	13.2.1	(1,448.0)	(766.5)
Change in financial assets at fair value through income		(0.6)	27.5
Financial interest on lease liabilities	15	(29.3)	-
Financial interest paid		(363.5)	(392.5)
Financial interest received		11.2	26.6
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(34.9)	(75.9)
Cash flows from financing activities		**(860.7)**	**(593.0)**
Impact of changes in exchange rates and other		20.6	4.7
Total cash flows for the period		**155.7**	**154.8**
Opening cash and cash equivalents		**2,710.2**	**2,555.4**
Closing cash and cash equivalents		**2,865.9**	**2,710.2**

(a) Including the sale without loss of control of 20% of the regulated water activities in the United States for EUR 510.2 million in 2019.

(b) Including withholding taxes and coupons of undated deeply subordinated notes paid by the parent company.

(c) In accordance with IAS 7.8, bank overdrafts due on demand included in financial liabilities in the consolidated statement of financial position are reclassified as cash and cash equivalents in the consolidated statement of cash flows; the reclassification amounts to EUR 837.1 million. For 2018 closing, the amount was EUR 713.9 million.

(d) These new lines are directly related to the application of IFRS 16 - Lease contract as of January 1, 2019.

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.

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 – 92 040 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 25, 2020, 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, 2019.

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, 2018 and 2019, 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, 2019 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, 2019 are consistent with those applied in preparing the financial statements of December 31, 2018, with the exception of the items mentioned below in Note 1.2.1.

1.2.1 Standards, amendments and interpretations applied for annual periods beginning on January 1, 2019

The standards applied by the Group for the first-time starting January 1, 2019 are the following:

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over Tax Treatments

  Impacts of the application of these new standards are described in Note 1.2.3 and 1.2.4.

- amendment to IFRS 9 - Prepayment features with negative compensation
- amendments to IAS 28 - long-term interests in associates and joint ventures
- amendments to IAS 19 - plan amendments, curtailments, and settlements
- annual improvements to IFRS, 2015-2017 cycle and resulting amendments

  Application of these standards and amendments does not have any major impact on the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2019.

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

1.2.2 IFRS standards and amendments applicable after 2019 that the group has elected not to early adopt

Amendments published by the IASB and adopted by the European Union

- Amendments to IAS 1 and to IAS 8 - definition of materiality
- Revised version of Conceptual Framework for Financial Reporting
- Amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform

The Group will not early adopt these amendments. The analysis of the impact of their application is ongoing.

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

- Amendments to IFRS 3 - business combination - definition of a business

1.2.3 Impacts of the first application of IFRS 16 standard – Leases

IFRS 16 took effect on January 1, 2019. It supersedes IAS 17 - Leases as well as IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating Leases - Incentives, and SIC 27 - Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 establishes principles for the measurement, accounting treatment and presentation of leases in the consolidated financial statements.

IFRS 16 requires all leases, signed as lessee, to be accounted for in the consolidated statement of financial position, except in special cases. The lessee recognizes a right of use within non-current assets for each contract concerned, with the counterpart of a lease liability.

Until 31 December 2018, the Group accounted for its leases as a lessee either in the statement of financial position when the lease was a finance lease or in the income statement when the lease was an operating lease. Leases signed as lessee and outstanding in December 31, 2018 were primarily operating leases.

IFRS 16 has not caused, within the SUEZ Group, any change in the accounting treatment of contracts signed as a lessor.

The accounting principles applied to leases signed as lessee or lessor, respectively until December 31, 2018 and from January 1, 2019, are described in section 1.5.7.

The impacts of the first application of IFRS 16 on the consolidated statement of financial position as of January 1, 2019 are as follows:

(in millions of euros)	**Impact of the first application of IFRS 16**
Non-current assets	
Rights of use	1,383.5
Total non-current assets	**1,383.5**
Current assets	
Other assets	(12.1)
Total current assets	**(12.1)**
Total assets	**1,371.4**
Total shareholder's equity	-
Non-current liabilities	
Lease liabilities	1,110.5
Total non-current liabilities	**1,110.5**
Current liabilities	
Lease liabilities	262.2
Trade and other payables	(1.3)
Total current liabilities	**260.9**
Total shareholder's equity and liabilities	**1,371.4**

SUEZ Group applies IFRS 16 by recognizing the cumulative retrospective impact of initial application as of January 1, 2019. Therefore, the Group considered that leases already in place as of December 31, 2018 took effect only starting from January 1, 2019 and that their remaining lease term corresponded to their residual term on that date. In accordance with the provisions of the simplified retrospective method as of January 1, 2019, the Group measured and recognized the cumulative retrospective effect of the initial application of this new standard as of January 1, 2019, without restating comparative information for the year 2018.

At the transition date January 1, 2019 SUEZ Group measured and recognized:

- lease liabilities at the present value of lease payments payable,
- right of use at the lease liability amount adjusted for prepaid rents or rents to be paid that have already been recognized in the statement of financial position as of December 31, 2018 immediately before the first-time adoption of IFRS 16 standard.

Initial application of IFRS 16 did not have an impact on SUEZ Group's shareholders' equity as of January 1, 2019.

The following simplification measures authorized by IFRS 16 were adopted on the transition date:

- SUEZ applied IFRS 16 to the agreements that the Group had previously identified as leases within the meaning of IAS 17 - Leases and IFRIC 4 - Determining Whether an Arrangement Contains a Lease;
- SUEZ has not applied IFRS 16 to agreements that the Group had not previously identified as containing a lease within the meaning of IAS 17 and IFRIC 4;
- leases whose residual term was less than or equal to 12 months were considered short-term leases and they are still recorded under expenses;
- SUEZ used the practical expedient of relying on the work carried out at December 31, 2018 to identify loss-making leases in application of IAS 37. Lease losses have an insignificant impact. The Group therefore did not carry out any impairment tests on rights of use at January 1, 2019.

Rights of use do not generate cash flows that are largely independent of those generated by other assets. Rights of use are therefore included in the carrying amount of each Cash Generating Unit at December 31 of each year. Impairment tests are performed at the level of these CGUs at that date. See Note 1.5.6.

Reconciliation between lease liability as of January 1, 2019 and off-balance sheet commitments as of December 31, 2018

The reconciliation between lease liabilities recognized in the consolidated statements of financial position as of January 1, 2019 and off-balance sheet commitments on lease payments to be made included in Note 20 to the Consolidated Financial Statements as of December 31, 2018 in accordance with IAS 17, breaks down as follows:

(in millions of euros)

Off balance sheet commitments related to lease as of December 31, 2018	**1,338.9**
Impacts due to short-term leases	(24.6)
Impacts due to low value leases	(14.3)
Impacts of change in discount rate	(21.6)
Other impacts [(a)]	94.3
Lease liabilities as of January 1, 2019 after the first application of IFRS 16	**1,372.7**
Lease liabilities related to contracts previously classified as finance lease	87.2
Total lease liabilities as of January 1, 2019	**1,459.9**

(a) Includes adjustments related to a difference in the treatment of renewal or termination options, the service share on leases and contracts not identified in off-balance sheet commitments in 2018.

The lessee's weighted marginal borrowing rate applied to the rental liabilities recognized in the statements of financial position at the date of first application is 1.7%.

1.2.4 Impact of the first-time application of IFRIC 23 – Uncertainty over income tax treatment

Some positions that the SUEZ Group has taken with regard to income tax amounts may be uncertain, for instance because the content of local legislation may be subject to interpretation. IFRIC 23 requires calculating and recognizing income tax using the same calculation method the tax authorities will most likely use.

The SUEZ Group has applied IFRIC 23 as of January 1, 2019 partially retrospectively by recognizing the cumulative impact of the opening balance sheet for 2019 on shareholders' equity without adjusting comparative information during the initial application. Applying this interpretation as of January 1, 2019 did have an impact of -EUR 108.4 million on the Group's shareholders' equity and led to reclassifying provisions for risk related to corporate income tax under tax liabilities in "Other liabilities" in the consolidated statements of financial position for an amount of EUR 22.6 million.

1.2.5 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 according to the financial instrument categories defined by IFRS 9.

1.4 Use of judgment and estimates

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

1.4.1 Estimates

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

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

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

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Note 1.5.4.1 and 1.5.5);
- the measurement of financial instruments (see Note 1.5.9);
- the measurement of provisions, particularly for legal and arbitration proceeding and for pensions and other employee benefits (see Note 1.5.12);
- the measurement of unmetered revenue (see Note 1.5.13.1);
- the measurement of margin at termination relating to construction contracts (see Note 1.5.13.3);
- the measurement of capital renewal and replacement liabilities (see Note 1.5.13.4);
- the measurement of capitalized tax loss carry-forward (see Note 7).

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 (see Notes 9, 10 and 11)

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 (see Note 18)

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 (see Note 19)

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 (see Note 4.1.3)

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 (see Note 14)

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 (see Notes 3.2 and 4.1.1)

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.

1.4.1.8 Margin at termination relating to construction contracts (see Note 4.1.3)

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 (See Note 1.5.13.3).

1.4.1.9 Measurement of capitalized tax loss carry-forwards (see Note 7)

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.

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 25 "List of the main consolidated companies at December 31, 2019 and 2018".

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. 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 Goodwills

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.

Since 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 assumed liabilities.

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 1.5.6 “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.

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.

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 periods (in years)	
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 18.4.

1.5.6 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:

- 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”.

1.5.7 Leases

1.5.7.1 SUEZ ‘s accounting methods of the lessee

Leases that the Group signed as the lessee mainly pertain to real estate assets, vehicles and construction machinery. The duration of the contracts is highly variable depending on the nature of the leased assets.

Accounting methods used up to December 31, 2018

In 2018, before applying IFRS 16, the Group classified its leases as finance leases if it had acquired almost all risks and benefits related to ownership of the leased assets if not, they were classified as operating leases.

The main indicators examined by the Group in order to assess whether a lease transfers substantially all risks and benefits of ownership were as follows: existence of an automatic transfer of ownership clause or an option to transfer ownership clause and conditions for exercising this option, comparison between the term of the lease and the estimated useful life of the asset, specific nature of the asset used, and a comparison of the present value of future payments under the lease with the fair value of the asset.

On the effective date of the finance leases the present value of the minimum future payments to be made was calculated and recognised as a financial debt by the counterpart of a tangible fixed asset.

After the effective date :

- tangible fixed asset was amortized on a straight-line basis over the term of the lease.
- financial debt was increased by financial interest and decreased by the amount of rentals paid.

Payments made under operating leases were recognized as an operating expense in the income statement on a straight-line basis over the term of the leases. Future lease payments were not recognized in the statement of financial position nor in the income statement; they were identified in a note to the annual consolidated financial statements.

Accounting methods used since January 1, 2019

Since January 1, 2019, the lessee applies a single accounting model which consists of recording the following items on the date a given lease takes effect:

- a lease liability under liabilities in the statement of financial position;
- a right to use the leased assets under assets;
- depreciation of the right of use in the income statement;
- interest in the income statement and principal payments under lease liability, with the sum of these payments corresponding to lease payments made to the lessor.

Lease liability equals the present value of future rent to be paid.

Lease payments included in this liability calculation include fixed lease payments, in-substance fixed lease payments or unavoidable payments, variable lease payments that fluctuate solely due to an index or rate, the exercise price of a purchase option if the Group is reasonably certain to exercise it, or early termination penalties if the remaining duration of the lease takes into account this event.

Variable lease payments, which fluctuate depending on how much the leased assets are used, are recognized in operating expenses during the period that the event or condition that triggered the obligation occurred. Their total amount for the year 2019 is shown in Note 15.

IFRS 16 recommends that future lease payments to be paid be discounted using the interest rate implicit in the lease (IRIL) if it is possible to easily determine this rate, or if not, using the incremental borrowing rate (IBR) of the entity that has the concerned leases.

The Group cannot easily determine the interest rate implicit in the leases. As a result, SUEZ used incremental borrowing rates from the different entities with leases to calculate the Group's lease liability. The interest rates used are those for amortized debt.

After the leases take effect, the lease liabilities will increase due to interest but decrease by the amount of lease payments made.

The book values of the liabilities are re-estimated each time a lease contract is amended or events or circumstances significantly change, leading to a change in:

- the remaining duration of the lease;
- the number or type of assets leased;
- the amount of lease payments;
- the estimate of exercising a purchase option on a leased asset.

The Group recognizes rights of use at their initial cost on the date the leases take effect.

The initial cost of rights of use primarily include the lease liability amount, initial direct incremental costs that have been paid to obtain the leases and pre-paid lease payments, less incentives received from lessors at the beginning of the leases.

After the rights of use take effect, they are amortized on a straight-line basis over the remaining duration of the leases. As an exception to this rule, a right of use is amortized over the useful life of the leased asset when the SUEZ Group is reasonably certain it will exercise a purchase option on the asset.

The book value of the rights of use is adjusted when the lease liability is remeasured.

The rights of use are impaired when there is indication that their Cash Generating Unit has undergone a loss of value in accordance with the same criteria as those applied to other depreciable fixed assets.

Exemptions

The Group has opted to take the exemptions set forth in IFRS 16, meaning it will not apply the single accounting model for the following types of leases:

- lease payments for leases of less than or equal to 12 months if these leases do not include purchase options on the leased assets;
- lease payments on leases that pertain to assets with a unit replacement value of less than EUR 5,000.
- SUEZ has recorded a right of use and a lease liability for all transportation equipment leases signed by the Group as lessee, including maintenance expenses and vehicles maintenance. However, as the Group has not applied this simplification to leases on other types of leased assets, only the rental components of these agreements have been restated.

Lease payments that fall under these exemptions remain accounted for under operating expenses as of December 31, 2019. They are presented in Note 15.

Judgment used to determine the remaining duration of leases

The remaining duration of leases according to IFRS 16 corresponds to their lease term plus:

- the lease's renewal period if the agreement includes a renewal option for the lessee and the lessee is reasonably certain to use it;
- the period that the lessee can opt to terminate the agreement if the lessee is reasonably certain it will not use this option.

The SUEZ Group has the right to opt for renewal or termination on certain leases it has signed as lessee, and uses its judgment to determine if there are strong economic incentives to exercise them.

After a lease takes effect, the Group reassesses its remaining lease term if a significant change in circumstances takes place and it is:

- under SUEZ's control;
- and which leads the Group to now be reasonably certain it will exercise an option that had not been considered when the remaining lease term was initially determined; or which leads the Group to no longer be reasonably certain it will exercise an option that it had initially considered.

The Group carries out fixtures and fittings in premises that it rents as a lessee. The amortization period of these fixtures and fittings is at most equal to the term of the lease contracts concerned.
The enforceable period of a contract ends when the lessee and the lessor each have the right to terminate the lease without the permission of the other party and without incurring more than a negligible penalty.
The IFRIC, the IFRS interpretation committee, established at the end of November 2019 that the penalties to be taken into account in determining the term of a contract include economic penalties, in particular the net book value of fixtures and fittings inseparable from the leased assets, which SUEZ has paid, and which SUEZ would lose if it terminated the lease.

The analysis of the possible impact of this IFRIC decision is ongoing.

1.5.7.2 SUEZ's accounting methods as a lessor

Leases signed by SUEZ as the lessor mainly pertain to seawater desalination facilities and water filtration equipments.

The application of IFRS 16 to leases signed as the lessor have the same impacts as of January 1, 2019 as leases recognized up to December 31, 2018.

The lessor analyzes its leases to determine if they are operating leases or finance leases. For finance leases, the lessor transfers almost all risks and benefits related to owning the leased assets to the lessee. All leases that do not fall under this definition of a finance lease are operating leases.

Examples of situations that individually or jointly lead the lessor to classify a lease as a finance lease are as follows:

- the lease results in transferring ownership of the leased asset at the end of the term;
- the lessee has the option to buy the leased asset at a price that should be sufficiently less than its fair value on the date the option becomes exercisable so that when the lease ends, the Group will be reasonably certain the purchase option will be carried out;
- the term of the lease covers most of the useful life of the leased asset;
- as of the signing date of the lease, the present value of future lease payments to be received amounts to at least almost all of the fair value of the leased asset.

Given these criteria, all agreements signed by SUEZ Group as the lessor are operating leases.

The Group recognizes rental income on a straight-line basis under operating income.

The leased assets are isolated within the Group's property, plant and equipment line item, and depreciated over their useful life. They undergo impairment tests if a trigger event on the concerned Cash Generating Unit is identified.

Lease contracts generally include clauses that oblige the customer to remunerate SUEZ for maintenance services on the leased assets. These services reduce the risk of a rapid decline in the residual value of the assets. In less frequent cases where SUEZ does not perform these services, the customer is contractually obliged to perform maintenance or to have maintenance performed by a third party throughout the term of the contracts.

Until December 31, 2018, IFRIC 4 determined the accounting treatment of "take-or-pay" service or sales contracts that did not take the legal form of a lease, but which gave SUEZ customers or suppliers the right to use an asset or set of assets in return for fixed payments. The contracts thus identified were assimilated to leases and had to be analysed as such in order to qualify either as operating leases or finance leases. The Group was concerned by this interpretation in respect of certain contracts signed with industrial or public-sector customers for assets financed by the Group.

IFRS 16 standard now replaces IFRIC 4 standard in very similar terms. Such contracts continue to be accounted for as leases within the Group as soon as they give the Group's customer control over the use of a specific asset throughout their term, in return for payment of a consideration.

1.5.8 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.

1.5.9 Financial instruments

Financial instruments are recognized and measured in accordance with IFRS 9.

1.5.9.1 Classification, valuation and impairment of financial assets

Financial assets mainly comprise cash and cash equivalent instruments, or rights to receive cash, or equity instruments of other entities.

They are listed as follows:

- assets whose cash flows are not interests and principal repayments (equity interests in non-consolidated entities, derivative instruments);
- assets whose cash flows are interests and principal repayments (primarily loans and receivables);
- cash and cash equivalent instruments.

Financial assets are broken down into current and non-current assets in the statement of financial position.

a) Equity interests in non-consolidated entities

SUEZ Group's investments in non-consolidated companies are classified as either:

- equity instruments measured at fair value through income. This category mainly includes listed securities held in companies in which the SUEZ Group does not hold a significant influence; or
- equity instruments measured at fair value through other comprehensive income following an irrevocable option taken by the SUEZ Group, security by security, and from the first recognition. This category mainly includes unlisted securities held in companies in which the Group does not have significant influence.

In accordance with IFRS 9, equity instruments are recognized:

- at their initial cost plus transaction costs when they are measured at fair value through other items of comprehensive income;
- at their initial cost when they are measured at fair value through income. Transaction costs are then recorded on the income statement at the acquisition date.

At each closing, the Group's equity investments in non-consolidated companies are measured and recognized at their fair value. For listed companies, fair value is determined based on the quoted market price at the relevant closing date. For unlisted securities, fair value is measured using valuation models based primarily on the latest market transactions, discounted dividends, cash flows, or failing that, using net book value.

In accordance with IFRS 9:

- all impacts related to instruments measured at fair value through income generated after their vesting date are recognized in the income statement: dividends, positive or negative differences between the fair value and acquisition price throughout the entire time the securities are held, gains or losses on disposals;

- by contrast, impacts related to instruments measured at fair value through other items of comprehensive income are never recycled in the income statement. The positive or negative differences between fair value and acquisition price are recorded in other items of comprehensive income as long as the instruments are held. Gains and losses on disposals are classified in other items of comprehensive income, then the cumulative total of other items of comprehensive income related to the line of sold securities is reclassified to consolidated reserves. Only dividends received impact the Group's revenue;
- there is no impairment recognition for of the Group's investments in non-consolidated companies.

b) Derivative instruments

Derivative instruments are measured and recognized at their fair value; compensation for changes in fair value is recognized in the income statement, unless the derivative instruments are used as cash flow hedges or net investment hedges (see section 1.5.9.3).

c) Loans and receivables carried at amortized cost

The category mainly includes loans and receivables attached to investments, advances granted to associates or non-consolidated companies, guarantee deposits, long-term receivables from customers for concession contracts (see section 1.5.13.4) as well as trade and other receivables less than one year.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs, which generally corresponds to their nominal value. Then, at each reporting date, these assets are measured at amortized cost using the effective interest rate method.

