interim financial report 2017

SUEZ

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Message from the Chief Executive Officer

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The first half of 2017 was marked by a very sustained work from all our teams. While continuing its development in various markets, the Group marked a major milestone by signing an agreement with GE to acquire GE Water & Process Technologies (GE Water), a world leader in industrial water treatment. GE Water generated revenues of nearly USD 2.1 billion in 2016 and employs around 7,500 staff, including a first-class sales force and highly qualified engineers with considerable expertise, particularly in the digital sector.

This acquisition represents the achievement of one of the key aims of the SUEZ strategy, which has been implemented since 2013, namely to become a key player in the global resource management market for both municipal and industrial customers. The industrial water market is experiencing average growth of around 5% per year, due not only to ever tighter regulations but also to the growing desire among companies to improve their environmental performance.

Once closed, this acquisition will provide the Group with a unique industrial water services platform. It will also help to spur on growth outside Europe, by offering high value-added services both in North America and in high-growth regions such as Asia and Latin America. Lastly, with a digital platform used by thousands of customers daily as well as tailored, predictive, connected solutions and software, this acquisition will make us a key player of the digital revolution.

Combining expertise, know-how, business lines, complementary talents and offerings will pave the way for better performance and new drivers of differentiation and innovation.

Financing for this operation is already in hand. It comprises several components: a capital increase of EUR 750 million involving the main strategic shareholders of SUEZ, namely ENGIE, Criteria Caixa and Caltagirone Group; senior debt of EUR 1.2 billion and an issue of undated deeply subordinated notes amounting to EUR 600 million; and a partnership with the Caisse de dépôt et placement du Québec (CDPQ), whose EUR 700 million cash contribution will afford it a 30% stake in the entity that is to be established to combine the industrial water assets of GE Water and SUEZ.

As initially expected, this transaction should be completed during the third quarter of 2017, provided that the necessary regulatory approvals are obtained, particularly in the European Union and in the United States, and subject to the other usual conditions precedent and consultation with the relevant employee representative bodies.

Meanwhile, SUEZ continued to develop its businesses and posted revenues of EUR 7,526.1 million for the first half of 2017, an increase of 1.0%.

While the Water Europe division, with EUR 2,266.8 million total revenues registered negative scope effects due to the sale of OCEA Smart Building and Bristol Water, it also benefitted from a positive foreign exchange rate impact due to the appreciation of the Chilean peso. The price inertia triggered by the deflationary environment in Europe continued to hamper growth in this division, although this was partly offset by satisfactory business in Chile.

Revenues for the Recycling and Recovery Europe division were slightly higher than for the first half of 2016, at EUR 3,047.2 million, despite the significant adverse impact of sterling's fall against the euro. In addition, secondary raw materials prices had a positive impact on the business, which was curtailed by a slight drop of -0.5% in the volumes processed over the half-year.

In the International division, the Group continued to grow its businesses in most countries. The division's revenues stood at EUR 1,937.6 million thanks in particular to sustained growth in Australia and the Middle East; however, this growth was curbed somewhat following the termination of certain construction contracts in 2016 for which there were no equivalents in the first six months of 2017.

In terms of operating performance, EBITDA [(1)] came to EUR 1,268.2 million, slightly lower (-0.2%) than in 2016 due to negative scope effects, in particular those associated with the sale of Bristol Water in the United Kingdom and the impact of the completion of the acquisition of Derun Environment which has no equivalent in 2017 (-EUR 36 million).

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

EBIT [(2)] at EUR 594.4 million represented a decline of 0.6% compared with the first half of 2016; its decline is due to the drop in EBITDA.

Meanwhile, net financial debt stood at EUR 6,942.1 million, down markedly compared with the end of December 2016 (EUR 8,041.5 million) due to the implementation of the new hybrid debt of EUR 600 million and the EUR 750 million capital increase to finance the acquisition of GE Water. The change in working capital requirements amounted to -EUR 256 million. The net debt to EBITDA ratio was 2.6 at the end of the period, versus 3.2 as of June 30, 2016.

SUEZ benefits from strong market positions and a robust development model. With a balanced portfolio of assets and businesses in the water and waste segments, buoyed by strong growth drivers, the Group is taking the necessary steps to preserve its financial strength and future growth; SUEZ now stands ready to start integrating GE Water and to build – together – the world's most effective and innovative services provider for industrial and local authority customers.

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

Key figures for the first half of 2017

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The table below shows extracts of the income statements, statements of financial position and statements of cash flows from the condensed consolidated financial statements for the periods ending June 30, 2017 and June 30, 2016.

The following financial information should be read in conjunction with the interim condensed consolidated financial statements and the interim management report which follow.

In millions of euros	June 30, 2017	June 30, 2016
Revenues	7,526	7,455
EBITDA [(a)]	1,268	1,271
Net income Group share	45	174
Free cash flow [(b)]	191	179
Net debt	6,942	8,042
	at June 30, 2017	*at December 31, 2016*

(a) *The EBITDA indicator is presented without IFRIC 21 impact.*

(b) *Before disposals and development capital expenditures.*

3 2017 highlights – contracts

January 2017

USA: SUEZ steps up the digitalisation of its Recycling and Recovery activities by acquiring a stake in Rubicon Global taking part in an USD 50 million fundraising. Rubicon's technology allows companies and municipalities to find inefficiencies and cost-savings in their waste streams and to develop new and innovative ways to reduce, re-use and recycle waste. This strategic partnership will open the way for the deployment of innovative and effective solutions on the US and European markets.

France: TerraCycle and SUEZ in partnership with Head & Shoulders (P&G Group) create the world first recyclable shampoo bottle made with plastic collected on beaches. 500 million bottles of P&G Hair Care Products will be made with recycled plastic every year by 2018.

February 2017

China: SUEZ was awarded the contract for the performance optimisation of wastewater systems in the new eco-district of Yuelai, in Chongqing. For the first time in China, the Group will deploy AQUADVANCED® Urban Drainage, a digital solution allowing local authorities to monitor their wastewater networks in real time, to mitigate the risk of flooding and control the quality of discharges into the natural environment.

March 2017

USA: SUEZ, together with Caisse de dépôt et placement du Québec, has signed an agreement to purchase GE Water & Process Technologies (GE Water) from General Electric Company for EUR 3.2 billion in an all-cash transaction. The transaction, unanimously approved by the Board of SUEZ, combines two complementary players covering the entire value chain. With this deal SUEZ affirms its global leadership in industrial water services, a growing and strategically important market for the Group and strengthens its presence out of Europe, especially in the United States.

China: SUEZ started up operations on the third line of the hazardous waste to energy plant in the Shanghai Chemical Industrial Park and unveiled a R&D center dedicated to support its development in the fast-growing market of hazardous waste in China. The energy plant will provide the treatment of 120,000 tons/year of hazardous waste generated by the 800 companies located in the industrial site and in the Shanghai area.

France: Following the announcement of the project to acquire GE Water together with Caisse de dépôt et placement du Québec, SUEZ has successfully realized an offering of EUR 1.2 billion senior unsecured notes, including EUR 500 million maturing in 2025 with an annual fixed coupon of 1.00%, and EUR 700 million maturing in 2029 with an annual fixed coupon of 1.50%.

France: SUEZ steps up the collection and river transport of waste in urban zones. In Bordeaux, the city authorities and SUEZ tested the collection by barge of the final and recoverable waste and the glass; In Greater Paris, SUEZ is developing the chartering and river transport of waste, in particular waste from the construction industry, household waste or non-hazardous industrial waste.

Europe: SUEZ strengthens its position in the production of renewable energy with the commissioning of four new energy from waste plants in Europe. Three in the UK: Merseyside Waste Disposal Authority – a 30-year contract with cumulated

revenues of EUR 1.4 billion, West London Waste Authority – a 25-year contract with cumulated revenues of EUR 1 billion, Cornwall Council – a 30-year contract with cumulated revenues of EUR 1.4 billion, including third party waste management and electricity revenue; and one in Poland: Poznan a 25-year contract with cumulated revenues of EUR 850 million. These plants will handle an additional 1.2 million tons of residual waste.

France: The Syndicat Mixte (association of local authorities) for water services management of Versailles and Saint-Cloud and SUEZ inaugurate carbonate removal plant in Louveciennes (Paris area). This facility can treat up to 105,000 m^3 of softened water per day and remove about 50% of excess scale from water.

The Netherlands: SUEZ is in charge of soil remediation and rehabilitation of Amstelkwartier district in the East of Amsterdam, which will be the scene of some ambitious real estate projects to build shops and offices. This two-year project of EUR 5 million total revenues is planned to be completed in December 2018.

April 2017

France: Following the announcement of the project to acquire GE Water, SUEZ successfully places hybrid bonds for a total amount of EUR 600 million with an initial fixed coupon of 2.875%.

May 2017

France: SUEZ and L'Oréal have signed a memorandum of understanding for the continuous improvement of environmental performance and the optimisation of resource management throughout the Group's value chain. This partnership agreement, signed for an initial period of three years and renewable, covers all L'Oréal's industrial, administrative and research centers, in France and worldwide.

France: SUEZ renews its contract with Rennes Métropole for the collection of household waste, large items and voluntary drop-off sites during 6 years for EUR 79.5 million total revenues. The contract will integrate the use of smart trucks that enable the Rennes Métropole authorities to guarantee a quality service for the inhabitants, while reducing pollution at the same time.

USA: SUEZ takes a stake in Optimatics, enhancing its range of innovative digital solutions for the performance of water networks. Founded in Australia and now headquartered in North America, Optimatics has been growing rapidly by commercializing its Optimizer™ digital technology which is able to identify the most efficient scenario optimizing the design of drinking water and wastewater networks.

Panama: The Ministry of Health of the Republic of Panama selected SUEZ to build the extension of the wastewater treatment plant of "Juan Diaz" and operate under a contract of about EUR 195 million total revenues. The new contract will double the capacity of the plant to reach 475,000 m^3/day. Following a three-year construction phase, SUEZ will operate the plant during eight years.

France: SUEZ announces the success of its capital increase to finance a part of the acquisition price of GE Water. The gross amount of the capital Increase (including issue premium) amounts to EUR 750 million which leads to the issuance of 47,468,354 new shares representing 8.4% of the Company's existing share capital.

France: SUEZ has presented its 2017-2021 Sustainable Development Roadmap with four priorities and 17 commitments. This new Roadmap sets even more ambitious goals, particularly on employees' health and safety, material recovery and waste-to-energy, and the reduction of our greenhouse gas emissions. It also addresses emerging issues by proposing action plans to better meet the challenges of globalisation, such as respecting Human Rights and favouring collaborative ways of working. The new roadmap provides genuine leverage to transform the Group and to achieve their objectives set for 2021.

June 2017

Australia: SUEZ was awarded the waste collection contract of Brisbane (Queensland) for 16 years and total revenues of EUR 600 million. The Group will provide 150 new collection vehicles featuring innovative on-board computing technology. Present in Brisbane for 33 years, SUEZ will continue to support the city and its 1.2 million residents in the sustainable management of their waste.

The Group also won a 7-year waste collection and recovery contract of the City of Parramatta, located in the Sydney metropolitan area (New South Wales) and will be in charge of the collection of household waste, recyclables, garden organics and solid waste of Parramatta's 230,000 residents.

3 2017 highlights – contracts

France: SUEZ launched "Organix®", the first digital marketplace for organic waste. This innovative platform allows to connect producers of organic waste and methanisation unit operators, who transform it into energy. Available in some French regions Brittany, Normandy and Loire river area, Organix® will cover the entire French territory by the end of the year, and will gradually be enhanced with new functionalities.

China: SUEZ signed a 30-year agreement for total revenues of EUR 143 million with China Aviation International Base Development Co, Ltd to provide electroplating wastewater treatment services to Xi'an Yanliang National Hi-Tech Aviation Industrial Base.