In accordance with the terms and conditions of IFRS 9, SUEZ Group entities have started using an impairment approach per type of asset for counterparty risk.

Regarding trade receivables and lease receivables, they have constituted non-recovery risk matrices for each homogeneous category of customer, adapted to their local realities, in light of the default rates observed in the recent past on receivables with a similar credit risk profile. They update their matrices at least once a year. They use these matrices to calculate impairments now based on the expected default rates on each of the homogeneous categories of customers.

For loans related to investments, current account advances to associates and deposits and guarantees, impairment losses are calculated on the basis of expected losses on assets taken individually.

These assets are classified into three categories:

- situation 1: Assets whose credit risk has not significantly deteriorated and debtors pay on time or with delays of less than 60 days;
- situation 2: Assets that have suffered material credit risk deterioration with overdue payments of between 60 and 180 days;
- situation 3: Assets that have deteriorated to the point where the loss has occurred, with overdue payments exceeding 180 days.

Assets classified under situation 1 are subject to impairment for expected losses up to 12 months. Assets classified under situation 2 or 3 are subject to impairment for expected losses for their entire useful life. The amount of impairment is calculated based on:

- the likelihood of default of the debtor;
- the estimated loss rate if the counterparty defaults applied to the total value of the asset.

Impairment on loans related to investments, current account advances to associates and deposits and guarantees are calculated on the basis of expected losses on assets taken individually

Receivables arising from concession contracts, when SUEZ Group has obtained an unconditional right to receive cash, contain a financing component within the meaning of IFRS 15 since customers pay over several years for a service already provided by the Group. As authorized by IFRS 9, the impairment method used to calculate impairment losses on loans and advances on current accounts and described above has been applied to these receivables.

Gross values of receivables are transferred to unrecoverable losses on receivables on the income statement when all avenues offered to the SUEZ Group to recover the assets have been exhausted. Accumulated impairment less receivables concerned are then also transferred to the income statement.

Contracts assets concluded with customers include amounts due from customers under construction contracts. The calculation method used is described in Note 1.5.13.3. These assets are subject to an impairment test using the same rules as trade receivables.

d) Cash and cash equivalents

The cash and cash equivalents line item includes cash 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 and held in order to meet short-term cash commitments.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under short-term borrowings on the statement of financial position.

1.5.9.2 Classification, valuation of financial liabilities

Financial liabilities include borrowings (of which bank overdrafts), 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 closing date;
- derivative financial instruments qualifying as fair value hedges;
- 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.

SUEZ Group treats restructurings of financial debts that do not take place between identical lenders and borrowers as an extinction of the initial debt and an acknowledgement of the new debt.

Similarly, a renegotiated debt whose value of cash flows under the new conditions (including fees paid to the counterparty bank, discounted using the initial effective interest rate) differs by more than 10% from the present value of the remaining cash flows of the initial financial liability is also considered to be an extinguishment of debt and the recognition of new debt, since the contractual amendment is substantive under IFRS 9. At this time, the initial debt is considered as extinguished and therefore derecognized and all fees related to the former and not yet amortized debt are transferred to the income statement.

When the change is not substantive under IFRS 9, the initial debt remains recognized in the statements of financial position, including any related fees not yet amortized.

However, the Group reassess the carrying amount of the debt with the new future cash flows expected over its remaining period in order to comply with the standard. The effect of the reassessment is recognized in the income statement.

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 of a non-controlling interest 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.

1.5.9.3 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.

a) 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.

b) 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.

Hedging of a net investment in a foreign entity

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.

c) Identification and documentation of hedging relationships

The Group identifies the hedging instrument and the hedged item at the inception of the hedge and formally documents the hedging relationship by identifying the hedging strategy, the hedged risk and the method used to assess the effectiveness of the hedge. Only derivatives traded with counterparties outside of the Group are considered eligible for hedge accounting.

This methodology complies with IFRS 9.

From the outset and on an ongoing basis during all periods for which hedging has been designated, the Group demonstrates and documents the effectiveness of the hedging relationship.

In accordance with IFRS 9, hedges are considered effective when:

- there is an economic relationship between the hedged item and the hedging item. This relationship exists when the characteristics of the hedging instrument (notional amount, maturity date) are highly correlated with the hedged item, and/or when the change in the value of the hedging instrument itself strongly correlates to the change in value of the item hedged;
- the hedging ratio is consistent with the risk management strategy of the company that is hedging the hedged item;
- the value of the hedging instrument is largely unrelated to the debtor's credit risk.

The hedge effectiveness has been demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in fair value or in 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.

d) 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.

e) 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);
- 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.

1.5.10 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.

1.5.11 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.

1.5.11.1 Equity-settled instruments

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.

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.

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.

1.5.11.2 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.

1.5.12 Provisions

1.5.12.1 Provisions for post-employment benefit obligations and other long-term benefits

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

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

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

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

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

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

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

1.5.12.2 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.

1.5.13 Revenues

Revenues correspond to proceeds from contracts signed with customers. They are calculated and recognized using IFRS 15 principles.

SUEZ determines performance obligations included in the contracts signed with customers. Most contracts only include one performance obligation.

When contracts include both a construction activity and facility operation activity, two performance obligations are distinguished. Total revenues related to the contract are then divided up between the construction and operations activities in accordance with IFRS 15.

The SUEZ Group only recognizes the variable portion of revenue, depending on the degree of achievement of contractual objectives (bonuses or penalties), if it is highly unlikely that there will be a material downward adjustment in future accounting periods.

The SUEZ Group recognizes its revenues when transferring control of goods or services promised to the customer, which happens either at delivery (*i.e.* when control is transferred to the buyer) or on an ongoing basis (services and construction activities recognized as the project progresses) often under long-term contracts.

SUEZ only recognizes revenues generated by its co-contracting parties as main operator if:

- the Group bears the main responsibility in managing and completing the overall service;
- the Group made a significant effort to integrate various work carried out by co-contracting parties; and
- the Group made significant efforts in technical supervision so the Group could take total control of the goods or services carried out before transferring control over to the customer.

The Group's revenue includes products related to the following business lines:

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

1.5.13.1 Water Services

As of December 31, 2019, as during previous fiscal years, revenues are based on volumes delivered to the customer in the water distribution business, whether these volumes resulted in specific invoicing ("statement") or are estimated based on the output of the supply networks. As authorized by IFRS 15 and by simplification, revenues correspond to volumes delivered multiplied by a price per m^3 (see Note 1.4.1.7).

With regard to the wastewater services and wastewater treatment, the price of the service is either included in the water distribution bill or is invoiced specifically to the local authority or industrial customer.

The revenue recognition rules for concession contracts are detailed in Note 1.5.13.4.

1.5.13.2 Waste Services

As of December 31, 2019, as during previous fiscal years, revenues are recorded:

- depending on the tonnages collected and the service provided by the SUEZ Group, in the waste collection activity;
- depending on the volumes of waste treated and the additional income from waste recovery, in incineration (sale of heat and power in particular) and sorting (sale of raw materials - paper, cardboard, glass, metals, plastics).

As authorised by IFRS 15 and by simplification, revenues correspond to the tonnages of waste treated multiplied by a price per metric tonne.

The revenue recognition rules for concession contracts are detailed in Note 1.5.13.4.

1.5.13.3 Engineering, construction contracts and other services.

As of December 31, 2019, as during previous fiscal years, revenues are recognized using the percentage of completion method for engineering, construction and equipment sales activities.

When it is probable that total direct unavoidable contract costs will exceed the total economic benefits expected to be received from the contract, the Group recognizes expected loss at termination as an expense immediately. Potential losses at completion are calculated at the contract level in accordance with IAS 37 and not for each performance obligation.

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 under contracts liabilities (see also section 1.5.15).

The difference between the cumulative amount of revenues recognized and intermediary billing is measured. If this difference is positive, it is recognized under "Amount due from customers under construction contracts" within contracts assets (see section 1.5.15). If this difference is negative, it is recognized under “Amount due to customers under construction contracts” within contracts liabilities.

1.5.13.4 Concession contracts

A significant part of the business activities in the Water and Waste businesses is conducted under concession contracts, especially for operating drinking water production and distribution facilities, wastewater treatment facilities or waste incineration facilities.

SIC 29 - Service Concession Arrangements: Disclosures deals with information about concession agreements to be disclosed in the Notes to the financial statements.

IFRIC 12 is the interpretation that specifies the common characteristics of concession agreements:

- the grantor, usually a public authority, is required to provide a public service that it delegates to the SUEZ concessionaire (determining criterion);
- the concession operator, SUEZ, is responsible for managing the related infrastructure and performing the actual public service and is not just a simple agent acting on orders;
- the concession operator, SUEZ, is entrusted with specific infrastructure expansion or upgrading obligations while maintaining the infrastructure in proper condition;
- the price and the conditions (regulation) for price revision are set at the origin of the contract.

For a concession contract to be included in the scope of IFRIC 12, the infrastructure must be controlled by the grantor. Control of the infrastructure by the grantor is ensured when the following two conditions are met:

- the grantor controls or regulates the public service, *i.e.* it controls or regulates the services to be provided through the infrastructure subject to the concession and determines to whom and at what price they should be provided; and
- the grantor controls all residual interest in the infrastructure at the end of the contract. This control is usually reflected through the grantor’s right to take over the infrastructure at the end of the contract.

The IFRIC 12 interpretation applies under IFRS 15. Most of the time, concession contracts include two performance obligations - construction and operations:

- the construction performance obligation includes the creation of new infrastructure, the extension or improvement of existing infrastructure, financed by the concession operator SUEZ, which makes it possible to create future economic benefits. Revenues from construction performance are in all cases recognized using the percentage of completion method, since the infrastructure is built on the customer’s site. The customer takes control of the infrastructure as it is completed. The accounting counterpart of revenue is a contract asset (see Note 1.5.15), while construction is in progress. On the date of entry into service, the contract asset is reclassified, depending on how the SUEZ Group is remunerated for the service. Thus:
  - the asset becomes a receivable, therefore a financial asset, when the operator has an unconditional right to receive a predetermined amount of cash, either directly from the grantor or indirectly through the guarantees given by the grantor on the amount of cash receipts from public service users *(e.g. via* a contractually guaranteed internal rate of return). The receivable contains a financing component within the meaning of IFRS 15 since the customer pays for a service the Group already performed over a period of several years. This accounting scheme applies in particular to BOT (Build, Operate and Transfer) contracts signed with local authorities and relating to public services such as wastewater treatment and household waste incineration,
  - when the concession operator does not receive an unconditional right to receive a predetermined amount of cash, the asset becomes an intangible asset: the concession operator is entitled to bill the users of the public service, the concession operator is paid in substance by the user. Most of the SUEZ Group’s concession contracts fall under this model,
  - lastly, when the concession operator only obtains this unconditional right to receive cash only for part of its construction obligation performance, the revenue counterpart is a financial asset for that part, and an intangible asset for the residual amount;
- the operation performance obligation includes current operations of infrastructure, carrying out operations service for the customer (distribution of drinking water; waste treatment, etc.) and incurring identical renewal expenses to maintain the facilities in proper condition.

The amounts received from the customer on the concession contract are divided up between compensation for construction services on the one hand and compensation for operations services on the other, in accordance with the terms and conditions of IFRS 15 and IFRIC 12:

- when the asset created is a receivable, the amounts received from the customer as compensation for the construction performance obligation are partly recognized as interest income in revenues and partially as repayment of principal of the receivable. The amount received in compensation for the operations performance obligation is recorded as revenues;
- when the asset created is an intangible asset, it is amortized over the term of the concession contract. All amounts received from the customer are fully recognized in revenue.

Property, plant and equipment received at no cost from the grantor as infrastructure, to which the concession operator is granted access for the purposes of the service agreement, that may not be transferred as these will be returned to the grantor at no cost at the end of the contract, are not recorded in the statement of financial position.

The SUEZ Group may have to transfer cash to the grantor in certain cases. If these payments are not for the right to use an asset that is separate from the concession contract, according to IFRIC 12, then, these payments constitute:

- a reduction in the infrastructure's sales price, recognized as operating expenses when the consideration for the construction performance obligation is a financial asset;
- an increase in the intangible asset when the consideration for the construction performance obligation is an intangible asset and the payments to the grantor are fixed; the amount of this increase in intangible assets corresponds to the present value of future fixed payments;
- an operating expense when the consideration for the construction performance obligation is an intangible asset and the payments to the grantor are variable.

Renewal expenses correspond to obligations provided for in contracts whose terms and conditions may differ (contractual rehabilitation obligation, contractual renewal plan, contractual monitoring account, etc.).

They are recognized either as assets in the statements of financial position as intangible assets or financial assets in accordance with the model applicable to the contract if they generate future economic benefits (improving renewal), or as expenses in the opposite case (identical renewal).

Expenditure on identical renewals is recognized as an asset or a liability as concession renewal work when, at a given date, there is a time shift between the contractual commitment and its fulfilment.

The concession renewal work liability recorded in respect of the general obligation to restore the site amounted to EUR 166.9 million at the end of the financial year, compared with EUR 194.1 million at December 31, 2018. This item is classified as "current contracts liabilities".

Amounts are calculated contract by contract based on the obligations of each contract.

1.5.14 Costs to obtain and execute contracts

IFRS 15 also establishes the principles for recognizing the costs of obtaining and executing contracts signed with customers.

SUEZ recognizes under assets on the statement of financial position all significant marginal costs to obtain contracts signed with customers where costs were incurred after the date on which the Group was almost certain to be granted contracts. These marginal costs are the costs that SUEZ incurs to obtain a contract with a customer and that the Group would not have incurred if it had not obtained the contract *(e.g.* commissions paid to sales professionals when new contracts are being entered into).

SUEZ also recognizes contract costs under assets on the statement of financial position when these costs:

- are directly related to a specific contract (direct labor costs, costs that can be rebilled to the customer as per the contract, raw material costs);
- provide the Group new or increased resources which will be used to meet or to continue to meet a performance obligation in the future;
- the Group expects to recover these costs.

Assets thus recognized on the costs of obtaining and executing contracts are then transferred to the income statement as and when the services are provided to the client.

1.5.15 Contracts assets and liabilities

As of December 31, 2019, as during previous fiscal years, the SUEZ Group presents separately, as assets in the statement of financial position, trade receivables corresponding to the unconditional right to receive cash, in exchange for the contractual obligations that SUEZ has already fulfilled.

There are also situations in which SUEZ has fulfilled some of its obligations under contracts signed with customers but has not yet obtained an unconditional right to receive cash because, for example, a technical milestone has not been achieved as of the reporting date. These situations require the Group to present the assets concerned on two separate lines on the statement of financial position: "Non-current Contracts Assets" and "Current Contracts Assets". Contracts assets are impaired as soon as impairments on these assets are expected, by applying the same principles as those described in section 1.5.9 for impairments on trade receivables.

In addition, there are contracts liabilities with customers which are incurred because customers have already paid for services that SUEZ has not yet performed (advances received on services not yet performed, deferred income). They are separated into two line items: "Non-current Contracts Liabilities" and "Current Contracts Liabilities".

1.5.16 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). COI 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 Mark-to-Market (MtM) value on operating financial instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- MtM on operating financial instruments: This corresponds to changes in the fair value (Mark-to-Market) of financial instruments relating to currency hedging, commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions;
- impairment on property, plant and equipment, intangible and financial assets: this includes impairment losses on goodwill, intangible and tangible assets, investments in associates and equity instruments;
- 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 interests 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 equity instruments,

1.5.17 Statements 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. This breakdown is presented in Note 13.2.1 for the 2019 financial year.

In accordance with the terms and conditions of IAS 7 - Statement of Cash Flows, the Cash and cash equivalents line in the statements of cash flows includes bank overdrafts when the bank counterparty may require repayment of the negative balance and when the balance of the accounts concerned changes drastically from a negative to positive position on a regular basis. In this case, the "Consolidated statements of cash flows" includes explanations on reconciling items with the cash and cash equivalents line item on the statements of financial position.

1.5.18 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.

1.5.19 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 Disposal of 20% of regulated water business activities in the United States

In accordance with the agreement signed on July 25, 2018 with PGGM, a Dutch pension fund management company, SUEZ finalized on March 1, 2019, the disposal of 20% of the share capital of SUEZ Water Resources Inc., the parent company of all regulated water activities in the United States. The transaction amounted to USD 601 million, fully paid in cash. At the end of this operation, SUEZ still controls the company.

2.2 Definitive dispute settlement between SUEZ and Argentina over Aguas Argentinas

The government of Argentina and SUEZ signed and executed, in April 2019, a transactional settlement agreement in accordance with the sentence handed down in its favor by the ICSID (International Centre for Settlement of Investment Disputes) for the concession of water and wastewater treatment in Buenos Aires, terminated in 2006.

Several entities both inside and outside SUEZ Group were involved in the procedure and benefited from this agreement. In April, 2019, solely for the SUEZ Group, the amount in cash received totaled EUR 224.1 million.

In addition, on December 14, 2018, the ICSID handed down a definitive favorable ruling to SUEZ as part of the termination of the Aguas Provinciales de Santa Fé water and wastewater concession contract (see Note 23).

2.3 Bond redemption

On April 8, 2019, SUEZ repaid the EUR 800 million nominal loan issued on April 8, 2009. It bore a coupon of 6.25%.

2.4 Issue of new Undated Deeply Subordinated Notes and buyback of shares issued in 2014

On September 12, 2019, SUEZ issued new Undated Deeply Subordinated Notes (hybrid bonds) for a total amount of EUR 500 million. The new notes will bear interest at a fixed rate of 1.625%, revised for the first time seven years after issue, then every five years. The funds raised have been allocated to buyback the shares issued in June 2014 for an amount of around EUR 352 million.

2.5 New bond issue and partial buyback of existing bonds

On October 14, 2019, SUEZ issued new 12-year senior bonds for a total amount of EUR 700 million. The new shares will bear interest at a fixed rate of a 0.500% per year.

The funds raised have been allocated to refinance the partial buyback of existing bonds for a total nominal amount of EUR 449.7 million:

- EUR 151.8 million of an initial amount of EUR 750 million with a 4.078% coupon, maturing in 2021;
- EUR 135.3 million of an initial amount of EUR 750 million with a 4.125% coupon, maturing in 2022;
- EUR 123.6 million of an initial amount of EUR 500 million with a 2.750% coupon, maturing in 2023;
- EUR 39.0 million of an initial amount of EUR 500 million with a 5.500% coupon, maturing in 2024.

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

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

Finally, all the water treatment services for industrial customers are isolated in the WTS sector.

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

Revenues

(in millions of euros)	December 31, 2019			December 31, 2018		
	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	4,638.1	65.2	4,703.3	4,628.9	54.1	4,683.0
Recycling and Recovery Europe	6,471.5	74.2	6,545.7	6,206.1	59.1	6,265.2
International	4,195.4	3.0	4,198.4	3,990.2	1.9	3,992.1
WTS	2,595.4	63.1	2,658.5	2,396.3	60.5	2,456.8
Other	114.9	163.2	278.1	109.6	132.1	241.7
Intercompany eliminations		(368.7)	(368.7)		(307.7)	(307.7)
Total revenues	**18,015.3**	**-**	**18,015.3**	**17,331.1**	**-**	**17,331.1**

EBITDA

(in millions of euros)	December 31, 2019	December 31, 2018
Water Europe	1,151.9	1,136.1
Recycling and Recovery Europe	880.5	683.8
International	979.2	816.3
WTS	278.2	249.6
Other	(69.4)	(117.5)
Total EBITDA [a]	**3,220.4**	**2,768.3**

(a) At December 31, 2019, this amount includes the impact of IFRS 16 for EUR 328.6 million.