Cameroon: SUEZ won a contract to build an extention and modernise the effluent treatment plant of Société Nationale de Raffinage reffinery in Limbe for a total amount of EUR 23 million, of which SUEZ's share is EUR 6.5 million.

France: SUEZ signed two contracts with Seignosse municipality for water distribution and wastewater treatment during 18 years and total revenues of EUR 36 million. Drinking water infrastructure renovation and wastewater treatment plant extension are also part of the contract.

Romania: SUEZ signed a 3-year contract to build two sludge incinerators in Bucharest for total revenues of EUR 45 million.

USA: SUEZ was awarded a physical-chemical wastewater treatment of the two Kentucky coal fired power plants for total revenues of USD 20 million.

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SUEZ's activity during the first half of 2017 increased slightly, driven by improvements in the Recycling and Recovery Europe division.

Operating performance was slightly lower than in 2016 due to negative scope effects, notably due to the sale of Bristol Water in the United Kingdom and the non-recurrence of the impact of the completion of the acquisition of Derun Environment (-EUR 36 million). Indeed, **EBITDA** [(1)] was slightly down by 0.2%. **EBIT** [(1)] declined by 0.6%.

Net income Group share stood at EUR 44.6 million compared to EUR 174.0 million in 2016. This significant change is primarily due to an increase in restructuring costs related to the recognition of expenses for the implementation of the voluntary redundancy plan for the support functions in France, and to a significant increase in the tax expense compared with 2016, which had benefited from the effects of the extended scope of the Australian tax consolidation group.

Free cash flow before disposals and development investments came to EUR 191 million, up compared to the free *cash flow* recorded in the first half of 2016, which stood at EUR 179 million.

Net financial debt amounted to EUR 6,942.1 million at June 30, 2017, a significant decrease compared with December 31, 2016 (EUR 8,041.5 million). The payment in cash of all dividends during the first half of the year for EUR 577 million and the seasonal working capital requirement (-EUR 256 million) were more than offset by the issuance of the new hybrid debt of EUR 600 million, and the capital increase of EUR 750 million intended to finance the acquisition of GE Water.

Significant events in the first half of 2017

Strengthening the Group's positions in industrial water with the acquisition of GE Water

On March 8, 2017, SUEZ signed an agreement, in partnership with the Caisse de dépôt et placement du Québec (CDPQ), to acquire GE Water & Process Technologies (GE Water) from General Electric Company for EUR 3.2 billion in cash.

GE Water is a world leader in the management and treatment of industrial water. GE Water, which employs 7,500 people, generated revenues of nearly USD 2.1 billion (approximately EUR 1.9 billion) in 2016.

The transaction will be financed through:

- the placement of two bond issues for a total of EUR 1.2 billion;
- the placement of undated deeply subordinated notes for a total of EUR 600 million;
- a capital increase of EUR 750 million.

After closing, SUEZ will own 70% of the new entity and will fully consolidate GE Water. It is expected that this transaction will be completed in the third quarter of 2017.

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

Financing the acquisition of GE Water

New bond issues

On March 27, 2017, SUEZ placed two bonds for a total of EUR 1.2 billion:

- EUR 500 million, with a maturity date of April 3, 2025 and a fixed annual coupon of 1.00%;
- EUR 700 million, with a maturity date of April 3, 2029 and a fixed annual coupon of 1.50%.

New issue of undated deeply subordinated notes

On April 19, 2017, SUEZ placed undated deeply subordinated notes (hybrid bonds) for a total of EUR 600 million with an initial fixed coupon of 2.875%. The coupon will be revised for the first time seven years after issue on the basis of the 5-year swap rate, and then every five years.

As a result of this issue, the Group's outstanding hybrid bonds amount to EUR 1.6 billion as of June 30, 2017.

Capital increase

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

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

Sale of Torre Agbar

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

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

Group transformation plan

SUEZ launched a plan to transform the support functions in France in late 2016. In January 2017, as part of this transformation plan, SUEZ implemented a voluntary redundancy scheme with the voluntary period running from April to July 2017. This voluntary redundancy scheme resulted in the recognition of restructuring costs of -EUR 56.2 million at June 30, 2017.

4.1 Revenues and operational results

SUEZ posted **revenues** of EUR 7,526 million in the first half of 2017, up 1.0%. This EUR 71 million increase breaks down as follows:

- organic growth of +EUR 64 million. The Water Europe division has stabilized (+EUR 17 million, *i.e.,* +0.8%), but was negatively impacted by the lack of inflation. The gradual improvement in the Recycling and Recovery Europe division (+EUR 81 million, *i.e.,* +2.7%) was accentuated by the upturn in the prices of commodities. Lastly, growth in the International division (-EUR 5 million, *i.e.,* -0.3%) varied by geographical area, and this uneven development was accentuated by a decrease in construction activities;
- negative scope effects of -EUR 23 million, corresponding primarily to the divestitures of OCEA Smart Building in France, of Bristol Water and the Recycling and Recovery activities in Finland, which were partially offset by the consolidation of PerthWaste in Australia;
- favorable foreign exchange effects of +EUR 29 million, mainly due to the Australian dollar (+EUR 29 million), the Chilean peso (+EUR 27 million) and the US dollar (+EUR 16 million) and despite an unfavorable effect related to the pound sterling (-EUR 52 million).

EBITDA was down by -EUR 3 million to EUR 1,268 million, or -0.2%, as a result of the following changes:

- organic growth of +EUR 2 million or +0.2%; the growth of the Recycling and Recovery Europe division (+EUR 13 million, *i.e.,* +3.8%) and Other (+EUR 7 million) was offset by the decline of Water Europe (-EUR 6 million, *i.e.,* -1.0%) and the International division (-EUR 13 million, -3.2%);
- negative scope effects of -EUR 23 million related mainly to the sale of the minority stake in Bristol Water in the United Kingdom and the non-recurrence of the impact of EUR 36 million in 2016 as part of the completion of the transaction which enabled Suyu to acquire a 25.1% stake in Derun Environment at the end of 2015; furthermore, positive scope effects were recorded as a result of the increase in the stake in ACEA in the second half of 2016 and the exclusive takeover of all water activities provided by the Group in China;
- favorable foreign exchange effects totaling +EUR 18 million.

EBIT amounted to EUR 594 million, down EUR 4 million (-0.6%) compared with the first half of 2016; its decline is completely related to the decline in EBITDA. It Includes a negative scope effect of -EUR 25 million, or -4.1%. The organic growth is +1.4%.

Income from operating activities, including the share in net income of equity-accounted companies considered as core businesses, amounted to EUR 488 million, compared to EUR 525 million in the first half of 2016, a decrease of EUR 37 million. This change can be explained in particular by an increase in restructuring costs (+EUR 67 million) related to the recognition of costs for the implementation of the voluntary redundancy scheme for the support functions in France (EUR 56.2 million).

Net income Group share amounted to EUR 45 million, compared to EUR 174 million in the first half of 2016. This difference mainly results from the change in income from operating activities and the increase in the tax expense compared to the previous year, which had benefited from the extended scope of the Australian tax consolidation group.

Earnings per share came to EUR 0.05 in the first half of 2017, versus EUR 0.30 per share in the first half of 2016.

4.2 Operating segments

Revenues for the first half of 2017 amounted to EUR 7,526 million, an increase of +1.0% compared to 2016. The foreign exchange rate effect was positive at +0.4% (+EUR 29 million). The scope effect was -0.3% (-EUR 23 million). As such, the Group's organic growth amounted to +0.9% (+EUR 64 million), with the breakdown by division as follows:

Water Europe posted a slight revenue growth of +0.8% (+EUR 17 million) due to:

- an organic decrease of -0.3% for Water France (-EUR 3 million) and -1.4% for Spain (-EUR 10 million) mainly due to the price inertia caused by the low inflation environment;
- organic growth of +8.4% in Latin America (+EUR 31 million) thanks to slightly higher prices and a sharp rise in volumes compared to an unfavorable base in Chile in 2016.

The **Recycling and Recovery Europe** division posted organic growth of +2.7% (+EUR 81 million), mainly due to the upturn in the prices of certain secondary raw materials during the half year period, especially recycled metal (+37%) and paper (+17%). The organic change by geographic region was +4.6% in France, +2.7% in Sweden, +2.8% in the Benelux/Germany region, and -3.2% in the United Kingdom due to an unfavorable construction activity effect.

The **International** division posted organic change of -0.3% (-EUR 5 million), resulting from the following trends:

- decline in North America (-6.3%, -EUR 29 million), primarily due to the end of the Indianapolis and Jackson contracts in the United States and the drop in volumes of water sold following unfavorable weather conditions;
- progress in Australia (+0.7%, +EUR 3 million) partly driven by the rise in volumes processed (+6%);
- strong growth in the Africa/Middle East/India area (+8.1%, +EUR 42 million), thanks to the contribution of the Barka construction contract (Oman) and the increased price of electricity in Morocco;
- decline in Asia (-13.7%, -EUR 34 million), due to the end of major construction contracts in the previous year, particularly the Huai Feng contract, which has no equivalent in 2017;
- dynamism in Italy and Central Europe (+7.2%, +EUR 13 million), with the commissioning of the waste-to-energy plant in Poznan (Poland) and the positive impact resulting from favorable weather conditions.

EBITDA amounted to EUR 1,268 million, representing an organic change of +0.2% (+EUR 2 million), which breaks down as follows:

- **Water Europe** posted an organic decrease of -1.0% (-EUR 6 million), mainly due to the impact of price inertia caused by a low inflationary environment in Europe, despite the fact that volumes were better than the medium-term trend;
- **Recycling and Recovery Europe** posted an increase of +3.8% (+EUR 13 million), mainly due to the effect of the increased prices of certain secondary raw materials;
- the **International** division saw EBITDA fall by -3.2% (-EUR 13 million) compared to the first half of 2016 due to the payment of penalties provisioned in 2016 related to a construction contract.

EBIT amounted to EUR 594 million, representing an organic change of +1.4% (+EUR 8 million), which breaks down as follows:

- **Water Europe** posted an organic decrease of -4.2% (-EUR 11 million);
- **Recycling and Recovery Europe** reported a growth of +7.7% (+EUR 10 million);
- in the **International division**, EBIT was up by +3.5% (+EUR 10 million).

4.3 Other income statement items

Income from operating activities, after the share in the net income of equity-accounted companies considered as core business amounted to EUR 488 million as of June 30, 2017. This includes EBIT of EUR 594 million, -EUR 64 million in net non-recurring items, and an impact of -EUR 42 million related to the application of the IFRIC 21 interpretation. Non-recurring items include -EUR 56 million of restructuring expenses related to the implementation of voluntary redundancy plans for support functions in France.

Net financial income as of June 30, 2017 amounted to -EUR 217 million, compared with -EUR 209 million in the first half of 2016. This increase is mainly attributable to the carrying cost of the senior debt issued for EUR 1.2 billion during the half-year to finance the acquisition of GE Water. Meanwhile, the average cost of gross debt continued to improve from 2.97% as of June 2016 to 2.92% as of June 2017 (average cost of net debt being 4.03% in 2017 versus 3.78% in the first half of 2016).

The **income tax expense** was up by EUR 49 million compared to the first half of 2016. The tax expense incurred in the first half of 2016 had benefited from the effects of the extended scope of the Australian tax consolidation group. The effective tax rate stands at 66.5% and is mainly due to the write-off of deferred tax assets within the Spanish and French tax consolidation groups.

Net income from non-controlling interests amounted to +EUR 121 million, an increase of EUR 37 million compared to the first half of 2016, due to changes in the consolidation method of SUEZ NWS Ltd (ex-Sino French Holdings) in China, changes in the net income of companies, and the exchange rate effect related to the evolution of the Chilean peso.

4.4 Financing

Cash flows from operating activities

Cash flows from operations before financial expenses and income tax amounted to EUR 967 million as of June 30, 2017, compared with EUR 977 million in the first half of 2016. This difference mainly reflects the change in EBITDA excluding the share of net income of equity-accounted companies, which represented a decrease of -EUR 13 million.