EBIT

(in millions of euros)	December 31, 2019	December 31, 2018
Water Europe	493.5	503.0
Recycling and Recovery Europe	308.2	287.1
International	616.5	562.6
WTS	134.4	127.7
Other	(144.9)	(145.1)
Total EBIT [a]	**1,407.7**	**1,335.3**

(a) At December 31, 2019, this amount includes the impact of IFRS 16 for EUR 13.2 million.

Depreciation and amortization

(in millions of euros)	December 31, 2019	December 31, 2018
Water Europe	(477.9)	(443.2)
Recycling and Recovery Europe	(516.8)	(367.7)
International	(323.4)	(252.1)
WTS	(160.3)	(127.9)
Other	(54.2)	(19.4)
Total depreciation and amortization [(a)]	**(1,532.6)**	**(1,210.3)**

(a) At December 31, 2019, this amount includes the impact of IFRS 16.

Capital employed

(in millions of euros)	December 31, 2019	December 31, 2018
Water Europe	5,460.2	5,545.5
Recycling and Recovery Europe	4,447.6	3,538.0
International	6,786.6	6,035.3
WTS	3,523.0	3,458.9
Other	148.5	67.1
Total Capital employed [(a)]	**20,365.9**	**18,644.8**

(a) At December 31, 2019, this amount includes the impact of IFRS 16 for EUR 1,405.8 million.

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

(in millions of euros)	December 31, 2019	December 31, 2018
Water Europe	(431.0)	(441.8)
Recycling and Recovery Europe	(385.2)	(392.2)
International	(50.5)	(494.3)
WTS	(104.4)	(154.8)
Other	(33.1)	(17.0)
Total investments	**(1,004.2)**	**(1,500.1)**

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 Note 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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
France	5,075.2	5,059.7	3,145.6	2,296.7
Europe	5,825.8	5,583.5	6,025.4	5,692.3
International	7,114.3	6,687.9	11,194.9	10,655.8
Total [a]	**18,015.3**	**17,331.1**	**20,365.9**	**18,644.8**

(a) At December 31, 2019, the amount of capital employed includes the impact of IFRS 16.

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with Current operating income

(in millions of euros)	December 31, 2019	December 31, 2018
Current operating income	**1,208.4**	**1,142.4**
(+) Share in net income of equity-accounted companies considered as core business	198.3	192.9
(-) Others	1.0	-
EBIT	**1,407.7**	**1,335.3**
(-) Net depreciation, amortization and provisions	1,531.7	1,167.7
(-) Share-based payments [a]	17.7	2.9
(-) Disbursements under concession contracts	263.3	262.4
EBITDA	**3,220.4**	**2,768.3**

(a) The impact of *Share Appreciation Rights* is disclosed after hedging by Warrants. In addition, this amount does not include long-term cash compensation plans.

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

(in millions of euros)	December 31, 2019	December 31, 2018
(+) Tangible and intangible assets, net	13,726.7	13,756.5
(+) Goodwill, net	5,322.1	5,223.8
(+) Rights of use	1,405.8	-
(+) Equity instrument (excluding marketable securities and impact of revaluation to fair value)	254.4	264.5
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	745.1	720.4
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	953.9	897.3
(+) Investments in associates (excluding Other comprehensive income net of taxes)	1,142.4	1,143.8
(+) Trade and other receivables	4,670.9	4,584.0
(+) Inventories	528.0	499.5
(+) Contracts assets	780.0	722.8
(+) Other current and non-current assets	1,833.3	1,714.7
(-) Provisions and actuarial losses/gains on pensions plans	(1,478.2)	(1,597.4)
(-) Trade and other payables	(3,534.3)	(3,798.9)
(-) Contracts liabilities	(1,178.5)	(1,264.2)
(-) Other current and non-current liabilities	(4,762.9)	(4,174.8)
(-) Other financial liabilities	(42.8)	(47.2)
Capital employed	**20,365.9**	**18,644.8**

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

(in millions of euros)	December 31, 2019	December 31, 2018
Investments in property, plant and equipment and intangible assets	(1,417.3)	(1,342.9)
Takeover of subsidiaries net of cash and cash equivalents acquired	(49.6)	(66.9)
Acquisitions of interests in associates and joint-ventures	(23.1)	(47.8)
Acquisitions of equity instruments	(15.9)	(31.7)
Change in share of interests in controlled entities	501.7	(10.8)
Total investments	**(1,004.2)**	**(1,500.1)**

Note 4 Current operating income

The components of current operating income are as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Revenues	18,015.3	17,331.1
Purchases	(3,720.7)	(3,648.6)
Personnel costs	(4,701.4)	(4,598.4)
Depreciation, amortization and provisions	(1,531.7)	(1,167.7)
Other operating income and expenses	(6,853.1)	(6,774.0)
Current operating income	**1,208.4**	**1,142.4**

4.1 Revenues

4.1.1 Revenues by nature

The following table shows Group's revenues per category:

(in millions of euros)	December 31, 2019	December 31, 2018
Sale, transport and distribution of electricity	438.3	426.8
Water, Recycling and Recovery	14,116.6	13,719.7
Construction contracts, equipment sales, engineering and other services [(a)]	2,481.5	2,217.2
Sale of chemical treatments for industrial water	978.9	967.4
Total	**18,015.3**	**17,331.1**

(a) Revenues include rental income of EUR 105.2 million.

4.1.2 Backlog

Backlog represents future revenue on contracts signed with customers for the following activities: construction contracts (excluding new works and concessions), equipment sales and engineering.

At December 31, 2019, the breakdown of the backlog book is as follows:

(in millions of euros)	Total	Less than a year	From 1 to 5 years	Beyond 5 years
December 31, 2018	2,064.4	1,536.7	493.1	34.6
December 31, 2019	2,399.9	1,481.1	883.2	35.6

4.1.3 Contracts Assets and Contracts liabilities

	December 31, 2019		December 31, 2018	
(in millions of euros)	Non current	Current	Non current	Current
Contracts assets	46.2	733.8	95.6	627.2
Contracts liabilities	267.3	911.3	287.7	976.5

Contracts assets and contracts liabilities include the amounts due to and due from customers under construction contracts:

(in millions of euros)	December 31, 2019	December 31, 2018
Amounts due from customers under construction contracts	437.1	377.5
Amounts due to customers under construction contracts	268.9	217.6
Net position	**168.2**	**159.9**

In addition, at the closing date, the costs and margins incurred on construction contracts in progress are as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Cumulated costs incurred and margins recognized	6,333.6	5,763.6
Advances received	108.1	121.6
Retentions	54.8	53.2

4.2 Personnel costs

(in millions of euros)	December 31, 2019	December 31, 2018
Short-term benefits	(4,673.6)	(4,507.2)
Share-based payments or by cash payment	(14.9)	(6.9)
Post-employment benefit obligations and other long-term benefits	(12.9)	(84.3)
Total	**(4,701.4)**	**(4,598.4)**

Short-term benefits correspond to salaries and expenses recognized for the period. Share-based payments and cash-based payments are broken down in Note 20. This amount includes the expenses related to long-term incentive plans.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 19. This amount corresponds to defined-benefit plan expenses (see Note 19.2.3) and to defined-contribution plan expenses (see Note 19.3).

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals.

(in millions of euros)	December 31, 2019	December 31, 2018
Amortization	(1,532.6)	(1,210.3)
Depreciation of inventories, trade receivables and other assets	7.2	(3.2)
Net change in provisions [(a)]	(6.3)	45.8
Total	**(1,531.7)**	**(1,167.7)**

(a) Excluding post employment benefit obligations presented in section 4.2.

The amortization breakdown is: -EUR 742.3 million for property plant and equipment, -EUR 474.9 million for intangible assets and -EUR 315.4 million for rights of use. The breakdown by type of asset is shown in Notes 10,11 and 15.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

(in millions of euros)	December 31, 2019	December 31, 2018
Other operating income	**236.7**	**225.2**
Other operating expenses	**(7,089.8)**	**(6,999.2)**
Sub-contracting	(2,891.1)	(2,613.3)
Taxes excluding corporate income tax	(709.4)	(764.4)
Other expenses	(3,489.3)	(3,621.5)
Total	**(6,853.1)**	**(6,774.0)**

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

Note 5 Income from operating activities

(in millions of euros)	Note	December 31, 2019	December 31, 2018
Current operating income		**1,208.4**	**1,142.4**
Market to Market on operating financial instruments	5.1	3.7	(0.8)
Impairment on property, plant and equipment, intangible and financial assets	5.2	(64.8)	(25.6)
Restructuring costs	5.3	(132.3)	(87.6)
Scope effects	5.4	8.4	(6.2)
Other gains and losses on disposals and non-recurring items	5.5	26.6	60.1
Aguas Argentinas dispute settlement	5.6	214.9	-
Income from operating activities		**1,264.9**	**1,082.3**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a gain of EUR 3.7 million at December 31, 2019, versus a loss of EUR 0.8 million in 2018 resulting primarily from the following factors:

- Implementation of economic hedging strategies through forward contracts traded on wholesale markets by certain Group entities. The objective of this strategy is to optimize margins by reducing their sensitivity to changes in raw material prices;
- Recognition of gains and losses in the income statement in respect of the ineffective portion of hedging strategies for future cash flows on non-financial assets (cash flow hedge).

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

(in millions of euros)	December 31, 2019	December 31, 2018
Impairments		
Property, plant and equipment and other intangible assets	(32.5)	(3.3)
Rights of use	(0.5)	-
Financial assets	(39.1)	(25.1)
Total	**(72.1)**	**(28.4)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	4.1	0.3
Financial assets	3.2	2.5
Total	**7.3**	**2.8**
Total	**(64.8)**	**(25.6)**

5.2.1 Impairment of *goodwills*

As of December 31, 2019, one-off tests carried out on goodwill in accordance with the procedure described in Note 9.3 did not reveal any impairment on goodwill.

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

In 2019, impairment losses on property, plant and equipment and intangible assets mainly concern the Recycling and Recovery Europe operating segment, especially in France and Water Europe in France and in Spain.

In 2018, losses were also recorded in the Recycling and Recovery Europe operating segment, especially in France.

5.2.3 Impairment of financial assets

In 2019, as in 2018, this item includes impairment losses on financial receivables relating to concession contracts in the Recycling and Recovery Europe operating segment.

5.3 Restructuring costs

At December 31, 2019, this item includes in particular the additional impacts of the restructuring plans initiated in 2017 in Spain, for EUR 17.1 million; as well as the costs related to reorganizations initiated in several entities and Business Units of the Group in France and abroad, excluding WTS, for a total amount of approximately EUR 72 million and in WTS for EUR 39.1 million.

At December 31, 2018, this item included in particular the additional impacts of the restructuring plans initiated in 2017 in Spain and France.

5.4 Scope effects

At December 31, 2019, this item includes the sale of the British company Triogen and proceeds from adjusting the contingent consideration of an Indian WTS entity.

At December 31, 2018, this item mainly included the sale of a company having a peripheral activity in R&R France.

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

(in millions of euros)	December 31, 2019	December 31, 2018
Disposals of property, plant and equipment and intangible assets	25.4	63.3
Disposals of shares	0.3	(3.9)
Others	0.9	0.7
Total	**26.6**	**60.1**

In 2019, this item records gains from disposals of property, plant and equipment in Chile and in Spain as well as losses from disposals and write-offs of fixed assets in France.

In 2018, this item mainly included gains related to the sale by Recycling and Recovery France of its Infectious Medical Waste (IMW) activities, its nuclear waste treatment activities and, finally, the proceeds from various disposals of property, plant and equipment in Chile and France.

5.6 Aguas Argentinas dispute settlement

A description of this settlement is provided in Note 2.2. After taking into account various expenses and fees, the impact is EUR 214.9 million.

Note 6 Net financial income/loss

	December 31, 2019			December 31, 2018		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(441.5)	22.0	(419.5)	(458.6)	36.1	(422.5)
Other financial income and expenses	(162.3)	67.8	(94.5)	(97.0)	54.1	(42.9)
Financial income/(loss)	**(603.8)**	**89.8**	**(514.0)**	**(555.6)**	**90.2**	**(465.4)**

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, 2019			December 31, 2018		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Interest expense on gross borrowings	(368.6)	-	(368.6)	(401.2)	-	(401.2)
Interest expense on lease liabilities	(28.9)	-	(28.9)	-	-	-
Exchange gain/(loss) on borrowings and hedges	(23.6)	-	(23.6)	(40.2)	-	(40.2)
Unrealized income/(expense) from economic hedges on borrowings	(0.2)	-	(0.2)	(0.1)	-	(0.1)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	10.2	10.2	-	25.1	25.1
Capitalized borrowing costs	-	0.6	0.6	-	0.7	0.7
Financial income (expense) relating to a financial debt or receivable restructuring	(20.2)	11.2	(9.0)	(17.1)	10.3	(6.8)
Cost of net debt	**(441.5)**	**22.0**	**(419.5)**	**(458.6)**	**36.1**	**(422.5)**

The slight decrease in the cost of net debt between December 31, 2018 and December 31, 2019 is mainly due to the redemption of a bond with a 6.25% coupon for a nominal amount of EUR 800 million on April 8, 2019, which was replaced with cheaper financing instruments.

The impact of this redemption is partially offset by the first-time application of IFRS 16, which had generated an additional EUR 27.9 million in interest expense as of December 31, 2019.

6.2 Other financial income and expenses

	December 31, 2019			December 31, 2018		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(19.3)	-	(19.3)	(19.5)	-	(19.5)
Unwinding of discounting adjustment to long term provisions (except post employment)	(51.7)	-	(51.7)	(44.3)	-	(44.3)
Change in fair value of derivatives not included in net debt	(0.3)	-	(0.3)	(0.8)	-	(0.8)
Income from equity instrument	-	3.3	3.3	-	8.7	8.7
Other	(91.0)	64.5	(26.5)	(32.4)	45.4	13.0
Other Financial Income and Expenses	**(162.3)**	**67.8**	**(94.5)**	**(97.0)**	**54.1**	**(42.9)**

The increase in the "Other" item from other financial income and expenses between December 31, 2018 and December 31, 2019 is mainly due to:

- advanced redemption fees for the SUEZ bond in October 2019 amounting to -EUR 53.4 million;
- compensation payments on the unwinding of derivatives following the bond redemption in October 2019 for an amount of +EUR 20.7 million.

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 340.0 million compared with EUR 244.0 million in 2018 and breaks down as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Current income tax	(246.1)	(222.7)
Deferred taxes	(93.9)	(21.3)
Total income tax expense recognized in income	**(340.0)**	**(244.0)**

7.1.2 Theoretical income tax expense and actual income tax expense

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

(in millions of euros)		December 31, 2019	December 31, 2018
Net income		609.2	565.8
- Share in net income of associates and joint ventures		198.3	192.9
- Income tax expense		(340.0)	(244.0)
Income before income tax and share in net income of associates and joint ventures (A)		750.9	616.9
Of which French companies		106.8	26.4
Of which companies outside France		644.1	590.5
Statutory income tax rate of SUEZ (B)		34.4%	34.4%
Theoretical income tax expense (C) = (A) x (B)		(258.5)	(212.4)
In fact :			
Difference between the normal tax rate applicable to SUEZ and the normal tax rate applicable in jurisdictions in France and outside France	(a)	56.4	33.6
Permanent differences	(b)	(37.6)	(28.4)
Income taxed at a reduced rate or tax-exempt		3.2	4.0
Additional tax expense	(c)	(64.9)	(36.1)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences	(d)	(126.8)	(41.9)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences	(e)	32.4	10.6
Impact of changes in tax rates	(f)	(10.5)	(10.9)
Tax savings and credits	(g)	18.0	24.8
Other	(h)	48.3	12.7
Actual income tax expense		(340.0)	(244.0)
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)		**45.3%**	**39.6%**

The overall corporate tax rate in France is 34.43%. Under current law, this rate will be 32.02% in 2020.

The main elements explaining the identified differences between the theoretical income tax expense and the effective tax rate are:

(a) In 2019 and in 2018, the mains rates differences with the French tax rates are: the federal tax rate in United-States (21%), the rate in Chile (27%) and the rate in Spain (25%).

(b) In 2019, SUEZ Sharing 2019 plan impacts come in addition to the limit on the deductibility of some financial expenses (as in 2018).

(c) In 2019 and 2018, the impact of tax due on dividends received under the French affiliation privilege regime and withholding taxes on dividends as well as "State Tax" on American subsidiaries.

(d) In 2019: -EUR 48.4 million corresponding to the impairment of net deferred tax assets within the French SUEZ tax consolidation group and -EUR 24.4 million within the Spanish SUEZ tax consolidation group including unrecognized deferred tax assets on tax loss carryforward on a tax credit.

In 2018: the impact of -EUR 16.5 million which corresponds to the impairment of deferred tax assets within the French WTS and SUEZ Spanish tax consolidation group. Furthermore, it included -EUR 7 million of impairment of deferred tax assets previously recognized in relation with the limit on the deductibility of financial Interests in the United States.

(e) In 2019: EUR 10.4 million of deferred tax asset recognition in the United States in relation with the limit on the deductibility of financial Interests in the United States, EUR 5.1 million on SUEZ R&R Nederland B.V. and EUR 3 million on SUEZ R&R Belgium N.V.
In 2018, this item included mainly the recognition of deferred tax on Suez R&R Belgium for EUR 3.9 million and R&R Netherlands for EUR 2.1 million.

(f) In 2019 and 2018: impact of the rate difference in France between statutory income tax rate and deferred tax rate by reversing horizon.

(g) In 2019: Impact of a tax credit amounted EUR 15.8 million in Spain.
In 2018: Impact of the tax credit for Competitiveness and Employment (CICE) and the tax credit for research (CIR) in France.

(h) In 2019 and 2018: the impact of the tax savings generated by the SUEZ tax consolidation group in France and Spain as well as the impact of tax adjustments on prior years.

The analysis shows an increase of effective tax rate between 2018 and 2019. It is mainly explained by a higher volume of:

- Unrecognized deferred tax asset particularly due to an -EUR 48.4 million impairment of net deferred tax assets within the SUEZ French tax consolidation group,
- Additional tax expense especially the "State Tax" in the United States and tax due on dividends received under the French affiliation privilege regime between SUEZ and its affiliates.

Restated from net deferred tax write-off within the SUEZ French tax consolidation group which amounts to -EUR 48.4 million, effective tax rate would be 38.8%.

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

(in millions of euros)	December 31, 2019	December 31, 2018
Deferred tax assets		
Loss carryforwards	(36.7)	(25.7)
Pension obligations	(25.3)	(0.3)
Concessions arrangements	3.6	1.4
Non-deductible provisions	3.3	8.5
Differences between the carrying amount of PPE and their tax bases	13.0	(3.8)
Measurement of financial instruments at fair value	(6.6)	11.2
Other	(7.1)	(37.0)
Total	**(55.8)**	**(45.7)**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	1.8	0.2
Concessions arrangements	(9.5)	1.1
Tax-driven provisions	0.2	(2.8)
Measurement of assets and liabilities at fair value	9.1	(0.5)
Other	(39.7)	26.4
Total	**(38.1)**	**24.4**
Net Deferred Taxes	**(93.9)**	**(21.3)**

In 2019, deferred tax charge on tax loss carryforward is mainly explained by the impairment of net deferred tax assets within the French SUEZ and WTS tax consolidation group and within the Spanish tax consolidation group.

Deferred tax charge on pension obligations and related benefits is mainly explained by the change in medical coverage of French retiree causing a decrease of obligation and by the closing in 2019 of defined-benefit pension plan Article 39 so called « 1991 » and « 1998 ».

Deferred tax charge of -EUR 39.7 million presented as « Others » in liabilities is mostly linked to the recurring tax effect of Undated Subordinated Notes interests reclassed in SUEZ S.A. equity when coupons are paid.