Working capital requirements (WCR) had a negative impact of -EUR 256 million in the first half of the year 2017, versus (a negative impact of) -EUR 284 million in the first half of 2016.

In total, cash flows from operating activities generated a cash surplus of +EUR 617 million in the first half of 2017, a decrease of -EUR 16 million compared with June 30, 2016, owing mainly to the effects described above, in addition to the increase in taxes paid, which totaled EUR 94 million (versus EUR 59 million in 2016).

Cash flows from investing activities

Cash flows from investing activities included:

- maintenance capital expenditure of EUR 253 million, or 3.4% of the Group's consolidated revenues;
- development capital expenditure of EUR 234 million;
- financial investments of EUR 44 million relating to several relatively small-scale acquisitions;
- disposals amounting to EUR 197 million, including the sale of the Torre Agbar in Spain.

In total, cash flows from investing activities generated a cash shortfall of -EUR 321 million, versus a shortfall of -EUR 647 million in the first half of 2016.

Cash flows from financing activities

Dividends paid in cash amounted to EUR 577 million (including the 3% tax on dividend distributions and the interests on undated deeply subordinated notes) as of June 30, 2017.

In total, cash flows from financing activities generated a cash surplus of +EUR 939 million over the first six months of 2017, compared to +EUR 132 million in 2016. This cash surplus also includes the cash impacts linked to the issue of new undated deeply subordinated notes of EUR 600 million and a EUR 750 million capital increase to finance the acquisition of GE Water.

Net debt as of June 30, 2017

Net debt as of June 30, 2017 amounted to EUR 6,942 million, versus EUR 8,042 million at the end of December 2016. This change is mainly explained by:

- the payment of -EUR 577 million in dividends in the first half of 2017;
- the -EUR 256 million change in working capital requirements, explained by the traditionally unfavorable seasonal effect during the first half of the year;
- the issue of a new hybrid debt of EUR 600 million and a EUR 750 million capital increase to finance the acquisition of GE Water.

As of June 30, 2017, the Group had confirmed undrawn credit facilities of EUR 2,827 million, including EUR 165 million as commercial paper backup lines.

4.5 Other statement of financial position items

Net intangible assets and **goodwill** amounted to EUR 7,612 million, down EUR 258 million compared with December 31, 2016, resulting primarily from changes in scope over the period (-EUR 5 million), acquisitions (+EUR 143 million), foreign exchange effects (-EUR 188 million), and depreciation and impairment losses for the period (-EUR 210 million).

Net property, plant and equipment amounted to EUR 7,774 million, versus EUR 8,280 million as of December 31, 2016. This decrease of EUR 506 million is primarily due to acquisitions during the period amounting to EUR 281 million, foreign exchange impact (-EUR 410 million), and depreciation and impairment losses during the period (-EUR 346 million).

Investments in joint ventures were up by EUR 64 million while investments in **associates** rose by EUR 21 million.

Total **shareholders' equity** amounted to EUR 7,958 million, up EUR 592 million compared with December 31, 2016, primarily due to the capital increase, the issuing of undated deeply subordinated notes and the distribution of dividends.

Provisions were down -EUR 44 million as of June 30, 2017, at EUR 2,036 million, versus EUR 2,080 million as of December 31, 2016. This decrease results mainly from changes in actuarial gains and losses (-EUR 12 million) recorded in provisions for post-employment benefits and other long-term benefits, and from a reduction in provisions for tax risks, other disputes and claims for -EUR 35 million, notably in Spain.

Deferred taxes represented a net asset of EUR 123 million, versus EUR 129 million as of December 31, 2016.

4.6 Related party transactions

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

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

The chapter on Risk factors (chapter 4) in the 2016 SUEZ Reference Document provides for a detailed description of the risk factors to which the Group is exposed. No risks or uncertainties are expected other than those presented in this document.

4.8 Outlook for 2017

In the face of growing political and economic uncertainties and the rapid change in both of its business sectors brought about by the resource and digital revolutions, SUEZ has launched a vast transformation plan. This will provide SUEZ with a platform from which to accelerate future growth in the most rewarding locations and market segments, while preserving its current profitability levels. In 2017, SUEZ intends to consolidate the growth of its businesses and continue to prioritize its financial stability and balance sheet position.

Accordingly, SUEZ has identified the following goals [1] for 2017, excluding the impact of the acquisition of GE Water:

- revenues and EBIT showing slight organic growth;
- maintaining a net financial debt/EBITDA ratio of around 3;
- generating around EUR 1 billion in free cash flow;
- pursuing an attractive dividend policy: Dividend payment of at least EUR 0.65 per share for 2017 results [2].

In the medium term, SUEZ is confident in its future, given the range of assets it has to respond to a strong demand for environmental services and new water and waste cycle management solutions. SUEZ is transforming into an integrated services group, while maintaining its commitments to sustainable development.

The cost savings plan will generate EUR 150 million in 2017; while the positive impacts of the support functions restructuring will amount to EUR 40 million over the full year.

(1) *Assuming stable industrial production in Europe and stable raw material prices.*
(2) *Subject to approval by the Shareholders' Meeting.*

Consolidated financial statements of SUEZ at June 30, 2017

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5.1 Consolidated statements of financial position

In millions of euros	Note	June 30, 2017	December 31, 2016
Non-current assets			
Intangible assets, net	6	4,105.3	4,223.0
Goodwill	6	3,507.1	3,646.9
Property, plant and equipment net	6	7,774.3	8,279.8
Available-for-sale securities	8.1	138.4	138.3
Loans and receivables carried at amortized cost	8.1	700.4	739.9
Derivative financial instruments	8.4	137.4	198.2
Investments in joint ventures	7.1	980.1	915.7
Investments in associates	7.2	1,001.9	980.8
Other assets		285.0	292.2
Deferred tax assets	4.4	724.4	783.1
TOTAL NON-CURRENT ASSETS		**19,354.3**	**20,197.9**
Current assets			
Loans and receivables carried at amortized cost	8.1	171.4	139.4
Derivative financial instruments	8.4	76.9	31.2
Trade and other receivables	8.1	4,368.8	4,041.4
Inventories		285.6	262.7
Other assets		1,526.5	1,492.6
Financial assets measured at fair value through income	8.1	59.2	62.3
Cash and cash equivalents	8.1	4,114.9	2,924.7
TOTAL CURRENT ASSETS		**10,603.3**	**8,954.3**
Assets held for sale [(a)]		-	131.8
TOTAL ASSETS		**29,957.6**	**29,284.0**
Shareholders' equity, Group share		6,173.8	5,495.9
Non-controlling interests	10	1,783.8	1,869.9
TOTAL SHAREHOLDERS' EQUITY		**7,957.6**	**7,365.8**
Non-current liabilities			
Provisions	11	1,534.1	1,573.7
Long-term borrowings	8.3	9,564.3	8,665.5
Derivative financial instruments	8.4	26.4	45.6
Other financial liabilities	8.2	47.4	10.4
Other liabilities		924.6	931.1
Deferred tax liabilities	4.4	601.5	654.5
TOTAL NON-CURRENT LIABILITIES		**12,698.3**	**11,880.8**
Current liabilities			
Provisions	11	501.9	505.8
Short-term borrowings	8.3	1,722.0	2,499.8
Derivative financial instruments	8.4	195.0	62.8
Trade and other payables	8.2	2,840.7	3,063.6
Other liabilities		4,042.1	3,812.9
TOTAL CURRENT LIABILITIES		**9,301.7**	**9,944.9**
Liabilities directly related to an asset held for sale [(a)]		-	92.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**29,957.6**	**29,284.0**

(a) *Corresponded to the Torre Agbar and the liability directly related. The Torre Agbar was sold on January 12, 2017 (see Note 2.5 of this document and Note 27 of the 2016 Reference Document).*

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.*

5.2 Consolidated income statement

In millions of euros	Note	June 30, 2017	June 30, 2016
Revenues	3.2	7,526.1	7,455.1
Purchases		(1,522.4)	(1,476.6)
Personnel costs		(1,975.0)	(1,998.5)
Depreciation, amortization and provisions		(545.4)	(535.4)
Other operating expenses		(3,188.4)	(3,093.9)
Other operating income		145.2	105.0
CURRENT OPERATING INCOME	**4.2**	**440.1**	**455.7**
Mark-to-market on operating financial instruments		13.9	(1.2)
Impairment on property, plant and equipment, intangible and financial assets		(6.5)	(16.2)
Restructuring costs		(86.4)	(19.3)
Scope effects		(1.8)	2.9
Other gains and losses on disposals and non-recurring items		16.8	6.4
Costs incurred by the rebranding and change in visual identity		-	(6.5)
INCOME FROM OPERATING ACTIVITIES	**4.2**	**376.1**	**421.8**
Share in net income of equity-accounted companies considered as core business		112.2	102.7
of which: share in net income (loss) of joint ventures	*7.1*	*44.3*	*61.8*
of which: share in net income (loss) of associates	*7.2*	*67.9*	*40.9*
Income from operating activities after share in net income of the equity-accounted companies considered as core business		**488.3**	**524.5**
Financial expenses		(255.0)	(244.7)
Financial income		37.9	35.3
Net financial income (loss)	**4.3**	**(217.1)**	**(209.4)**
Income tax expense	4.4	(105.7)	(57.1)
NET INCOME		**165.5**	**258.0**
Group share	5	44.6	174.0
Non-controlling interests		120.9	84.0
Net income (Group share) per share *(in euros)*	**5**	**0.05**	**0.30**
Net diluted income (Group share) per share *(in euros)*	**5**	**0.06**	**0.29**

5.3 Consolidated statements of comprehensive income

In millions of euros	June 30, 2017	June 30, 2017 of which Group share	June 30, 2017 of which non controlling interests	June 30, 2016	June 30, 2016 of which Group share	June 30, 2016 of which non controlling interests
NET INCOME	**165.5**	**44.6**	**120.9**	**258.0**	**174.0**	**84.0**
Available-for-sale securities	2.5	2.2	0.3	(2.2)	(2.1)	(0.1)
Net investment hedges	(2.8)	(2.8)	-	49.7	49.7	-
Cash flow hedges (excluding commodities)	(162.7)	(164.1)	1.4	(24.7)	(25.7)	1.0
Commodity cash-flow hedges	(3.6)	(3.6)	-	4.5	4.5	-
Deferred taxes on items above	(2.3)	(1.9)	(0.4)	(0.4)	(0.1)	(0.3)
Share of joint ventures in reclassifiable items, net of taxes	(45.9)	(45.9)	-	(7.8)	(7.8)	-
Share of associates in reclassifiable items, net of taxes	4.9	4.9	-	(14.2)	(14.2)	-
Translation adjustments	(205.4)	(107.4) [b]	(98.0)	(75.9)	(121.3) [a]	45.4
TOTAL RECLASSIFIABLE ITEMS	**(415.3)**	**(318.6)**	**(96.7)**	**(71.0)**	**(117.0)**	**46.0**
Actuarial gains and losses	12.4	13.7	(1.3)	(164.4)	(161.7)	(2.7)
Deferred taxes on actuarial gains and losses	10.5	10.0	0.5	36.6	35.9	0.7
Share of joint ventures in non-reclassifiable items, net of taxes	-	-	-	-	-	-
Share of associates in non-reclassifiable items, net of taxes	1.9	1.9	-	(7.7)	(7.7)	-
TOTAL NON-RECLASSIFIABLE ITEMS	**24.8**	**25.6**	**(0.8)**	**(135.5)**	**(133.5)**	**(2.0)**
COMPREHENSIVE INCOME	**(225.0)**	**(248.4)**	**23.4**	**51.5**	**(76.5)**	**128.0**