In 2018, the deferred tax assets recognized in relation with loss carryforwards mainly evolves under the effect of consumption of loss carryforwards within Australian consolidation tax group. Furthermore, the net change of deferred tax presented in the line "Other" corresponds particularly to the impairment of deferred tax assets previously recognized in the United States in relation with the limit on the deductibility of Interests and to the impairment of net deferred tax on other deductible temporary differences previously recognized in Spain.

7.2 Deferred tax income and expense recognized in “other comprehensive income”

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

(in millions of euros)	December 31, 2019	December 31, 2018
Equity instrument	(0.1)	0.2
Actuarial gains and losses	(16.0)	(33.8)
Net investment hedges	(5.0)	(0.1)
Cash flow hedges	3.7	(0.9)
Total excluding share of associates and joint ventures	**(17.4)**	**(34.6)**
Share of associates	(1.0)	(2.8)
Total	**(18.4)**	**(37.3)**

In 2019, tax effect recognized as variation in « other comprehensive income » is mainly explained by the net deferred tax asset impairment within SUEZ French tax consolidation on actuarial gains and losses for -EUR 19.5 million and on cash flow hedges for -EUR 4.8 million.

In 2018, tax effect is mainly due to actuarial gains and losses on pension and other employee benefit obligations in SUEZ Water Inc. -EUR 31.1 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, 2018	**546.6**	**(649.4)**	**(102.8)**
IFRIC 23 Restatement	-	1.4	1.4
At January 1, 2019	**546.6**	**(648.0)**	**(101.4)**
From income statement	(55.8)	(38.1)	(93.9)
From other comprehensive income [(a)]	(65.1)	14.4	(50.7)
Scope effects	0.4	(3.2)	(2.8)
Translation adjustments	0.4	2.7	3.1
Other impacts	(7.5)	4.1	(3.4)
Deferred tax netting off by tax entity	122.9	(122.9)	-
At December 31, 2019	**541.9**	**(791.1)**	**(249.2)**

(a) Excluding share of associates and joint-ventures

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

(in millions of euros)	December 31, 2019	December 31, 2018
Deferred tax assets		
Loss carry-forwards and tax credit	339.6	266.0
Pension obligations	90.7	184.5
Concessions arrangements	37.0	96.6
Non-deductible provisions	93.5	178.9
Differences between the carrying amount of PPE and their tax bases	208.1	125.2
Measurement of financial instruments at fair value	16.0	23.6
Other	284.0	321.8
Total	**1,068.9**	**1,196.6**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(862.0)	(837.4)
Concessions arrangements	(85.3)	(76.7)
Tax-driven provisions	(19.7)	(20.0)
Measurement of assets and liabilities at fair value	(31.5)	(39.5)
Other	(319.6)	(325.8)
Total	**(1,318.1)**	**(1,299.4)**
Net Deferred Taxes	**(249.2)**	**(102.8)**

The deferred tax assets recognized on tax loss carry-forwards amount to EUR 339.6 million as of December 31, 2019 versus EUR 266 million as of December 31, 2018. These tax losses carried forward mainly correspond to the losses recognized by the SUEZ French consolidation tax group, on WTS mainly in the United States and on Group water activities in the United States.

In 2019, within the SUEZ French consolidation tax group:

- Deferred tax assets for the year have been written off,
- Opening stocks of the deferred tax assets have been impaired by profit and loss for -EUR 48.4 million and by equity through consolidated reserves and other comprehensive income for -EUR 56.7 million (See Notes 7.2 et 7.3.1).

Consequently, the total amount of net deferred tax assets within the SUEZ French tax consolidation group, including all temporary differences, amounted to EUR 37 million at December 31, 2019 versus EUR 201.4 million at December 31, 2018.

Management considers that the SUEZ French tax consolidation group will be able to use up its entirely net deferred tax assets not depreciated on all temporary differences over the 5-year medium-term plan or beyond.

7.4 Unrecognized deferred taxes

7.4.1 Deductible temporary differences unrecognized

Temporary differences on losses carried forward

At December 31, 2019, unused and unrecognized tax losses carried forward (unrecognized because they did not meet the criteria for recognition as a deferred tax asset) amount to EUR 325.9 million for ordinary tax loss carry-forwards, versus EUR 431.6 million as of December 31, 2018.

Other temporary differences unrecognized

The amount of deferred tax assets on unrecognized other temporary differences amounted to EUR 375.4 million at December 31, 2019, compared with EUR 212.5 million at December 31, 2018.

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 Earning per share

	December 31, 2019	December 31, 2018
Numerator *(in millions of euros)*		
Net income, Group share	**351.7**	**334.9**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014	(11.8)	(15.0)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015	(12.5)	(12.5)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in April 2017	(17.3)	(17.3)
(+) Expenses related to the partial redemption of the undated deeply subordinated notes issued in 2014	(10.3)	-
Adjusted Net Income, Group Share	**299.8**	**290.1**
Denominator *(in millions)*		
Weighted average number of outstanding shares	**618.0**	**618.0**
Earnings per share *(in euros)*		
Net income Group share per share	**0.49**	**0.47**
Net diluted income Group share per share	**0.48**	**0.47**

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

- the SUEZ bonus share 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 6.8 million in 2019.

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, 2017	**5,234.4**	**(92.3)**	**5,142.1**
Scope effects	(24.4)	-	(24.4)
Impairment losses	-	-	-
Translation adjustments	98.7	1.9	100.6
Other	5.5	-	5.5
At December 31, 2018	**5,314.2**	**(90.4)**	**5,223.8**
Scope effects	31.9	-	31.9
Impairment losses	-	-	-
Translation adjustments	67.1	(1.1)	66.0
Other	0.4	-	0.4
At December 31, 2019	**5,413.6**	**(91.5)**	**5,322.1**

In 2019, the net change in goodwill amounts to +EUR 98.3 million. This is mainly the result of:

- the acquisition of ALS group for +EUR 39.5 million ;
- the sale of a French company Sita Espérance for -EUR 12.4 million ;
- translation adjustments mainly relate to fluctuations on the US dollar for +EUR 46.5 million and the pound sterling for +EUR 18.0 million.

At December 31, 2018, the net change in goodwill amounted to +EUR 81.7 million and recorded the following items:

- the change in consolidation method of a Chinese joint venture which is now fully consolidated for -EUR 20.6 million;
- translation adjustments mainly relate to fluctuations on the US dollar for +EUR 109.8 million, the Australian dollar for - EUR 10.4 million and the Hong Kong dollar for EUR 10.9 million.

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

(in millions of euros)	Operating segment	December 31, 2019	December 31, 2018
Material CGUs			
SUEZ WTS	WTS	1,852.2	1,817.7
R&V France	Recycling and Recovery Europe	608.4	620.7
SUEZ Spain	Water Europe	563.5	565.4
R&R News	Recycling and Recovery Europe	510.1	510.1
SUEZ Water Inc. - activité régulée	International	465.9	456.7
R&R UK	Recycling and Recovery Europe	365.5	347.7
Eau France	Water Europe	328.3	328.3
SUEZ NWS	International	283.5	239.3
R&R Australie	International	160.2	157.9
Other CGUs (individual goodwill of less than EUR 150 million)		184.5	180.0
Total		**5,322.1**	**5,223.8**

9.3 Impairment test

All goodwill cash-generating units (CGUs) are tested for impairment based on actual data 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*.

For WTS, the data used correspond to year ended December 2019.

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

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

► a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 1.9% and 2.7% depending on the activity, to normalized free cash flow (2) (used specifically in impairment tests) in the final year of the projections;

► a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2019 range from 4.2% to 7.5%.

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

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

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

Main assumptions used for material goodwill

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

Cash-generating units	Measurement method	Discount rates
SUEZ WTS	DCF	7.5%
R&V France	DCF	4.7%
SUEZ Spain	DCF	5.4%
R&R News	DCF	5.0%
SUEZ Water Inc.- regulated activity	multiples (a)	4.4%
R&R UK	DCF	5.1%
Water France	DCF	4.2%
SUEZ NWS	DCF	6.6%
R&R Australie	DCF	6.3%

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

9.4 Sensitivity to interest rate and operational assumptions

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

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

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

	Discount rates		Growth rate of "normalized" Free Cash Flow	
Impact in % on excess of recoverable value over book value	**- 50 pb**	**+ 50 pb**	**- 50 pb**	**+ 50 pb**
SUEZ WTS	370%	-303%	-213%	260%
R&V France	37%	-26%	-19%	27%
SUEZ Spain	101%	-68%	-61%	91%
R&R News	42%	-29%	-25%	36%
R&R UK	28%	-20%	-18%	25%
Water France	37%	-24%	-23%	35%
SUEZ NWS	31%	-24%	-21%	27%
R&R Australie	19%	-15%	-13%	16%

Moreover, the Group ensured that, in 2019, 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 goodwills can be analyzed by operating segment as follows:

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Water Europe	735.9	741.8
Recycling and Recovery Europe	1,541.2	1,531.3
International	1,190.1	1,130.3
WTS	1,852.2	1,817.7
Other	2.7	2.7
Total	**5,322.1**	**5,223.8**

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

Note 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

(in millions of euros)	Softwares	Intangible rights arising on concession contracts	Other	Total
A. Gross amount				
At December 31, 2017	**795.7**	**5,834.8**	**2,124.5**	**8,755.0**
Acquisitions	39.5	234.0	76.0	349.5
Disposals	(17.3)	(133.8) [(a)]	(8.5)	(159.6)
Translation adjustments	(3.5)	15.5	35.2	47.2
Changes in scope of consolidation	(2.8)	(9.3)	(8.8)	(20.9)
Other	40.8	198.9 [(b)]	(57.2)	182.5
At December 31, 2018	**852.4**	**6,140.1**	**2,161.2**	**9,153.7**
Acquisitions	50.2	193.7	53.4	297.3
Disposals	(31.1)	(163.9) [(a)]	(4.7)	(199.7)
Translation adjustments	(3.8)	29.7	21.2	47.1
Changes in scope of consolidation	1.9	6.7	9.2	17.8
Other	36.8	21.3	(47.3)	10.8
At December 31, 2019	**906.4**	**6,227.6**	**2,193.0**	**9,327.0**
B. Accumulated depreciation and impairment				
At December 31, 2017	**(544.5)**	**(2,659.3)**	**(634.9)**	**(3,838.7)**
Depreciation	(71.0)	(317.9)	(90.0)	(478.9)
Impairment losses	(0.6)	-	1.9	1.3
Disposals	15.8	128.1 [(a)]	7.7	151.6
Translation adjustments	2.8	(8.4)	(0.6)	(6.2)
Changes in scope of consolidation	2.5	7.8	2.7	13.0
Other	(6.9)	(11.7)	4.9	(13.7)
At December 31, 2018	**(601.9)**	**(2,861.4)**	**(708.3)**	**(4,171.6)**
Depreciation	(72.8)	(313.4)	(88.7)	(474.9)
Impairment losses	(1.9)	(2.8)	(3.9)	(8.6)
Disposals	24.1	163.2 [(a)]	4.1	191.4
Translation adjustments	3.7	(11.8)	(5.0)	(13.1)
Changes in scope of consolidation	(1.8)	(5.2)	(0.7)	(7.7)
Other	3.1	(11.3)	1.4	(6.8)
At December 31, 2019	**(647.5)**	**(3,042.7)**	**(801.1)**	**(4,491.3)**
C. Carrying Amount				
At December 31, 2017	**251.2**	**3,175.5**	**1,489.6**	**4,916.3**
At December 31, 2018	**250.5**	**3,278.7**	**1,452.9**	**4,982.1**
At December 31, 2019	**258.9**	**3,184.9**	**1,391.9**	**4,835.7**

(a) At the end of the concession agreements, intangible assets falling within the scope of IFRIC 12 are balanced, at gross value and amortisation, by a disposal flow.

(b) Changes in "Other" mainly corresponded to the change in consolidation method of a Chinese joint venture that was fully consolidated in 2018.

10.2 Information on intangible assets

Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Notes 1.5.4.2, 1.5.6 and 1.5.13.4) 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 end users under IFRIC 12 the intangible asset model.

Most of the acquisitions of the year are done in Water Europe and International (Asia) sectors.

Non-depreciable intangible assets

At December 31, 2019, non-depreciable intangible assets, mainly composed of water rights, amount to EUR 95.6 million *versus* EUR 102 million at December 31, 2018, and are included in the column “Other”.

No significant impairment was posted in this asset category in 2019.

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 118.5 million at December 31, 2019 compared with EUR 120 million at December 31, 2018.

Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material for year end 2019.

Note 11 Property, plant and equipment

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

(in millions of euros)	Lands	Constructions	Plant and equipment	Transport equipment	Capitalized dismanting and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
At December 31, 2017	**2,020.7**	**3,302.3**	**8,290.7**	**1,346.8**	**539.3**	**850.8**	**505.2**	**16,855.8**
Acquisitions	7.2	115.5	245.9	23.8	-	638.6	30.6	1,061.6
Disposals	(12.5)	(55.0)	(193.9)	(121.3)	(0.6)	-	(23.2)	(406.5)
Translation adjustments	(26.7)	(45.3)	1.4	(8.9)	(5.1)	(14.4)	5.8	(93.2)
Changes in scope of consolidation	(7.6)	(15.5)	(10.1)	(2.3)	-	(6.9)	(4.3)	(46.7)
Other	30.0	24.6	534.1	21.1	0.3	(495.6)	19.5	134.0
At December 31, 2018	**2,011.1**	**3,326.6**	**8,868.1**	**1,259.2**	**533.9**	**972.5**	**533.6**	**17,505.0**
Acquisitions	10.7	74.1	240.3	28.8	-	692.2	38.9	1,085.0
Disposals	(27.1)	(31.2)	(152.0)	(126.2)	-	-	(50.8)	(387.3)
Translation adjustments	11.0	(58.1)	(83.1)	5.3	4.5	(24.8)	4.2	(141.0)
Changes in scope of consolidation	(8.4)	(4.7)	9.3	6.0	(3.0)	(1.5)	2.4	0.1
Other	149.1	(20.0)	421.5	17.8	(8.9)	(617.4)	16.2	(41.7)
At December 31, 2019	**2,146.4**	**3,286.7**	**9,304.1**	**1,190.9**	**526.5**	**1,021.0**	**544.5**	**18,020.1**
B. Accumulated depreciation and impairment								
At December 31, 2017	**(1,061.6)**	**(1,537.7)**	**(3,769.8)**	**(1,070.5)**	**(537.1)**	**(14.9)**	**(358.1)**	**(8,349.7)**
Depreciation	(71.2)	(136.7)	(391.8)	(76.4)	(0.3)	-	(55.0)	(731.4)
Impairment losses	(0.9)	(3.2)	3.1	(0.7)	-	(0.4)	(0.1)	(2.2)
Disposals	2.4	42.1	168.5	101.0	0.6	0.3	19.1	334.0
Translation adjustments	10.7	13.3	20.3	6.4	5.1	(0.4)	(3.0)	52.4
Changes in scope of consolidation	1.3	10.3	16.0	1.7	-	-	3.4	32.7
Other	(0.3)	8.5	(94.1)	3.0	(0.3)	0.3	16.5	(66.4)
At December 31, 2018	**(1,119.6)**	**(1,603.4)**	**(4,047.8)**	**(1,035.5)**	**(532.0)**	**(15.1)**	**(377.2)**	**(8,730.6)**
Depreciation	(83.6)	(149.7)	(373.7)	(63.1)	(0.4)	-	(71.8)	(742.3)
Impairment losses	(0.2)	(10.3)	(12.6)	(0.3)	-	(0.4)	(0.1)	(23.9)
Disposals	11.7	28.9	135.2	122.2	-	1.0	41.3	340.3
Translation adjustments	(21.2)	15.8	29.9	(3.6)	(4.5)	(0.3)	(2.9)	13.2
Changes in scope of consolidation	6.1	3.6	(5.9)	(5.0)	3.0	-	(3.6)	(1.8)
Other	(12.6)	25.3	(41.0)	4.0	8.9	11.8	19.6	16.0
At December 31, 2019	**(1,219.4)**	**(1,689.8)**	**(4,315.9)**	**(981.3)**	**(525.0)**	**(3.0)**	**(394.7)**	**(9,129.1)**
C. Carrying Amount								
At December 31, 2017	959.1	1,764.6	4,520.9	276.3	2.2	835.9	147.1	8,506.1
At December 31, 2018	891.5	1,723.2	4,820.3	223.7	1.9	957.4	156.4	8,774.4
At December 31, 2019	**927.0**	**1,596.9**	**4,988.2**	**209.6**	**1.5**	**1,018.0**	**149.8**	**8,891.0**

In 2019, the main changes concern acquisition of tangible assets in progress for (+EUR 692 million), mainly made in the United States (+EUR 301 million), France (+EUR 170 million) and Chile (+EU 133 million).

In 2018, these acquisitions (+EUR 639 million) were mainly in the United States (+EUR 193 million), France (+EUR 191 million) and Chile (+EUR 116 million).

The main translation adjustments on the carrying amount of property, plant and equipment have been noted :

- In 2019, the Chilean peso (-EUR 209 million), the US dollar (+EUR 54 million) and the Pound sterling (+EUR 17 million).
- In 2018, the Chilean peso (-EUR 139 million), the US dollar (+EUR 126 million) and the Australian dollar (-EUR 13 million).

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to EUR 9.7 million at December 31, 2019 against EUR 10.6 million at December 31, 2018.

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

In the course of ordinary operations, some Group companies have committed to investing in technical facilities which the third parties concerned undertake to deliver to them in return.

The Group's contractual commitments for property, plant and equipment amounted to EUR 633 million at December 31, 2019, against EUR 446.6 million at December 31, 2018.

Note 12 Investments in joint ventures and associates

12.1 Investments in joint ventures

The most significant equity interests are the Chinese joint ventures jointly owned by SUEZ NWS Limited, a Hong Kong-based company at 50% and by local concessionary authorities at 50%. Following the full consolidation of SUEZ NWS Limited in SUEZ, the shares from all the joint ventures (including all the Chinese joint ventures mentioned above) are accounted for by using the equity method according to SUEZ NWS Limited's percentage ownership (50% for the Chinese joint ventures) and represent EUR 593.5 million at December 31, 2019.

Another major joint venture is the Suyu group, which is based in China and is 50%-owned by Suez.

	Carrying amount of investments in joint ventures		Share in net income/ (loss) of joint ventures	
(in millions of euros)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
SUEZ NWS Limited group	593.5	561.1	47.9	56.8
Suyu group	316.4	298.0	15.9	17.9
Other	44.0	38.3	7.6	7.3
Total	**953.9**	**897.4**	**71.4**	**82.0**

(in millions of euros)	December 31, 2019	December 31, 2018
Net income	71.4	82.0
Other comprehensive income (OCI)	9.0	0.8
Comprehensive income	**80.4**	**82.8**

Below are the summarized statements of financial position (at 100%) of the Chinese joint ventures accounted for by using the equity method at SUEZ NWS Limited and the Suyu Group.

➢ Summarized Statement of financial position

(in millions of euros)	December 31, 2019		Suyu Group	December 31, 2018
	Chinese joint ventures	Suyu Group	Chinese joint ventures	Suyu Group
Non-current assets	684.9	776.3	607.3	756.5
Current assets	234.7	20.8	291.4	2.2
of which Cash and cash equivalents	*119.4*	*20.8*	*139.5*	*2.2*
Total assets	**919.6**	**797.1**	**898.7**	**758.7**
Shareholders' equity, Group share	498.8	632.9	478.9	595.9
Non-controlling interests	3.7	-	4.5	-
Total shareholders' equity	**502.5**	**632.9**	**483.4**	**595.9**
Non-current liabilities	153.2	164.2	189.6	162.8
Current liabilities	263.9	-	225.7	-
Total shareholders' equity and liabilities	**919.6**	**797.1**	**898.7**	**758.7**
100% dividends paid in the previous financial year	**66.9**	-	**94.6**	**4.6**

Suyu's "Non-current assets" item includes Derun Environment shares equity accounted for EUR 740.7 million at the end of 2019, compared with EUR 721.3 million at the end of 2018.