(a) *This change is primarily explained by the depreciation of the American dollar and the pound sterling.*
(b) *This change is primarily explained by the depreciation of the Hong Kong dollar.*

5.4 Statements of changes in consolidated shareholders' equity

In millions of euros	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2015	**542,643,468**	**2,170.6**	**4,406.8**	**(2,260.2)**	**(171.5)**	**320.6**	**(29.4)**	**982.9**	**5,419.8**	**1,385.6**	**6,805.4**
Net income				174.0					174.0	84.0	258.0
Other comprehensive income items				(133.0)	16.9	(134.4)			(250.5)	44.0	(206.5)
Comprehensive income				**41.0**	**16.9**	**(134.4)**			**(76.5)**	**128.0**	**51.5**
Share-based payment				2.1					2.1	-	2.1
Dividends distributed in cash				(352.6)					(352.6)	(140.6)	(493.2)
Interests of undated deeply subordinated notes issue				(27.4)					(27.4)		(27.4)
Purchase/sale of treasury shares				(1.2)			0.6		(0.6)		(0.6)
Capital increase/(reduction) [(a)]	1,757,778	7.0	22.1	0.7					29.8		29.8
Susbcription of non-controlling interests										17.8	17.8
Transactions between shareholders				(8.9)					(8.9)		(8.9)
Business combinations										4.9	4.9
Other changes				(1.6)					(1.6)	0.2	(1.4)
SHAREHOLDERS' EQUITY AT JUNE 30, 2016	**544,401,246**	**2,177.6**	**4,428.9**	**(2,608.1)**	**(154.6)**	**186.2**	**(28.8)**	**982.9**	**4,984.1**	**1,395.9**	**6,380.0**
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**564,401,246**	**2,257.6**	**4,632.3**	**(2,287.7)**	**(240.6)**	**180.0**	**(28.6)**	**982.9**	**5,495.9**	**1,869.9**	**7,365.8**
Net income				44.6					44.6	120.9	165.5
Other comprehensive income items				25.6	(160.1)	(158.5)			(293.0)	(97.5)	(390.5)
Comprehensive income				**70.2**	**(160.1)**	**(158.5)**			**(248.4)**	**23.4**	**(225.0)**
Share-based payment				0.3					0.3		0.3
Dividends distributed in cash				(366.6)					(366.6)	(142.1)	(508.7)
Issue of new undated deeply subordinated note [(b)]								600.0	600.0		600.0
Issuance fees of new undated deeply subordinated note								(2.3)	(2.3)		(2.3)
Interests of undated deeply subordinated notes issue				(27.5)					(27.5)		(27.5)
Purchase/sale of treasury shares							(5.0)		(5.0)		(5.0)
Bonus share plans payment	1,514,949	6.0	(6.6)	0.6							
Capital increase/(reduction)	47,468,354	189.9	556.4						746.3 [(c)]	60.0	806.3
Legal reserve appropriation			(19.0)	19.0							
Transactions between shareholders				(22.1)					(22.1)	(12.9)	(35.0)
Business combinations										(14.5)	(14.5)
Other changes				3.2					3.2		3.2
SHAREHOLDERS' EQUITY AT JUNE 30, 2017	**613,384,549**	**2,453.5**	**5,163.1**	**(2,610.6)**	**(400.7)**	**21.5**	**(33.6)**	**1,580.6**	**6,173.8**	**1,783.8**	**7,957.6**

(a) *Corresponds to the capital increase of EUR 30 million in compensation for the contribution of the SUEZ brand by ENGIE and -EUR 0.2 million for set up costs.*

(b) *Issue of new undated deeply subordinated notes (see Note 2.3).*

(c) *Corresponds to the capital increase of EUR 750 million, after deduction of -EUR 3.7 million of issuance costs in relation with the acquisition of GE Water (see Note 2.1).*

5.5 Consolidated statements of cash flows

In millions of euros	Note	June 30, 2017	June 30, 2016
Net income		**165.5**	**258.0**
- Share in net income (loss) of joint ventures	7.1	(44.3)	(61.8)
- Share in net income (loss) of associates	7.2	(67.9)	(40.9)
+ Dividends received from joint ventures and associates		75.6	53.9
- Net depreciation, amortization and provisions [(a)]		538.1	513.3
- Scope effects, other gains and losses on disposal and non-recurring items		(23.5)	(16.5)
- Other items with no cash impact		0.3	4.3
- Income tax expense	4.4	105.7	57.1
- Financial income	4.3	217.1	209.4
Cash flows from operations before financial income/(expense) and income tax		**966.6**	**976.8**
+ Tax paid		(93.5)	(58.8)
Change in working capital requirements		**(255.7)**	**(284.3)**
CASH FLOWS FROM OPERATING ACTIVITIES		**617.4**	**633.7**
Investments in property, plant and equipment and intangible assets	3.4.3	(487.0)	(519.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(26.6)	(92.9)
Acquisitions of interests in associates and joint-ventures	3.4.3	(11.1)	(19.3)
Acquisitions of available-for-sale securities	3.4.3	(6.5)	(17.8)
Disposals of property, plant and equipment and intangible assets		186.6	21.1
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		5.4	0.2
Disposals of interests in associates and joint ventures		3.3	-
Disposals of available-for-sale securities		1.8	7.1
Interest received/(paid) on non-current financial assets		6.2	(3.6)
Dividends received on non-current financial assets		0.4	0.9
Change in loans and receivables issued by the Company and others		6.4	(24.0)
CASH FLOWS FROM INVESTING ACTIVITIES		**(321.1)**	**(647.3)**
Dividends paid		(576.5)	(545.7)
Repayment of borrowings	8	(1,054.0)	(329.1)
Change in financial assets at fair value through income		3.1	(11.5)
Financial interest paid		(198.6)	(182.4)
Financial interest received on cash and cash equivalents		18.7	17.5
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		13.0	35.0
Increase in financial debt [(b)]	8	1,332.5	1,133.3
Capital increase/reduction [(c)]		808.1	17.8
Issue of undated deeply subordinated notes net of costs [(d)]	8.3.2	597.7	-
Purchase/sale of treasury shares		(5.0)	(0.5)
Change in share of interests in controlled entities	3.4.3	-	(2.6)
CASH FLOWS FROM FINANCING ACTIVITIES		**939.0**	**131.8**
Impact of changes in exchange rates and other		(45.1)	17.0
TOTAL CASH FLOWS FOR THE PERIOD		**1,190.2**	**135.2**
Opening cash and cash equivalents		**2,924.7**	**2,079.0**
Closing cash and cash equivalents	**8**	**4,114.9**	**2,214.2**