➢ Summarized Income Statement

(in millions of euros)	December 31, 2019		December 31, 2018	
	Chinese joint ventures	Suyu Group	Chinese joint ventures	Suyu Group
Revenues	373.9	-	360.8	-
Current operating income	64.4	-	68.7	-
Net income - group share	47.4	-	62.4	-
Net income - non-controlling interests	0.7	-	0.6	-
Net income	**48.1**	**50,7** [(a)]	**63.0**	**59.4**
Other comprehensive income (OCI)[(b)]	4.9	6.1	(2.4)	(5.2)
Comprehensive income	**53.0**	**56.8**	**60.6**	**54.2**

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

(b) This amount corresponds to translation adjustments.

12.2 Investments in associates

Investments and income from associates break down as follows :

	Carrying amount of investments in associates		Share in net income/ (loss) of associates	
(in millions of euros)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Acea Group	591.2	563.5	63.0	55.5
Agbar Group	167.9	190.4	14.7	15.5
Other (individual contributions less than 10% of the total)	311.1	330.4	49.2	39.9
Total	**1,070.2**	**1,084.3**	**126.9**	**110.9**

(en millions d'euros)	December 31, 2019	December 31, 2018
Net income	126.9	110.9
Other comprehensive income (OCI)	(7.7)	12.0
Comprehensive income	**119.2**	**122.9**

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

At December 31, 2019 the book value of Acea in the statement of financial position is EUR 591.2 million. Its market value is EUR 916.3 million.

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

The consolidated financial statements of Acea group at December 31, 2019 are not available at the date of publication of the Group's 2019 consolidated financial statements.

In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position at September 30, 2019 corresponds to the latest available information.

➢ Summarized Statement of Acea group financial position

(in millions of euros)	September 30, 2019	December 31, 2018
Non-current assets	6,150.8	5,735.5
Current assets	2,533.8	2,421.5
of which Cash and cash equivalents	*999.4*	*1,068.1*
Total assets	**8,684.6**	**8,157.0**
Shareholders' equity, Group share	1,782.1	1,729.6
Non-controlling interests	193.7	173.9
Total shareholders' equity	**1,975.8**	**1,903.5**
Non-current liabilities	4,145.2	3,962.9
Current liabilities	2,563.6	2,290.6
Total shareholders' equity and liabilities	**8,684.6**	**8,157.0**
100% dividends paid in the previous financial year	**151.2**	**133.9**

➢ Summarized Income Statement of Acea group – of the first nine months

(in millions of euros)	September 30, 2019	September 30, 2018
Revenues	2,346.2	2,173.9
Gross operating profit	740.8	659.6
Operating profit /(loss)	402.5	381.0
Net income - group share	218.9	214.8
Net income - non-controlling interests	19.4	11.0
Net income	**238.3**	**225.8**
Other comprehensive income (OCI)	(6.6)	13.4
Comprehensive income	**231.7**	**239.2**

Note 13 Financial instruments

13.1 Financial assets

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

(in millions of euros)	December 31, 2019 Non-current	Current	Total	December 31, 2018 Non-current	Current	Total
Equity instrument at fair value	132.2	-	132.2	133.0	-	133.0
Loans and receivables carried at amortized cost	653.7	4,762.3	5,416.0	610.7	4,693.7	5,304.4
Loans and receivables carried at amortized cost (excluding trade and other receivables)	653.7	91.4	745.1	610.7	109.7	720.4
Trade and other receivables	-	4,670.9	4,670.9	-	4,584.0	4,584.0
Financial assets measured at fair value	115.7	105.3	221.0	119.0	126.8	245.8
Derivative financial instruments	115.7	75.5	191.2	119.0	97.6	216.6
Financial assets measured at fair value through income	-	29.8	29.8	-	29.2	29.2
Cash and cash equivalents	-	3,703.0	3,703.0	-	3,424.1	3,424.1
Liquid financial investments	-	130.0	130.0	-	-	-
Other cash and cash equivalents	-	3,573.0	3,573.0	-	3,424.1	3,424.1
Total	**901.6**	**8,570.6**	**9,472.2**	**862.7**	**8,244.6**	**9,107.3**

13.1.1 Equity instruments at fair value

Movements during the period are broken down as follows:

(in millions of euros)	Equity instruments at JV through OCI	Equity instruments at JV through income
December 31, 2018	**105.0**	**28.0**
Acquisitions	15.9	-
Net book value of disposals	(8.0)	(3.5)
Changes in fair value posted to equity as other comprehensive income	3.0	-
Changes in fair value posted to income statement	-	2.7
Changes in scope, exchange rates and other	(10.7)	(0.2)
December 31, 2019	**105.2**	**27.0**

The value of equity instruments at fair value through OCI held by the Group amounts to EUR 105.2 million of unlisted securities as at December 31, 2019.

The value of equity instruments at fair value through income held by the Group amounts to EUR 27 million as at December 31, 2019, which is divided between EUR 22.2 million of listed securities and EUR 4.8 million of unlisted securities.

13.1.2 Loans and receivables carried at amortized cost

(in millions of euros)	December 31, 2019 Non-current	Current	Total	December 31, 2018 Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**653.7**	**91.4**	**745.1**	**610.7**	**109.7**	**720.4**
Loans granted to affiliated companies [(a)]	430.5	50.0	480.5	405.8	66.3	472.1
Other receivables at amortized cost	0.3	-	0.3	2.6	-	2.6
Concession receivables	222.4	41.3	263.7	201.6	43.4	245.0
Finance lease receivables	0.5	0.1	0.6	0.7	-	0.7
Trade and other receivables	**-**	**4,670.9**	**4,670.9**	**-**	**4,584.0**	**4,584.0**
Total	**653.7**	**4,762.3**	**5,416.0**	**610.7**	**4,693.7**	**5,304.4**

(a) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to EUR 288.6 million as of December 31, 2019, versus EUR 283.8 million as of December 31, 2018.

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

(in millions of euros)	December 31, 2019 Gross	Depreciation and impairment	Net	December 31, 2018 Gross	Depreciation and impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	909.3	(164.2)	745.1	843.0	(122.6)	720.4
Trade and other receivables	5,018.8	(347.9)	4,670.9	4,940.1	(356.1)	4,584.0
Total	**5,928.1**	**(512.1)**	**5,416.0**	**5,783.1**	**(478.7)**	**5,304.4**

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

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

(in millions of euros)	Interests	Remeasurement post-acquisition Translation adjustment	Impairment
At December 31, 2018	56.9	(6.4)	(27.0)
At December 31, 2019	**58.1**	**1.0**	**(24.8)**

Trade and other receivables

On initial recognition, trade receivables are recorded at fair value, which generally corresponds to their nominal value. An impairment loss is recognized based on the risk of non-recovery by homogeneous category of customers and on the expected loss rate for each category of customers (see Note 1.5.9.1).

The net carrying amount of trade and other receivables posted to the statement of financial position represents its measurement of fair value.

13.1.3 Financial assets measured at fair value

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

(in millions of euros)	December 31, 2019			December 31, 2018		
	Non-current	Current	Total	Non-current	Current	Total
Derivative financial instruments	**115.7**	**75.5**	**191.2**	**119.0**	**97.6**	**216.6**
Debt-related derivatives (see Note 13.3.1)	111.3	44.0	155.3	111.4	67.9	179.3
Derivative hedging commodities (see Note 14.1.1.2)	-	7.8	7.8	-	0.7	0.7
Derivative hedging other items [(a)]	4.4	23.7	28.1	7.6	29.0	36.6
Financial assets at fair value through income exluding derivatives	**-**	**29.8**	**29.8**	**-**	**29.2**	**29.2**
Financial assets measured at fair value through income (see Note 13.3.1)	-	29.8	29.8	-	29.2	29.2
Total	**115.7**	**105.3**	**221.0**	**119.0**	**126.8**	**245.8**

(a) Includes derivative financial instruments :
- for the interest rate futures portion of debt-related derivatives not designated as hedges for EUR 1.9 million at December 31, 2019, compared with EUR 4.5 million at December 31, 2018.

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, 2019 is not significant.

13.1.4 Cash and cash equivalents

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

"Cash and cash equivalents" amount to EUR 3,703.0 million as of December 31, 2019 versus EUR 3,424.1 million as of December 31, 2018.

This item mainly includes term deposits for EUR 749.3 million compared with EUR 699.8 million at December 31, 2018 and cash and cash equivalents for EUR 2,889.6 million compared with EUR 2,669.2 million at 31 December 2018, including EUR 130.0 million in liquid financial investments as at December 31, 2019 (excluding accrued interest).

In addition, restricted cash amounts to EUR 17,3 million as of December 31, 2019.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2019 amounts to EUR 10.1 million versus EUR 24.0 million as of December 31, 2018.

13.1.5 Pledged and mortgaged assets

(in millions of euros)	December 31, 2019	December 31, 2018
Pledge and mortgaged assets	**7.1**	**12.1**

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, 2019, as well as their breakdown as “non-current” and “current”:

(in millions of euros)	December 31, 2019			December 31, 2018		
	Non-current	Current	Total	Non-current	Current	Total
Borrowings	9,914.0	2,609.1	12,523.1	9,803.2	2,762.1	12,565.3
Lease liabilities	1,159.4	314.9	1,474.3	-	-	-
Derivative financial instruments	6.7	57.3	64.0	9.5	47.2	56.7
Trade and other payables	-	3,534.3	3,534.3	-	3,798.9	3,798.9
Other financial liabilities	42.8	-	42.8	47.2	-	47.2
Total	**11,122.9**	**6,515.6**	**17,638.5**	**9,859.9**	**6,608.2**	**16,468.1**

13.2.1 Borrowings and debt

	December 31, 2019			December 31, 2018		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	9,009.1	465.4	9,474.5	8,921.9	844.5	9,766.4
Commercial paper	-	678.4	678.4	-	641.8	641.8
Draw downs on credit facilities	302.2	43.7	345.9	288.0	31.1	319.1
Borrowings under finance leases [a]	-	-	-	53.4	33.8	87.2
Other bank borrowings	426.3	130.9	557.2	408.8	75.6	484.4
Other borrowings	157.5	64.3	221.8	144.2	79.6	223.8
Borrowings (gross amounts)	**9,895.1**	**1,382.7**	**11,277.8**	**9,816.3**	**1,706.4**	**11,522.7**
Overdrafts and current cash accounts	-	1,133.6	1,133.6	-	928.8	928.8
Outstanding financial debt	**9,895.1**	**2,516.3**	**12,411.4**	**9,816.3**	**2,635.2**	**12,451.5**
Impact of measurement at amortized cost	(59.2)	81.3	22.1	(82.0)	123.6	41.6
Impact of fair value hedge	78.1	11.5	89.6	68.9	3.3	72.2
Borrowings and debt	**9,914.0**	**2,609.1**	**12,523.1**	**9,803.2**	**2,762.1**	**12,565.3**

(a) As of December 31, 2019, the amounts on this line are reclassified as lease liabilities following the application of IFRS 16.

The fair value of borrowings and debt as of December 31, 2019 amounts EUR 13,908.4 million for a net book value of EUR 12,523.1 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:

					Non cash flows				
(in millions of euros)	December 31, 2018	IFRS 16 [b]	January 1, 2019	Cash flows	Forex effect	Scope effect	Change in fair value and amortized cost	Others	December 31, 2019
Bond issues	9,766.4		9,766.4	(257.2)	(34.7)	-	-	-	9,474.5
Commercial paper	641.8		641.8	37.0	(0.4)	-	-	-	678.4
Draw downs on credit facilities	319.1		319.1	28.4	-	0.7	-	(2.3)	345.9
Borrowings under finance leases	87.2	(87.2)	-						-
Other bank borrowings	484.4		484.4	67.6	(6.4)	8.8	-	2.8	557.2
Other borrowings	223.8		223.8	(0.5)	1.8	(16.9)	-	13.6	221.8
Borrowings (gross amounts)	**11,522.7**	**(87.2)**	**11,435.5**	**(124.7)**	**(39.7)**	**(7.4)**	**-**	**14.1**	**11,277.8**
Overdrafts and current cash accounts [a]	928.8		928.8	212.2	(7.1)	0.2	-	(0.5)	1,133.6
Outstanding financial debt	**12,451.5**	**(87.2)**	**12,364.3**	**87.5**	**(46.8)**	**(7.2)**	**-**	**13.6**	**12,411.4**
Impact of measurement at amortized cost	41.6		41.6	(11.1)	(1.1)	(8.0)	(9.4)	10.1	22.1
Impact of fair value hedge	72.2		72.2	-	-	-	17.4	-	89.6
Borrowings and debt	**12,565.3**	**(87.2)**	**12,478.1**	**76.4**	**(47.9)**	**(15.2)**	**8.0**	**23.7**	**12,523.1**
Lease liabilities	**-**	**1,459.9**	**1,459.9**	**(325.1)**	**3.8**	**0.8**		**334.9**	**1,474.3**

(a) The change in bank overdrafts due on demand, as defined by IAS 7.8, does not impact the item "Increase in financial liabilities" in the consolidated statement of cash flows for an amount of EUR 123.2 million, but is nevertheless taken into account in the 2019 cash flows of financial liabilities.
(b) See Note 1.2.3

13.2.2 Derivative financial instruments (including commodities)

(in millions of euros)	December 31, 2019			December 31, 2018		
	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	0.4	41.5	41.9	3.6	17.6	21.2
Derivatives hedging commodities	-	4.3	4.3	-	7.5	7.5
Derivatives hedging other items [(a)]	6.3	11.5	17.8	5.9	22.1	28.0
Total	**6.7**	**57.3**	**64.0**	**9.5**	**47.2**	**56.7**

(a) Mainly includes derivative financial instruments :
- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedgz for EUR 3.5 million at December 31, 2019, compared with EUR 2.5 million at December 31, 2018.

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

13.2.3 Trade and other payables

(in millions of euros)	December 31, 2019	December 31, 2018
Trade payables	3,260.7	3,527.2
Payables on fixed assets	273.6	271.7
Total	**3,534.3**	**3,798.9**

The fair value of trade payables and other creditors correspond to their carrying amount recorded in the statement of financial position.

13.2.4 Other financial liabilities

(in millions of euros)	December 31, 2019	December 31, 2018
Payables on acquisition of shares	4.9	6.9
Other financial liabilities [(a)]	37.9	40.3
Total	**42.8**	**47.2**

(a) including EUR 27.8 million in 2019 and EUR 30.0 million in 2018 related to the financing of the expansion of an Australian landfill

13.3 Net debt

13.3.1 Analysis by type of debt

(in millions of euros)	December 31, 2019 Non-current	Current	Total	December 31, 2018 Non-current	Current	Total
Outstanding borrowings	9,895.1	2,516.3	12,411.4	9,816.3	2,635.2	12,451.5
Impact of measurement at amortized cost [(a)]	(59.2)	81.3	22.1	(82.0)	123.6	41.6
Impact of fair value hedge [(b)]	78.1	11.5	89.6	68.9	3.3	72.2
Borrowings and debts	**9,914.0**	**2,609.1**	**12,523.1**	**9,803.2**	**2,762.1**	**12,565.3**
Lease liabilities	**1,159.4**	**314.9**	**1,474.3**	**-**	**-**	**-**
Debt-related derivatives under liabilities [(c)]	0.4	41.5	41.9	3.6	17.6	21.2
Gross debt	**11,073.8**	**2,965.5**	**14,039.3**	**9,806.8**	**2,779.7**	**12,586.5**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(29.8)	(29.8)	-	(29.2)	(29.2)
Cash management assets	-	(130.0)	(130.0)	-	-	-
Other cash and cash equivalents	-	(3,573.0)	(3,573.0)	-	(3,424.1)	(3,424.1)
Debt-related derivatives under assets [(c)]	(111.3)	(44.0)	(155.3)	(111.4)	(67.9)	(179.3)
Net cash	**(111.3)**	**(3,776.8)**	**(3,888.1)**	**(111.4)**	**(3,521.2)**	**(3,632.6)**
Net debt	**10,962.5**	**(811.3)**	**10,151.2**	**9,695.4**	**(741.5)**	**8,953.9**
Outstanding borrowings	9,895.1	2,516.3	12,411.4	9,816.3	2,635.2	12,451.5
Lease liabilities	1,159.4	314.9	1,474.3			
Financial assets measured at fair value through income excluding financial derivative instruments	-	(29.8)	(29.8)	-	(29.2)	(29.2)
Cash management assets	-	(130.0)	(130.0)	-	-	-
Other cash and cash equivalents	-	(3,573.0)	(3,573.0)	-	(3,424.1)	(3,424.1)
Net debt excluding amortized cost and impact of derivative financial instruments	**11,054.5**	**(901.6)**	**10,152.9**	**9,816.3**	**(818.1)**	**8,998.2**

(a) Includes accrued interest on gross debt as well as premiums and fees for setting up borrowings to be amortized.

(b) This item corresponds to the remeasurement of the interest rate component of debt in a designated fair value hedging relationship.

(c) It corresponds to the fair value of debt-related derivatives, regardless of whether or not they are designated as hedges.

The increase in the non-current portion of net debt as of December 31, 2019 is primarily due to:

- the recognition of lease liabilities for a non-current amount of EUR 1,159.4 million;
- the issue by SUEZ of a EUR 700 million bond in October 2019, maturing on October 14, 2031;
- the issue by Suez Water Ressources LLC of USD 245 million (EUR 218 million) in bonds in November 2019.

Partially offset by:

- the reclassification of the Oceane bond issued by SUEZ for an amount of EUR 311 million, maturing in February 2020;
- the reclassification of the bond issued by SUEZ for an amount of EUR 100 million, maturing in April 2020;
- the partial redemptions made on certain notes in October 2019 for a total amount of EUR 449.7 million (see Note 2.5).

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

13.3.2 Issue of Undated Deeply Subordinated Notes

On September 12, 2019, SUEZ issued new Undated Deeply Subordinated Notes for a total amount of EUR 500 million. The new notes will bear interest at a fixed rate of 1.625%, revised for the first time seven years after issue, then every five years. The funds raised have been allocated to buy back the shares issued in June 2014 for an amount of EUR 352.1 million.

At December 31, 2019, the outstanding amount of Undated Deeply Subordinated Notes is EUR 1,747.9 million, compared with EUR 1,600 million at December 31, 2018. These lines are not recognized in financial debt as they meet the conditions required by IAS 32 to be recognized in equity.

13.3.3 Bond and Commercial paper issues

On October 14, 2019, SUEZ issued new 12-year senior bonds for a total amount of EUR 700 million. The new shares will bear interest at a fixed rate of a 0.500% per year.

The funds raised have been allocated to refinance the partial buyback of existing bonds for a total nominal amount of EUR 449.7 million:

- ► EUR 151.8 million of an initial amount of EUR 750 million with a 4.078% coupon, maturing in 2021;
- ► EUR 135.3 million of an initial amount of EUR 750 million with a 4.125% coupon, maturing in 2022;
- ► EUR 123.6 million of an initial amount of EUR 500 million with a 2.750% coupon, maturing in 2023;
- ► EUR 39.0 million of an initial amount of EUR 500 million with a 5.500% coupon, maturing in 2024.

SUEZ has a commercial paper program. At December 31, 2019, the outstanding notes totaled EUR 678.4 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, 2019, outstanding commercial paper was entirely covered by confirmed available for more than one-year credit lines.

13.3.4 Securitization of receivables

Context

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

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

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.

As of the end of December 2019, the assignors from the OSIS division of SUEZ RV France are no longer part of the scope of the transferred receivables.

The aim of the receivable assignment or receivable securitization program is to carry out so-called "deconsolidation" assignments within the meaning of IFRS 9, their receivables are therefore recorded in the financial statements against a financial debt materializing the commitment to pay the fixed amount of the repurchase of these receivables.

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's 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, 2019, this security deposit had not yet been formed;

g) An option, for all Group's 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's 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 IFRS 9 and based on the terms of the program and the quantitative analyses implemented, the Group transferred almost all the risks and rewards inherent to the ownership of the receivables sold. The receivables transferred within the scope of the program are therefore fully derecognized from the Group's consolidated statement of financial position.

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 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, 2019 are presented below:

(in millions of euros)		
Total of receivables sold over the period	**2,539.1**	
Gain / (loss) arising from sale over the period	(20.4)	(B)
Remuneration for CC1	2.4	(C)
Remuneration of services for follow-up and recovery of receivables transferred over the period	**11.5**	**(D)**
Outstanding receivables transferred as of December 31, 2019	441.7	(A)
Book value of CC1 as of December 31, 2019	97.4	(E)
Fair value of CC1	97.4	
Book value of CC2	*	
Residual maturity of CC1	26	months
Impact of sales of derecognized receivables in the sense of IFRS 9 on net debt	**337.8**	**(A) + (B) + (C) + (D) - (E)**

* No security deposit know n as "CC2" had been made as of December 31, 2019; payment of this deposit is subject to the conditions described above.

13.3.5 Change in net debt

Net debt increased by EUR 1,197.3 million during the year 2019. This is mainly due to :

- the payment of cash dividends to shareholders of SUEZ amounting to EUR 401.8 million;
- the payment of coupons on the various Undated Deeply Subordinated Notes for a total amount of EUR 47.1 million;
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 266.8 million;
- the recognition of lease liabilities for an amount of EUR 1,442.7 million;

- the disposal of 20% of SUEZ Group's regulated business activities in the United States for an amount of EUR 510.2 million;
- the net impact of EUR 222.5 million after the SUEZ Group and the Argentinean government settled their dispute over the Buenos Aires water treatment concession terminated in 2006;
- the exchange rate fluctuations that generated a EUR 26.2 million increase in net financial debt, mainly due to the appreciation of the US dollar against the euro;
- the changes in net cash from refinancing related to undated deeply subordinated notes, which led to a EUR 134.1 million decrease in net debt (see Note 2.5);
- excess cash generated by the Group's activities which generated a decrease in net debt of EUR 202.9 million.

13.3.6 Debt/equity ratio

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Net debt [(a)]	10,151.2	8,953.9
Total equity	9,288.2	8,992.6
Debt/equity ratio	**109.3%**	**99.6%**

(a) Includes lease liabilities for EUR 1,474.3 million at December 31, 2019, versus EUR 87.2 million of finance lease liability at December 31, 2018, before IFRS 16 application.

13.4 Fair value of financial instruments by level

13.4.1 Financial assets

Equity instruments at fair value

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 22.2 million at December 31, 2019. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 110.0 million at December 31, 2019 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, 2019, the change in Level 3 equity instruments at fair value breaks down as follows:

(in millions of euros)	**Equity instruments at JV through OCI**	**Equity instruments at JV through income**
At December 31, 2018	**105.0**	**5.8**
Acquisitions	15.9	-
Net book value of disposals	(8.0)	(3.5)
Changes in fair value posted to equity as other comprehensive income	3.0	-
Changes in fair value posted to income statement	-	1.7
Changes in scope, exchange rates and other	(10.7)	0.8
At December 31, 2019	**105.2**	**4.8**

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 745.1 million at December 31, 2019, may contain elements that contribute to a fair value hedging relationship. At December 31, 2019, 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, 2019 for EUR 191.2 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 29.8 million at December 31, 2019, are considered Level 2. In fact, their fair value is determined based on observable data.

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 1.5.9.2):

	December 31, 2019				December 31, 2018			
(in millions of euros)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**13,908.4**	**7,498.3**	**6,410.1**		**13,503.7**	**7,895.6**	**5,608.1**	
Derivative financial instruments	**64.0**		**64.0**		**56.7**		**56.7**	
Debt-related derivatives	41.9		41.9		21.2		21.2	
Derivatives hedging commodities	4.3		4.3		7.5		7.5	
Derivatives hedging other items	17.8		17.8		28.0		28.0	
Total	**13,972.4**	**7,498.3**	**6,474.1**	**-**	**13,560.4**	**7,895.6**	**5,664.8**	**-**

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, 2019, as at December 31, 2018, 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, 2019				December 31, 2018			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross amount [(a)]	183.4	(59.7)	7.8	(4.3)	215.9	(49.2)	0.7	(7.5)
Amount after offsetting	**170.9**	**(47.2)**	**7.8**	**(4.3)**	**168.4**	**(1.7)**	**0.8**	**(7.5)**

(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 8 “Cash and shareholders’ equity” of the Universal Registration 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 IFRS 9 by using the derivative instruments available on over-the-counter markets, whether they are firm commitments or options, but always settled in cash. The Group’s aim is to protect itself against adverse changes in market prices, which may specifically affect its supply costs.

14.1.1.2 Fair value of derivative instruments linked to commodities

The fair value of derivative instruments linked to commodities at December 31, 2019 and 2018 is presented in the table below:

	December 31, 2019				December 31, 2018			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	7.8	-	4.3	-	0.7	-	7.5	-
Total	**7.8**	**-**	**4.3**	**-**	**0.7**	**-**	**7.5**	**-**

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

	December 31, 2019				December 31, 2018			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Oil	7.8	-		-	0.7	-	-	**-**
Swaps	7.8	-		-	0.7	-	-	-
Electricity	-	-	4.3	-		-	7.5	**-**
Swaps	-	-	4.3	-		-	7.5	-
Total	**7.8**	**-**	**4.3**	**-**	**0.7**	**-**	**7.5**	**-**

14.1.2 Currency risk

Subsidiaries work mostly in local currency, exposure to currency risk linked to transactions are 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

(in %)	December 31, 2019 Before impact of derivatives	December 31, 2019 After impact of derivatives	December 31, 2018 Before impact of derivatives	December 31, 2018 After impact of derivatives
Euro zone	75%	57%	77%	51%
USD zone	10%	21%	7%	22%
GBP zone	2%	4%	2%	4%
CLP (Chilean peso)	10%	10%	10%	10%
HKD (Hong-Kong dollar)	1%	2%	1%	6%
Other currencies	2%	6%	3%	7%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

(in %)	December 31, 2019 Before impact of derivatives	December 31, 2019 After impact of derivatives	December 31, 2018 Before impact of derivatives	December 31, 2018 After impact of derivatives
Euro zone	77%	52%	80%	43%
USD zone	11%	27%	8%	29%
GBP zone	3%	6%	3%	5%
CLP (Chilean peso)	12%	12%	12%	12%
HKD (Hong-Kong dollar)	0%	2%	0%	8%
Other currencies	-3%	1%	-3%	3%
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. At December 31, 2019 as at December 31, 2018, there was no instrument as a net investment hedge.

As regards **currency risk**, the sensitivity calculation consists in evaluating the impact in the consolidated financial statements of a plus or minus 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 plus or minus 10% change of foreign currencies against euro would generate a gain or a loss of EUR 6.5 million.

Impact on equity after taking into account foreign exchange derivatives

At December 31, 2019 as at December 31, 2018, there were no financial liabilities (debts and derivatives) qualified as net investment hedges. A uniform variation of plus or minus 10% in exchange rates against the euro would therefore not generate a negative or positive impact on equity in respect of net investment hedges.

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.

In 2014 and 2015, in order to protect the refinancing of parts of its debt, the Group set up nine-year Interest rate hedges with deferred departures in 2018. They were decided and backed by the bond issue carried out on September 17, 2018.

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 IFRS 9.

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 99% of net debt as of December 31, 2019.

14.1.3.1 Financial instruments by rate type

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

Outstanding borrowings

	December 31, 2019		December 31, 2018	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	20%	33%	17%	33%
Fixed rate	71%	58%	74%	58%
Fixed rate indexed to inflation	9%	9%	9%	9%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2019		December 31, 2018	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-16%	3%	-17%	6%
Fixed rate	103%	84%	105%	82%
Fixed rate indexed to inflation	13%	13%	12%	12%
Total	**100%**	**100%**	**100%**	**100%**

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

14.1.3.2 Analysis of interest rate risk sensitivity

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

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

Impact on income after taking into account interest rate derivatives

A plus or minus 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 2.2 million on net interest expense.

A 1% increase in all interest rates (uniform for all currencies) would generate a loss of EUR 0.7 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 0.5 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 3.5 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of EUR 2.4 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

(in millions of euros)	December 31, 2019 Total market value	December 31, 2019 Total nominal value	December 31, 2018 Total market value	December 31, 2018 Total nominal value
Fair-value hedges	0.6	66.3	(3.8)	359.4
Cash-flow hedges	0.1	3.4	0.1	6.9
Net investment hedges	-	-	-	-
Derivative instruments not qualifying for hedge accounting	7.0	3,968.1	52.3	3,758.2
Total	**7.7**	**4,037.8**	**48.6**	**4,124.5**

Interest rate derivatives

(in millions of euros)	December 31, 2019 Total market value	December 31, 2019 Total nominal value	December 31, 2018 Total market value	December 31, 2018 Total nominal value
Fair-value hedges	106.0	1,762.9	107.4	2,100.0
Cash-flow hedges	(3.5)	92.0	-	7.1
Derivative instruments not qualifying for hedge accounting	-	-	(2.4)	161.6
Total	**102.5**	**1,854.9**	**105.0**	**2,268.7**

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 IFRS 9, 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, 2019, the net impact of fair value hedges recognized in the income statement, including compensation payments and redemption premium is EUR 9.9 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, 2019

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Fair value of derivatives by maturity date	**(3.5)**	0.1	-	-	(1.0)	(2.1)	(0.5)

At December 31, 2018

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
Fair value of derivatives by maturity date	**(0.1)**	-	(0.1)	-	-	-	-

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2019 amount to EUR (10.5) million (including impacts on associates).

The ineffective portion of cash-flow 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-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, 2019	283.1	35.5	49.6	368.2	461.0	4,189.6	**5,018.8**
At December 31, 2018	316.3	61.8	110.5	488.6	473.1	3,978.4	**4,940.1**

(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 which the Group companies do business with (private companies, individuals or public authorities). In accordance with the terms of IFRS 9, since January 1, 2018, the entities of the SUEZ group have set up non-recovery risk matrices for their trade receivables by homogeneous category of customers, adapted to their local realities, with regard to the default rates observed in the recent past on receivables with a similar credit risk profile. They update the matrices at least once a year and use them to calculate depreciation based on the expected default rates on each of the homogeneous categories of customers (see Note 1.5.9.1).

Changes in the impairment on trade and other receivables line

(in millions of euros)	Impairment on trade and other receivables
At December 31, 2018	**(356.1)**
Additional credit risk allowances	(115.8)
Reversals for risk surplus/extinction	68.2
Reversal by the counterpart of loss on bad trade receivables	52.8
Change in scope, exchange rates and other	3.0
At December 31, 2019	**(347.9)**

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 equity instrument and the fair value of derivatives on the assets side of the statement of financial position (i.e. EUR 9,340.1 million at December 31, 2019, and EUR 8.974,3 million at December 31, 2018 restated).

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

At December 31, 2019, following the application of IFRS 9 and in accordance with the method detailed in Note 1.5.9.1, the counterparty risk of gross maturity and impairment 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)

(in millions of euros)	Not unpaid/no overdue more than 60 days	Unpaid/overdue 60 days to 180 days	Overdues of more than 180 days	December 31, 2019 Total
Loans, deposits and guarantees - gross	846.0	43.3	21.0	910.3
Loans, deposits and guarantees - impairment	(159.5)	(2.0)	(2.7)	(164.2)

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to amortized cost (-EUR 1.0 million).

Changes in impairment losses and amortized costs are 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, 2019, "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, 2019				December 31, 2018			
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	3,838.9	93%	5%	2%	3,590.4	91%	7%	2%

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

14.3 Liquidity risk

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

14.3.1 Available cash

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

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

As of December 31, 2019, the Group's total net cash stood at EUR 3,888.1 million, consisting of cash and cash equivalents of EUR 3,703.0 million, financial assets at fair value through income for EUR 29.8 million, and debt-related derivatives recorded as assets for EUR 155.3 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2019, the Group specifically had EUR 3,682.3 million in confirmed credit facilities, including EUR 345.9 million already drawn; unused credit facilities therefore amount EUR 3,336.4 million, EUR 287.8 million of which will be maturing in 2020.

89% of total credit lines and 88% 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, 2019, bank funding accounted for 8.0% 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 84.0% and commercial paper for 6.0%) represented 90.0% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

Available cash, composed of cash and cash equivalents (EUR 3,703.0 million) and financial assets measured at fair value through income (EUR 29.8 million), net of bank overdrafts and liability current accounts (EUR 1,133.6 million), amount to EUR 2,599.2 million at December 31, 2019 versus EUR 2,524.5 million at December 31, 2018.

14.3.2 Undiscounted contractual payments

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

Undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Bonds issues	9,474.5	465.4	879.1	705.4	452.4	516.2	6,456.0
Commercial paper	678.4	678.4	-	-	-	-	-
Draw downs on credit facilities	345.9	43.7	-	-	274.0	-	28.2
Other bank borrowings	557.2	130.9	33.9	73.0	132.8	64.2	122.4
Other borrowings	221.8	64.3	96.2	5.3	4.8	4.5	46.7
Borrowings	**11,277.8**	**1,382.7**	**1,009.2**	**783.7**	**864.0**	**584.9**	**6,653.3**
Overdrafts and current accounts	1,133.6	1,133.6					
Outstanding borrowings	**12,411.4**	**2,516.3**	**1,009.2**	**783.7**	**864.0**	**584.9**	**6,653.3**
							-
Financial assets measured at fair value through income	(29.8)	(29.8)	-	-	-	-	-
Liquid financial investments	(130.0)	(130.0)	-	-	-	-	-
Other cash and cash equivalents	(3,573.0)	(3,573.0)	-	-	-	-	-
Net debt excluding lease liabilities and excluding amortized cost and impact of derivative financial instruments	**8,678.6**	**(1,216.5)**	**1,009.2**	**783.7**	**864.0**	**584.9**	**6,653.3**

At December 31, 2018

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
Outstanding borrowings	**12,451.5**	**2,635.2**	**557.5**	**1,164.1**	**875.5**	**1,000.5**	**6,218.7**
Financial assets relating to financing, Financial assets measured at fair value through income and Cash and cash equivalents	(3,453.3)	(3,453.3)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**8,998.2**	**(818.1)**	**557.5**	**1,164.1**	**875.5**	**1,000.5**	**6,218.7**

Undiscounted contractual payments on outstanding borrowings break down as follows by maturity:

At December 31, 2019

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	2,234.3	256.4	257.1	221.8	191.3	175.2	1,132.5

At December 31, 2018

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	2,228.2	311.4	255.7	249.3	209.2	178.2	1,024.4

Undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets break down as follows by maturity (net amounts):

At December 31, 2019

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Derivatives (excluding commodities)	(77.8)	8.5	(25.7)	(19.8)	(16.5)	(11.4)	(12.9)

At December 31, 2018

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
Derivatives (excluding commodities)	(103.8)	(23.6)	(28.1)	(33.3)	(23.7)	(9.6)	14.5

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 above are positive for a liability and negative for an asset.

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

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
At December 31, 2019	3,336.4	287.8	75.1	89.5	156.0	2,722.5	5.5

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
At December 31, 2018	2,290.7	227.0	165.9	1,575.7	80.0	152.0	90.1

Confirmed but unused lines of credit include a EUR 2.5 billion multi-currency club deal (maturing in 2024).

As of December 31, 2019, no counterparty represented more than 6% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2019, equity instruments at fair value held by the Group amounted to EUR 132.2 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 2.2 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 Information related to leases

The following analysis present the main items under leases.

15.1 Rights of use

The following table presents the rights of use by category:

(in millions of euros)	Lands	Buildings	Plant machinery and technical equipment	Vehicles	Others	Total
First-time application of IFRS 16	114.3	701.4	82.9	480.3	4.6	**1,383.5**
Asset inflows	34.7	75.4	32.3	211.4	4.1	**357.9**
Impairment loss	-	-	(0.5)	-	-	**(0.5)**
Amortization	(11.5)	(120.4)	(27.3)	(153.6)	(2.6)	**(315.4)**
Termination	(7.4)	(10.1)	(0.5)	(4.9)	(0.3)	**(23.2)**
Scope effects	(0.2)	1.3	-	-	0.1	**1.2**
Translation effects and other	0.2	1.0	0.3	0.8	-	**2.3**
At December 31, 2019	**130.1**	**648.6**	**87.2**	**534.0**	**5.9**	**1,405.8**

15.2 Rental expenses benefiting from exemptions under IFRS 16

At December 31, 2019, the following items continue to be presented as rental expenses.

(in millions of euros)	December 31, 2019
Short term leases	102.5
Leases of low value assets	36.7
Expenses on variable leases	6.2
Others	19.2
Total	**164.6**

15.3 Lease liabilities

At December 31, 2019, discounted cashflows on outstanding lease debt by maturity are as follows:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 2024
Lease obligation	1,474.3	314.9	244.0	204.3	168.1	128.2	414.8

Lease debt related to leases previously classified as finance leases is now included in the lease debt (see Note 1.2.3) and amounts to EUR 31.6 million as at December 31, 2019. Leased assets remain recorded as property, plant and equipment.

(in millions of euros)	December 31, 2019
Repayment of the lease debt	325.1
Interest expense related to lease liabilities	29.3
Rental expenses benefiting from exemptions under IFRS 16	164.6
Cash outflows related to leases	**519.0**

15.4 Information on operating leases – SUEZ lessor

These contracts mainly concern desalination plants or mobile units of SUEZ WTS made available to customers.

Net book value of leased assets by category.

(in millions of euros)	December 31, 2019
Buildings	157.1
Equipments	56.9
Total	**214.0**

Lease income for the year 2019 corresponds to the minimum lease payments and represents EUR 105.2 million.

Future minimum lease payments due, valued at December 31, 2019, can be analyzed as follows:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 2024
Minimum lease payments receivable	348.9	52.0	48.7	41.7	29.6	25.7	151.2

Note 16 Shareholders' equity

16.1 Share capital

	Number of shares			Value *(in milions of euros)*		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 2017	**623,362,579**	**5,067,913**	**618,294,666**	**2,493.4**	**5,236.4**	**77.0**
Purchase and disposal of treasury shares		(1,532,963)	1,532,963			(25.2)
Capital decrease following the completion of the implementation of the employee shareholding plan net of expenses (SHARING 2017)	(2,000,000)		(2,000,000)	(8.0)	(21.2)	
At December 31, 2018	**621,362,579**	**3,534,950**	**617,827,629**	**2,485.4**	**5,215.2**	**51.8**
Purchase and disposal of treasury shares		(321,515)	321,515			(4.3)
At December 31, 2019	**621,362,579**	**3,213,435**	**618,149,144**	**2,485.4**	**5,215.2**	**47.5**

16.2 Treasury shares

The tacitly renewable liquidity contract managed by Rothschild & Cie Banque amounts EUR 30.4 million. 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, 2019, treasury shares amount to 3,213,435 against 3,534,950 as of December 31, 2018 of which 3,175,935 treasury shares acquired under employee share allocation plans and 37,500 under the liquidity contract.

16.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (EUR 6,014.7 million as of December 31, 2019), 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.

16.4 Dividend distribution

As for the 2017 and 2018 financial years, it will be proposed to the SUEZ General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019 to pay a dividend of EUR 0.65 per share, representing a theoretical total amount of EUR 403.9 million in cash based on the total number of shares at December 31, 2019.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2020. This dividend is not recognized as liabilities in the financial statements at December 31, 2019 as these financial statements are presented before net income allocation.

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

(in millions of euros)	December 31, 2019	Change	December 31, 2018
Net investment hedges	(158.8)	-	(158.8)
Cash-flow hedges (excluding commodities)	(85.3)	(19.7)	(65.6)
Commodity cash-flow hedges	2.6	9.2	(6.6)
Deferred taxes on items above	23.7	(2.1)	25.8
Translation adjustments	5.7	36.0	(30.3)
Total reclassifiable items	**(212.1)**	**23.4**	**(235.5)**
Of which share of joint ventures in reclassifiable items, net of taxes	**(19.5)**	**9.0**	**(28.5)**
Of which share of associates in reclassifiable items, net of taxes	**(68.0)**	**(7.7)**	**(60.3)**
Actuarial gains and losses	(463.2)	(65.4)	(397.8)
Deferred taxes on actuarial gains and losses	43.8	(22.0)	65.8
Equity instrument	(117.3)	6.3	(123.6)
Deferred taxes on equity instrument	0.1	(0.1)	0.2
Total non-reclassifiable items	**(536.6)**	**(81.2)**	**(455.4)**
Of which share of joint ventures in non-reclassifiable items, net of taxes	**-**	**-**	**-**
Of which share of associates in non-reclassifiable items, net of taxes	**(2.0)**	**-**	**(2.0)**
Total	(748.7)	(57.8)	(690.9)

The items in the above table are reclassifiable to profit or loss in future periods, with the exception of actuarial gains and losses and related deferred taxes and with the changes in equity instruments recognized in other comprehensive income.

16.6 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 bore 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.

On September 12, 2019, SUEZ issued Undated Deeply Subordinated notes for an amount of EUR 500 million with an initial fixed coupon of 1.625%, revised for the first time seven years after the issue and then every five years. The funds raised were mainly used to the redemption of Undated Deeply Subordinated notes issued on June 23, 2014 in the amount of EUR 352.1 million. (see Note 2.4)

In accordance with the provisions of IAS 32, these notes or hybrid bonds are considered as equity instrument rather than a debt in the Group's consolidated financial statements as there is no direct or indirect obligation to pay interests (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.

The Group's outstanding hybrid bonds amount EUR 1,747.9 million as at December 31, 2019.

16.7 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 goals, policies and procedures have remained identical for several fiscal years.

Note 17 Non-controlling interests

The « non-controlling interests » account amounts to EUR 2,824.8 million at December 31, 2019 compared with EUR 2,600.8 million at December 31, 2018.

They mainly concern :

(in millions of euros)	December 31, 2019	December 31, 2018
Agbar group	939.9	1,015.0
SWTS	681.2	702.3
SUEZ NWS	601.1	585.3

Details of changes in non-controlling interests are shown in the statement of changes in consolidated shareholder's equity.

At December 31, 2019 the Agbar group contribution includes EUR 684.8 million coming from the operational company Aguas Andinas listed on Santiago de Chile (Chile) stock exchange. This company is fully consolidated within SUEZ Group on the basis of a 25.1% interest rate through the following companies:

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

The following are the summarized consolidated financial statements of the Aguas Andinas Group, extracted from the most recently published (unaudited) data as of September 30, 2019.

Summarized Statement of financial position (at 100%)

(in millions of euros)	September 30, 2019	December 31, 2018
Non-current assets	2,238.0	2,191.0
Current assets	184.6	212.5
of which Cash and cash equivalents	*35.7*	*50.4*
Total assets	**2,422.6**	**2,403.5**
Shareholders' equity, Group share	817.6	805.3
Non-controlling interests	55.0	61.0
Total shareholders' equity	**872.6**	**866.3**
Non-current liabilities	1,324.7	1,231.6
Current liabilities	225.3	305.6
Total shareholders' equity and liabilities	**2,422.6**	**2,403.5**
Closing exchange rate CLP / EUR	793.7	793.0

Summarized Income Statement for the nine first months (at 100%)

(in millions of euros)	September 30, 2019	September 30, 2018
Revenues	526.6	520.8
Operating profit /(loss)	219.8	227.6
Net income - Group share	129.8	135.4
Net income - non-controlling interests	(1.7)	2.7
Net income	**128.1**	**138.1**
Other comprehensive income (OCI)	-	-
Comprehensive income	**128.1**	**138.1**
Average exchange rate CLP / EUR	769.9	750.2

Dividends (100%)

(in millions of euros)	Dividends related to 2018	Dividends related to 2017
Dividends paid by Aguas Andinas	175.5	184.1

Note 18 Provisions

(in millions of euros)	December 31, 2018	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	December 31, 2019
Post-employment benefit obligations and other long-term benefits	805.1	24.1	(129.4)	-	(0.2)	19.3	6.0	99.0	823.9
Sector-related risks	60.8	1.2	2.0	(1.2)	(24.0)	-	-	(18.2)	20.6
Warranties	21.9	15.1	(9.8)	-	0.2	-	0.4	(1.9)	25.9
Tax risks, other disputes and claims	79.9	16.8	(21.9)	(1.0)	0.9	-	0.3	(23.3)	51.7
Site restoration	535.4	49.2	(67.0)	-	(3.0)	24.6	5.0	(0.1)	544.1
Restructuring costs	49.1	101.5	(102.7)	(0.4)	10.4	-	0.1	(5.3)	52.7
Other contingencies	451.5	304.6	(290.6)	(7.3)	15.6	3.3	0.9	(21.7)	456.3
Total provisions	**2,003.7**	**512.5**	**(619.4)**	**(9.9)**	**(0.1)**	**47.2**	**12.7**	**28.5**	**1,975.2**
Total current provisions	496.1	397.3	(411.1)	(3.3)	25.3	3.2	2.7	(35.0)	475.2
Total non-current provisions	1,507.6	115.2	(208.3)	(6.6)	(25.4)	44.0	10.0	63.5	1,500.0

(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.

Total provisions decreased by -EUR 28.5 million over the period. This change is mainly due to:

- the net actuarial gain in provisions for post-employment benefit obligations and other long-term benefits for +EUR 90.6 million; this variation is presented in the “Other” column (see details in Note 19.2.2);
- a reversal for utilization of -EUR 87.4 million, due to the defined benefit plans known as "1991" and "1998" - benefiting senior executives of Group entities - and to the closure of the mutual insurance plan in certain French entities to retirees (see Note 19.2.2).
- the reclassification of provision for tax risks, of -EUR 22.6 million, in accordance with IFRIC 23 (see “Other” column);
- finally, the reversal of -EUR 23.3 million in “sector-related risk” earlier established for Aguas Argentinas dispute;

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the consolidated income statement at December 31, 2019:

(in millions of euros)	(Reversals) / net
Income from operating activities	(104.0)
Other financial income and expenses	47.2
Income tax expense	(12.8)
Total	**(69.6)**

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

18.1 Post-employment benefits and other long-term benefits

Changes for this item is presented in Note 19.

18.2 Sector-related risks

This item primarily includes provisions for risks relating to investment on share and to warranties given in connection with divestments that are likely to be called upon.

18.3 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.

Due to IFRIC 23’s first application - uncertainty relating to tax treatment – provision for risks related to corporate income tax are reclassified under tax liabilities.

18.4 Site restoration

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

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

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

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

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

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

18.5 Other contingencies

"Other contingencies" mainly include provisions for miscellaneous employee-related and environment-related litigations and for various business risks. Those provisions include a provision corresponding to the fair value measurement of onerous contracts for an amount of EUR 75.3 million at December 31, 2019 versus EUR 76.8 million at December 31, 2018, following the acquisition of WSN by SUEZ R&R Australia in 2010.

Note 19 Post-employment benefit obligations and other long-term benefits

19.1 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.

19.1.1 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” Article 39 defined-benefit plans at SUEZ, SUEZ Groupe and SUEZ Eau France apply to those companies' senior executives. Nevertheless, pursuant the Loi Pacte, a memorandum of understanding for closing these so-called “1991” and “1998” plans was signed on October 24, 2019. The rights of the beneficiaries born in 1962 or before have been cristallised on July 4, 2019.

At December 31, 2019, the Projected Benefit Obligation (PBO) for this senior executives' plan was EUR 76.4 million, versus EUR 100.0 million at December 31, 2018. The duration of the actuarial liability for the senior executives' plans is 19 years. It should be noted that these plans are partially funded (40% of gross debt at December 31, 2019).

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 Canada, in the United States and the United Kingdom.

• In the United States and in Canada

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, 2019, the PBO for the SUEZ Water Inc. defined-benefit pension plans is EUR 484.9 million, versus EUR 422.2 million at December 31, 2018. The duration of the actuarial liability for the SUEZ Water Inc. plans is 13 years. It should be noted that these plans are funded up to 72% at December 31, 2019.

In addition, SUEZ Water Inc. commits to support a portion of healthcare costs of retirees. At December 31, 2019, the corresponding actuarial liability amounted to EUR 99.2 million against EUR 88.7 million at 31 December 2018.

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, 2019, the PBO for the SUEZ Water Technologies & Solutions defined-benefit pension plans is EUR 155.0 million. The duration of the actuarial liability for the SUEZ Water Technologies & Solutions Water plans is 15 years. These plans are funded up to 81% at December 31, 2019.

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. They are closed to new hires, except for the Sita Final Salary Pension Scheme. SUEZ R&R UK, as part of its expansion, has acquired various entities throughout the United Kingdom. These entities were most often public companies prior to their acquisition, so their staff was affiliated with the *Local Government Pension Schemes* (LGPS), which SUEZ R&R UK must maintain. At December 31, 2019, the PBO for the SUEZ R&R UK retirement plans is EUR 146.5 million, versus EUR 128.7 million at December 31, 2018. The duration of the actuarial liability for the SUEZ R&R UK plans is 18 years. It should be noted that these plans are funded up to 93% at December 31, 2019.

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 United States and the United Kingdom) 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.

19.1.2 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 the provisions of IAS 19.

19.1.3 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".

19.2 Defined benefit plans

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

In accordance with the provisions of 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)	**Actif**	**Passif**	**Total**
Balance at December 31, 2017	**5.9**	**(793.2)**	**(787.3)**
Translation gains and losses	-	(4.3)	(4.3)
Actuarial gains and losses [(a)]	1.9	5.9	7.8
Changes in scope of consolidation and other	-	(35.3)	(35.3)
Expense of the period [(b)]	(0.9)	(51.3)	(52.2)
Contributions	0.6	73.1	73.7
Balance at December 31, 2018	**7.5**	**(805.1)**	**(797.7)**
Translation gains and losses	(0.1)	(5.9)	(6.0)
Actuarial gains and losses [(a)]	0.3	(90.9)	(90.6)
Changes in scope of consolidation and other	-	(0.2)	(0.2)
Expense of the period [(b)]	(1.0)	27.9	26.9
Contributions	0.9	50.3	51.2
Balance at December 31, 2019	**7.6**	**(823.9)**	**(816.3)**

(a) Actuarial gains and losses on employee benefits.

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

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

The impact on financial year 2019 brings out an income of EUR 26.9 million versus an expense of -EUR 52.2 million in 2018. The main components of this income in 2018 are explained in section 19.2.3.

Accumulated actuarial gains and losses recognized in equity amount -EUR 496.9 million at December 31, 2019 against -EUR 406.3 million at December 31, 2018. They are shown below, excluding translation gains and losses which are presented separately in the statement of comprehensive income.

(in millions of euros)	December 31, 2019	December 31, 2018
Opening balance	**(406.3)**	**(415.9)**
Actuarial gains and (losses) generated during the year [(a)]	(90.6)	7.8
Equity-accounted companies and other	-	1.8
Closing balance	**(496.9)**	**(406.3)**

(a) On employee benefits.

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

19.2.2 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.

		December 31, 2019				December 31, 2018			
(in millions of euros)		Pension benefit obligations[(a)]	Other post-employment benefits [(b)]	Other long term benefits [(c)]	Total	Pension benefit obligations[(a)]	Other post-employment benefits [(b)]	Other long term benefits [(c)]	Total
Change in projected benefit obligation									
Projected benefit obligation at the beginning of the period		**(1,359.1)**	**(242.7)**	**(16.4)**	**(1,618.2)**	**(1,326.3)**	**(249.3)**	**(14.4)**	**(1,590.0)**
Service Cost		(39.2)	(4.5)	(1.4)	(45.1)	(48.7)	(5.8)	(1.4)	(55.9)
Interest cost		(37.3)	(7.1)	(0.3)	(44.7)	(34.1)	(7.2)	(0.2)	(41.5)
Contributions paid		(1.5)	-	-	(1.5)	(1.5)	-	-	(1.5)
Amendments		48.9	36.9	0.5	86.3	(3.3)	0.9	(1.7)	(4.1)
Acquisitions/Disposals of subsidiaries		(0.2) -	-		(0.2)	(0.5)	-	0.3	(0.2)
Curtailments/settlements		8.4	(0.4)	0.3	8.3	26.6	2.5	0.5	29.6
Special terminations		-	-	-	-	-	-	-	-
Financial actuarial gains and losses		(159.5)	(23.6)	(1.3)	(184.4)	36.5	2.7	0.3	39.5
Demographic actuarial gains and losses		(3.5)	7.9	0.1	4.5	(10.6)	10.2	1.8	1.4
Benefits paid		52.4	9.4	1.3	63.1	50.0	8.9	1.2	60.1
Other		(23.7)	(3.1)	-	(26.8)	(47.2)	(5.6)	(2.8)	(55.6)
Projected benefit obligation at the end of period	**(A)**	**(1,514.3)**	**(227.2)**	**(17.2)**	**(1,758.7)**	**(1,359.1)**	**(242.7)**	**(16.4)**	**(1,618.2)**
Change in fair value of plan assets									
Fair value of plan assets at the beginning of the period		**747.5**	**73.0**	**-**	**820.5**	**728.1**	**74.6**	**-**	**802.7**
Expected return on plan assets		22.1	3.3	-	25.4	19.2	2.8	-	22.0
Contributions received		44.4	5.9	-	50.3	64.2	5.4	-	69.6
Curtailments/settlements		(2.1)	-	-	(2.1)	(4.3)	-	-	(4.3)
Actuarial gains and losses		78.1	10.0	-	88.1	(26.4)	(4.5)	-	(30.9)
Benefits paid		(51.6)	(9.1)	-	(60.7)	(45.6)	(8.9)	-	(54.5)
Other		19.4	1.5	-	20.9	12.3	3.6	-	15.9
Fair value of plan assets at the end of period	**(B)**	**857.8**	**84.6**	**-**	**942.4**	**747.5**	**73.0**	**-**	**820.5**
Funded status	**(A+B)**	**(656.5)**	**(142.6)**	**(17.2)**	**(816.3)**	**(611.6)**	**(169.7)**	**(16.4)**	**(797.7)**
Net benefit obligation		**(656.5)**	**(142.6)**	**(17.2)**	**(816.3)**	**(611.6)**	**(169.7)**	**(16.4)**	**(797.7)**
Total Liabilities		(664.1)	(142.6)	(17.2)	(823.9)	(619.0)	(169.7)	(16.4)	(805.1)
Total Assets		7.6	-	-	7.6	7.5	-	-	7.5

(a) Pensions and retirement bonuses.

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

(c) Long-service aw ards and other long-term benefits.

In 2019, the increase in the amount of the net liability is mainly explained by actuarial losses for EUR 90.6 million. These items are partly compensated by the amendment of the medical coverage of French retirees which led to a -EUR 37.1 million decrease of the net liability and by the closing of the so-called “1991” and “1998” Article 39 defined-benefit plans pursuant the Loi Pacte. As a consequence, the rights of the beneficiaries born in 1962 or before have been cristallised which results in a -EUR 50.3 million decrease of the net liability.

In 2018, the increase of the net liability is explained by the rise of the expense which amounts -EUR 52.2 million and the increase of the contributions paid by the entities of the Group for EUR 69 million.

19.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2019 and 2018 breaks down as follows:

(in millions of euros)	December 31, 2019	December 31, 2018
Current service cost	(45.1)	(55.9)
Net interest expense on the net defined benefit liability	(19.3)	(19.5)
Actuarial gains or losses	(1.2)	2.1
Past service cost / amendments	86.3	(4.1)
Gains or losses on pension plan curtailments, terminations and settlements	6.2	25.3
Total	**26.9**	**(52.2)**
Of which recognized in current operating income	46.2	(32.7)
Of which recognized in financial income/(loss)	(19.3)	(19.5)

19.2.4 Funding policy and strategy

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

These strategies have a twofold objective:

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

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

The funding of these obligations breaks down as follows:

(in millions of euros)	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past service	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(1,141.0)	784.4	-	-	(356.6)
Overfunded plans	(28.7)	36.1	-	-	7.4
Unfunded plans	(448.5)	-	-	-	(448.5)
Total December 31, 2018	**(1,618.2)**	**820.5**	**-**	**-**	**(797.7)**
Underfunded plans	(1,277.1)	896.3	-	-	(380.8)
Overfunded plans	(38.5)	46.1	-	-	7.6
Unfunded plans	(443.1)	-	-	-	(443.1)
Total December 31, 2019	**(1,758.7)**	**942.4**	**-**	**-**	**(816.3)**

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

	2019	2018
Securities	14%	32%
Bonds	54%	39%
Real Estate	6%	3%
Other (including money market securities)	26%	26%
Total	**100%**	**100%**

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

	Europe	North America	Asia Oceania	Other
Securities	6%	26%	0%	0%
Bonds	79%	53%	86%	0%
Real Estate	2%	12%	0%	0%
Other (including money market securities)	13%	9%	14%	100%
Total	**100%**	**100%**	**100%**	**100%**

19.2.5 Actuarial assumptions

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

The weighted rates are presented below:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	1.8%	2.8%	2.5%	3.2%	0.8%	2.1%	1.9%	2.9%
Estimated future increase in salaries	2.5%	2.7%	3.1%	2.4%	1.5%	2.2%	2.6%	2.7%
Inflation Rate	2.1%	2.1%	2.3%	2.2%	1.7%	1.9%	2.1%	2.1%
Average remaining working lives of participating employees	16 years	13 years	14 years	14 years	8 years	14 years	15 years	13 years

Discount and salary increase rates are shown including inflation.

19.2.5.1 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, 2018, the 2019 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 15%.

Inflation rates were determined for each currency zone. A change in the inflation rate of roughly 1% would result in a change in the actuarial liability of 7%.

19.2.6 Geographical breakdown of obligations

In 2019, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) are as follows:

	Euro Zone		United Kingdom		United States		Rest of the World	
(in millions of euros)	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status [(a)]	(414.9)	(73.6)	(16.0)	0.0	(114.3)	(17.7)	(111.3)	(68.5)
Discount rate	0.4%	0.4%	1.9%	0.0%	3.1%	3.2%	2.4%	1.8%
Estimated future increase in salaries	1.9%	1.3%	1.0%	0.0%	3.4%	2.5%	3.1%	3.1%
Inflation Rate	1.7%	1.8%	3.1%	0.0%	2.5%	2.5%	1.7%	1.4%
Average remaining working lives of participating employees	15 years	14 years	19 years	N/A	15 years	15 years	16 years	13 years

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

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

19.2.7 Payments due in 2020

The Group expects to contribute to defined benefit plans in 2020 and to pay benefits for a total approximate amount of EUR 65.0 million.

19.3 Defined contribution plans

In 2019, the SUEZ Group recorded a EUR 59.1 million expense in respect of contributions to the Group defined contribution plans. These contributions are recorded under “Personnel costs” in the income statement.

Note 20 Share-based payments or cash-based payments

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

(in millions of euros)	Note	(Expense) for the period 2019	2018
Performance share and units plans	20.1	(3.7)	(0.9)
Employees share issues [(a)]	20.2	(16.5)	(2.4)
Long-term incentive plan [(b)]	20.3	5.3	(3.7)
Total		**(14.9)**	**(6.9)**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9). Before hedging by warrants, the 2019 impact related to capital increases reserved for employees amounts to -EUR 16.2 million. In 2018 the impact was an expense of -EUR 0.6 million.

(b) The positive impact in 2019 is explained by the reversal of provision of EUR 9.7 million following 2016 plan delivery. The expenses related to the amount paid to the beneficiaries are booked in personnel costs (short term benefits).

The last stock option plan expired on December 15, 2018 and the last global free share allocation plan expired in January 2017.

20.1 Performance share and unit plans

20.1.1 Arrangements and grants

At its meeting on October 29, 2019, the Board of Directors, granted a share-based performance unit plan to certain of its employees in France and abroad.

At the end of the vesting period and subject to the conditions of the plan and the level of achievement of the performance conditions, the beneficiaries of the "Performance Units" plan will receive cash. Indeed, each vested Unit entitles the beneficiaries to receive in cash a gross amount equal to the average closing price of the SUEZ share over the 10 trading days preceding the vesting date.

The payment of remuneration is subject to the presence of the beneficiary in the company between the grant date and the vesting date.

The table below summarizes the main features of the deferred compensation plan:

Specifications		Performance Units
Number of beneficiaries	*Beneficiaries A*	500
	Beneficiaries B	1,250
	Corporate officer	1
Number of instruments granted	*Beneficiaries A*	1,201,000
	Beneficiaries B	646,000
	Corporate officer	38,750
Date of allocation		29/10/2019
Date of acquisition		31/10/2022

20.1.2 Internal performance conditions

This plan is 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.

This plan granted in October 29, 2019 concerns three lists of beneficiaries: beneficiaries A, beneficiaries B and Corporate officer. The performance conditions are equal for all beneficiaries and are as follows:

► A performance condition linked to the recurring net result per share of SUEZ Group as December 31, 2021 and applies to a third of remuneration that may be paid;

► A performance condition linked to the recurring free cash flow of SUEZ Group as December 31, 2021 and applies to a third of remuneration that may be paid;

► A performance condition linked to the evolution of SUEZ's *Total Shareholder Return* over the period from January 1, 2019 to December 31, 2021 compared to the evolution of the *Total Shareholder Return* of the Euro Stoxx Utilities Index over the same period applies to a third of the total remuneration that may be paid.

Finally, for all beneficiaries, the amount of the payment as resulting from the application of the performance conditions may be increased or decreased by 10% depending on the level of the gender parity index in the management (GPI) at December 31, 2021.

According to the social indicator framework deployed within the SUEZ group as part of the social reporting process, the SUEZ GPI corresponds to the following ratio: number of female executives / total number of executives.

20.1.3 Retained assumptions

The fair value of the plan is estimated on the basis of the share price at the grant date, taking into account the following assumptions:

Assumptions	Performance units
Date of allocation	29/10/2019
Underlying share price on the allocation date	EUR 13.55
Suez volatility	16.68%
Euro volatility STOXX Utilities	12.46%
Anticipated dividends from Suez	EUR 0.65
Anticipated dividends from Euro STOXX Utilities	EUR 13.50
Risk-free rate	1 year : -0,66% 2 years : -0,68% 3 years : -0,68% 4 years : -0,64%
Employee turnover rate	5% / year
Probability of meeting internal performance conditions	100%

The external performance condition, which determines the fair value of the plan, was valued using the Black & Scholes method.

The fair value of the performance units granted in this way results in a total expense of EUR 15.2 million over the term of the plans.

20.1.4 Accounting expenses

(in millions of euros)	Number of shares granted	Outstanding number of shares at December 31, 2019	Weighted average fair value	(Expense) for the period 2019	2018
July 2018 - Performance shares plan	719,785	629,253	6.2 €	(1.2)	(0.5)
July 2018 - Performance units plan	517,855	485,221	9.5 €	(1.3)	(0.4)
October 2019 - Performance units plan	1,885,750	1,870,035	9.3 €	(1.2)	-
Total	**3,123,390**	**2,984,509**		**(3.7)**	**(0.9)**

The cost of the plans, including social security contributions, is spread over the vesting period with a corresponding charge to shareholders' equity for Performance Shares plan and to social debt for Performance units plans.

20.2 Employee share issues

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

(in millions of euros)			(Expense) for the period 2019	2018
SUEZ Sharing 2019 plan	Discount and employer contribution in France	December 2019	(15.8)	-
SUEZ Sharing 2017 plan	Matching shares - International	December 2017	(0.3)	(0.3)
SUEZ Sharing 2017 plan	*Share Appreciation Rights*	December 2017	(0.2)	(1.2)
SUEZ Sharing 2014 plan	Matching shares - International	July 2014	(0.1)	(0.2)
SUEZ Sharing 2014 plan	*Share Appreciation Rights*	July 2014	(0.1)	(0.6)
Total [(a)]			**(16.5)**	**(2.4)**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9). Before hedging by warrants, the expense of the year 2019 related to employee share issue amounts to -EUR 16.2 million. In 2018 the impact was -EUR 0.6 million.

The measures relating to the Sharing 2017 and 2014 Plans are described in detail in SUEZ's previous Reference Documents.

20.2.1 Sharing 2019 plan

In 2019, SUEZ launched its fourth 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 lower share price measured on November 7, 2019 or January 15, 2020.

- 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 set-up of Sharing 2019 has been structured in 2019 while the capital increase itself was achieved on January 16, 2020 and has resulted in a creation of 9.97 million of shares of 4 euros nominal value.

20.2.1.1 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 10.52.

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 1.5.11. 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: 0.00%;
- Cost of securities lending: 0.50%;
- Volatility spread: 5.00%.

Therefore, an expense of -EUR 15.8 million has been booked in 2019 since the benefit granted by the Group to subscribing employees was already known at December 31, 2019 (value of the benefit per share and number of shares subscribed).

		Sharing Classic	Sharing Multiple	Matching shares in France	Total
Amount subscribed (EUR million)		14.8	98.8	-	113.6
Number of shares subscribed (millions)	*(a)*	1.4	8.3	0.2	9.9
Gross value of the employee benefit (EUR/share)	*b1*	2.6	1.3	13.7	
Lock-in cost for the employee (EUR/share)	*b2*	(3.7)	(0.3)	(3.7)	
Measure of opportunity gain (EUR/share)	*b3*	0.7	0.7	-	
Total benefit granted to employees (EUR/share)	*(b) = b1+b2+b3*	-	1.6	10.0	
Book expense	***- (a) x (b)***	**-**	**(13.7)**	**(2.1)**	**(15.8)**

** When the benefit granted to the personnel is negative, it is brought to 0.*

The valuation of the recognized expense depends upon, among other factors, the estimation of the financing rate for employees and the valuation of the opportunity gain. A + / - 0.5% change in these rates would have the following impact on the recognized expense:

	Sharing Multiple	Matching shares in France	Total
Sensitivity (change in expense in EUR million)			
Decrease in financing rate for employee -0.5%	-	(0.1)	(0.1)
Increase in opportunity gain +0.5%	(0.6)	-	(0.6)

► Accounting impact of the share incentive plan (SIP) in the United Kingdom

According to the SIP rules, the Chief Executive Officer of SUEZ set the subscription price at EUR 13.52 on January 15, 2020. Since the benefit granted by the Group to subscribing employees was not known at December 31, 2019 (value of the benefit per share), no expense was recognized on the SIP plan in 2019.

The number of shares reserved on December 31, 2019 as part of the SIP plan is 20 thousand.

► Accounting impact of matching overseas

The matching shares overseas (excluding France and the United Kingdom) will take the form of a bonus share allocation. Vesting is subject to five years' service within the Group after the grant. In accordance with IFRS 2, expense will be amortized on the vesting period. Since the benefit granted by the Group to subscribing employees was not known at December 31, 2019, no expense was recognized on matching shares overseas.

► **Accounting impact of share appreciation rights (SAR)**

In some countries (especially in the United States), the “Multiple” plan 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 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 resulting debt to employees is covered by warrants issued by the bank in charge of structuring the operation. The SARs are covered by warrants that offset the expenses incurred by the SARs at the end of the five-year plan.

In accordance with IFRS 2, expense will be amortized on the vesting period.
However, since the benefit granted by the Group to subscribing employees was not known at December 31, 2019, no expense was recognized on SARs in 2019.

20.3 Long-term incentive plan

There are three SUEZ plans in progress as of December 31, 2019. It is the two long-term incentive plans linked to the integration and performance of the Water Technologies & Solutions (WTS) business unit and the long-term incentive set up by the Board of Directors on February 28, 2017 and concerns all employees of the Group.

Specifications related to those plans are described in detail in SUEZ’s previous Reference Documents.

During the 2019 financial year, all outstanding long-term compensation plans generated a net profit of EUR 5.3 million (also considering the provisioning of social security contributions). This profit includes the reversal of the provision of EUR 9.7 million following 2016 plan delivery in 2019.

Note 21 Related-party transactions

Material transactions between the Group and its related parties are presented in accordance with IAS 24. They concern transactions with :

- Associated companies and joint ventures of the SUEZ Group;
- Engie, which consolidates SUEZ using the equity method;
- Companies related to Engie.

Compensation for key executives (Executive Committee) is presented in Note 22.

21.1 Transactions with ENGIE and related entities

(in millions of euros)	December 31, 2019	December 31, 2018
Transactions with ENGIE		
Purchases/sales of goods and services	8.9	0.5
Non financial payables	0.3	7.1
Non financial receivables	0.1	0.2
Receivables carried at amortized cost [(a)]	-	14.0
Transactions with companies linked to ENGIE		
Purchases/sales of goods and services	12.6	12.8
Financial incomes	-	0.5
Non financial receivables	8.8	23.7
Non financial payables	0.8	0.4
Financial payables	0.8	0.8
Borrowings excluding financial instruments	0.8	0.7
Commodity derivatives (Liabilities)	1.3	(0.7)

(a) At the end of December 2019, the balance of this receivable is at 0, following the final settlement of the dispute between SUEZ and Argentina over Aguas Argentinas. See Notes 2.2 and 23.

21.2 Transactions with joint operations, joint ventures and associates

At December 31, 2019, these transactions correspond mainly to loans granted to joint ventures and associates, for which the balance in the statement of financial position amounts to EUR 123.4 million, the main lines of which :

- EUR 37.3 million with joint ventures in water business in Europe ;
- EUR 38.5 million with associates in charge of the commissioning and operation of incinerators in the United Kingdom;
- furthermore, EUR 13.7 million with a joint venture in Kuwait for the maintenance contract of a water treatment plant.

Note 22 Executive compensation

The Group's Executive Committee, previously Management Committee, is composed of ten members at December 31, 2019. At December 31, 2018, there were eleven members in the Management Committee.

Their compensation breaks down as follows:

(in millions of euros)	**December 31, 2019**	**December 31, 2018**
Short-term benefits	9.3	9.3
Post-employment benefits [(a)]	0.7	1.6
Long Term Incentive Plans [(b)]	0.2	2.3
Total	**10.2**	**13.2**

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

(b) Long Term Incentive Plans : included performance share plans.

Note 23 Legal and arbitration proceedings

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 a legal, contractual or constructive obligation exists at the closing date with respect to a third party; it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and 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 51.7 million as of December 31, 2019.

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 Fé 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 Fé 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 Fé 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 Fé 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 Fé 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.

In April 2019, the Argentine government and the shareholders of Aguas Argentinas entered into and implemented a settlement agreement pursuant to the ICSID decision, for which SUEZ and its subsidiaries received a cash amount of EUR 224.1 million.

Concerning the Santa Fé 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 Fé 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. This recourse was rejected on December 2018 making this decision irrevocable.

Note 24 Subsequent events

In 2019, SUEZ launched its fourth global shareholder employee plan called Sharing to grow the Group's employee shareholding (see Note 20.2.1).

The setup of Sharing 2019 has been structured in 2019 while the capital increase itself was achieved on January 16, 2020 and has resulted in an issuance of 9.97 million of shares with a EUR 4 nominal value.

Subsequent to this operation, the share capital of SUEZ totaled EUR 2,525,330,516 divided into 631,332,629 shares.

There is no other subsequent event.

Note 25 List of the main consolidated companies at December 31, 2019 and 2018

Entities presented in the list below cover 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

		% interest		% control		Consolidation methods [a]	
Names	**Headquarters address**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
SUEZ	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
WATER EUROPE							
SUEZ Eau France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
SUEZ Spain	Edificio D38 – Passeig Zona Franca 08038 Barcelona – Espagne	100.0	100.0	100.0	100.0	FC	FC
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso 4, Santiago – Chili	25.1	25.1	50.1	50.1	FC	FC
RECYCLING AND RECOVERY EUROPE							
SUEZ Recycling and Recovery Holdings UK Ltd	Grenfell road, Maidenhead, Berkshire SL6 1ES – Royaume-Uni	100.0	100.0	100.0	100.0	FC	FC
SUEZ Recycling & Recovery Deutschland GmbH	Industriestrasse 161 D-50999 Köln – Allemagne	100.0	100.0	100.0	100.0	FC	FC
SUEZ Nederland Holding B.V.	Meester E.N. van Kleffensstraat 10, 6842 CV Arnhem – Pays-Bas	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 – Belgique	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 – Suède	100.0	100.0	100.0	100.0	FC	FC
INTERNATIONAL							
SUEZ Recycling & Recovery Pty Ltd	Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australie	100.0	100.0	100.0	100.0	FC	FC
ACEA Spa	p.le Ostiense, 2 - 00154 Roma - Italie	23.3	23.3	23.3	23.3	EM	EM
AQUASURE HOLDING Ltd	492 St Kilda Road - level 7 Melbourne, VIC 3004 – Australie	11.7	11.7	11.7	11.7	EM	EM
SUEZ Water Inc. Utility	461 From Road Suite 400, Paramus 07652 New Jersey – États-Unis	80.0	100.0	80.0	100.0	FC	FC
SUEZ Water Inc. ES	461 From Road Suite 400, Paramus 07652 New Jersey – États-Unis	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

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

Names	Headquarters address	% interest Dec. 2019	% interest Dec. 2018	% control Dec. 2019	% control Dec. 2018	Consolidation methods [(a)] Dec. 2019	Consolidation methods [(a)] Dec. 2018
SUEZ Water Advanced Solutions, LLC	1230 Peachtree Street NE, Suite 1100, Promenade II Building, Atlanta, GA 30309 – États-Unis	100.0	100.0	100.0	100.0	FC	FC
The Macao Water Supply Company Limited	718 avenida do Conselheiro, Macao – Chine	49.3	49.3	58.0	58.0	FC	FC
SUEZ NWS R&R (Hong kong) Limited	Room 702, 7/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	58.0	58.0	58.0	58.0	FC	FC
SUEZ Polska sp. z o.o.	Zawodzie 5, 02-981 Warszawa – Pologne	100.0	100.0	100.0	100.0	FC	FC
LYDEC	48, Boulevard Mohamed Diouri, Casablanca – Maroc	51.0	51.0	51.0	51.0	FC	FC
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							
SUEZ Treatment Solutions Inc	461 From Rd Ste 400 Paramus, NJ, 07652-3526 États-Unis	70.0	70.0	70.0	70.0	FC	FC
SUEZ WTS Usa, Inc	4636 Somerton Road, Bldg 8 PA 19053 Trevose - Etats Unis	70.0	70.0	70.0	70.0	FC	IG
SUEZ WTS Services Usa, Inc	4545 Patent Road VA 23502 Norfolk - Etats Unis	70.0	70.0	70.0	70.0	FC	IG
SUEZ Water Technologies & Solutions	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	70.0	70.0	70.0	70.0	FC	FC
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
Safège	15, rue du Port, 92022 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC

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

Note 26 Fees of the Statutory Auditors and members of their networks

The accounting firms Ernst & Young and Mazars act as Statutory Auditors for the SUEZ Group.

	Ernst & Young								Mazars							
	2019				2018				2019				2018			
	Ernst & Young and others		Network		Ernst & Young et Autres		Network		Mazars SA		Network		Mazars SA		Network	
(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	983	21%	-	-	743	19%	-	-	659	14%	-	-	681	15%	-	-
Fully consolidated subsidiaries and joint operations	3,017	63%	4,798	89%	2,573	68%	4,720	84%	3,498	77%	2,581	88%	3,669	79%	2,501	94%
Other services																
SUEZ SA	637	14%	-	-	118	3%	-	-	385	8%	84	3%	69	1%	90	3%
Fully consolidated subsidiaries and joint operations	116	2%	593	11%	381	10%	893	16%	48	1%	249	9%	227	5%	88	3%
Total	**4,753**	**100%**	**5,391**	**100%**	**3,815**	**100%**	**5,613**	**100%**	**4,590**	**100%**	**2,914**	**100%**	**4,646**	**100%**	**2,679**	**100%**

Other services than account certification providing during the year to SUEZ SA and its controlled entities include primarily verifications of CSR information.

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, 2019

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, 2019

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, 2019.

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, 2019 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, 2019 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.

Emphasis of Matter

We draw attention to the following matter described in Notes 1.2.3 and 1.2.4 to the consolidated financial statements relating to the impacts of the first-time application from January 1, 2019 of IFRS 16 “Leases” and IFRIC23 “Uncertainty over Income Tax Treatments” standards. Our opinion is not modified in respect of this matter.

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	Our response
As at December 31, 2019, the amount of goodwill net value is M€ 5,322.1. As indicated in Note 1.5.4.1 to the consolidated financial statements, goodwill is not depreciated but goodwill impairment loss 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 1.5.6 and 9.3 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.	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. We reconciled the data used for impairment tests with the Medium-Term Plan (MTP) approved by your Board of Directors. We considered the following underlying assumptions: ► the projections of operating cash flows prepared over the duration of the MTP and related to operating conditions provided by 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 MTP, calculated by applying a long-term growth rate, comprised between 1,9% and 2,7%, depending on the activity, to normalized “free cash flow” in the final year of the projections. We involved in our audit team experts in valuation and performed the verification of discount rates, long-term growth rates and the discount cash flow method to calculate the projections of operating cash flows. Furthermore, we obtained and considered the sensitivity of the analyses conducted by your Group’s management, whose results are indicated in Note 9.4 to the consolidated financial statements.

Valuation of revenues from water distribution, generated but not metered in the Water Europe operating segment (called « en compteur »)

Risk identified	Our response
As disclosed in Note 1.4.1.7 to the consolidated financial statements, 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. Your 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 inherent uncertainty relating to the process of evaluating volumes of water distributed but not metered at the reporting date and the evaluation of the corresponding sale price.	In the context of our audit: ► we got acquainted with the control environment along with the invoicing chain and processes allowing the reliability of estimates on water metered; ► we tested with team members having particular competence in information systems the key automated controls used to estimate water metered, and we audited the functioning of the computing algorithm; ► we analyzed the reconciliation between estimated volumes made by SUEZ of water consumed and volumes of water distributed over the period; ► we verified the calculation of the price charged for these volumes in relation to contract terms; ► we analyzed the reconciliation made by your Group between estimated volumes and invoiced volumes retrospectively.

Construction contracts accounting

Risk identified	Our response
As disclosed in Notes 1.4.1.8 and 1.5.13.3 to the consolidated financial statements, your 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, 2019 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. We considered the accounting of revenues relating to construction contracts as a key audit matter given the estimative nature of this process.	In the context of our work, the procedures set up in the significant subsidiaries in terms of contribution to revenues of construction contracts consisted of: ► 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; ► performing the work program detailed below on a sample of contracts. We thus 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:

- 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 the amounts outlined in the contracts and/or contract amendments to revenues at termination used to determine the revenues to be recorded for the year ended December 31, 2019.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Group's management report of the Board of Directors .

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

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, 2019, MAZARS and ERNST & YOUNG et Autres were in the 12th year and 13th year of total uninterrupted engagement, which is the 12th 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, its 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. 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. 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 to the Audit Committee a report 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) No. 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 Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 26, 2020

The Statutory Auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres
Achour Messas	Dominique Muller	Stéphane Pédron