(a) *Relates to current and non-current depreciation.*
(b) *Issues of bond debt as part of the EMTN program for EUR 1,200 million to be used to finance the acquisition of GE Water (see Note 2.2).*
(c) *Including a capital increase of EUR 746.3 million, net of issuance costs, for SUEZ (see Note 2.4) and a capital increase of EUR 60 million for SUEZ NWS Limited, subscribed by NWS holdings Limited as part of the operation described in Note 2.7 of the 2016 consolidated financial statements (see chapter 20.1 of the 2016 Reference Document).*
(d) *Issue by SUEZ of undated deeply subordinated notes for EUR 597.7 million net of set-up costs (see Note 2.3).*

5.6 Notes to the consolidated financial statements

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NOTE 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

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

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

On July 26, 2017, the interim condensed consolidated financial statements of SUEZ and its subsidiaries at June 30, 2017 were presented to the Board of Directors of SUEZ, which authorized their publication.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) No. 809/2004 dated April 29, 2004 on the Prospectus, the financial information on the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last two fiscal years (2015 and 2016), and was prepared in accordance with European Regulation (EC) No. 1606/2002 dated July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's interim condensed Financial Statements for the period ended June 30, 2017 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union [1].

The Group's interim condensed consolidated financial statements for the six months ended June 30, 2017 were prepared in compliance with the provisions of IAS 34 – Interim Financial Reporting, which allows entities to present selected explanatory notes. The interim condensed consolidated financial statements for the six months ended June 30, 2017 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and accordingly must be read in conjunction with the consolidated financial statements for the year ended December 31, 2016 subject to specific provisions relating to the preparation of interim financial information as described hereafter.

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

1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed consolidated financial statements for the six months ended June 30, 2017 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016 in accordance with IFRS as published by the IASB and endorsed by the European Union (EU), with the exception of the items mentioned below in paragraph 1.3.1.

1.3.1 Standards, amendments and interpretations applied by the Group starting January 1, 2017

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

- annual improvements to IFRS 2014-2016 Cycle;
- amendments to IAS 7 – Disclosure Initiative;
- amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses.

Application of these new amendments does not have any impact on the Group's interim condensed consolidated financial statements.

1.3.2 IFRS standards and amendments applicable after June 30, 2017 that the Group has elected not to early adopt

STANDARDS AND AMENDMENTS PUBLISHED BY THE IASB AND ADOPTED BY THE EUROPEAN UNION

- IFRS 9 – Financial Instruments [(1)].

The impact resulting from the application of this standard is currently being assessed, and primarily relates to the rules for taking into account credit risks in the evaluation of trade receivables, the accounting options for non-consolidated equity interests, and financial hedging instruments.

- IFRS 15 – Revenue from Contracts with Customers [(1)].

The analyses already carried out by the Group enabled the documentation of a very broad convergence between the methods applied by the Group and the provisions of IFRS 15. The Group carried out a careful analysis of the contracts managed by the entities representing more than 95% of its activity; and for each of the groups of contracts identified, it reviewed representative contracts for the compliance of current accounting methods with the provisions of IFRS 15. In the context of the activity of the Group – which is mainly carried out on the basis of long-term contracts, and combines (under various legal frameworks and economic models) the construction and management of installations – the main focus points were the identification of distinct performance obligations, the consideration of variable remuneration elements, and respect for the criteria for the progressive transfer of control to customers.

The exhaustive census of the consequences of applying IFRS 15 and examining certain situations will be finalized in the second half of 2017. The finalization of these operations will also allow the Group to decide which transitional option is to be used.

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

- IFRS 16 – Leases [(1)];

The Group does not intend to apply this standard prematurely. The impact resulting from the application of this standard is currently being assessed, and the choices to be made regarding the transition method are being analyzed.

- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions [(1)].
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses [(1)].
- Amendments to IFRS 15 – Clarification of IFRS Standard 15 [(1)].
- Interpretation IFRIC 22 – Currency transactions and payment of interim dividends [(1)].
- Interpretation IFRIC 23 – Uncertainty relating to tax treatment [(1)].

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

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

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

1.4 Use of judgment and estimates

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

1.4.1 Estimates

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

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

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

The key estimates used in preparing the Group's consolidated financial statements relate mainly to:

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

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2016.

1.4.2 Judgment

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

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

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

1.5 Interim financial reporting

Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2017 are not necessarily indicative of those that may be expected for full-year 2017.

Income tax expense

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

Pension benefit obligations

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

Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 17.4 to the consolidated financial statements at December 31, 2016).

NOTE 2 Major transactions

2.1 Acquisition of GE Water & Process Technologies

On March 8, 2017, SUEZ signed an agreement, in partnership with the Caisse de dépôt et placement du Québec (CDPQ), to acquire GE Water & Process Technologies (GE Water) from General Electric Company for EUR 3.2 billion in cash.

GE Water is a world leader in the management and treatment of industrial water. GE Water, which employs 7,500 people, generated revenues of nearly USD 2.1 billion (approximately EUR 1.9 billion) in 2016.

The transaction will be financed through:

- the placement of two bond issues for a total of EUR 1.2 billion (see Note 2.2);
- the placement of undated deeply subordinated notes for a total of EUR 600 million (see Note 2.3);
- a capital increase of EUR 750 million (see Note 2.4).

After closing, SUEZ will own 70% of the new entity and will fully consolidate GE Water. It is expected that this transaction will be completed in the third quarter of 2017.

2.2 New bond issues

On March 27, 2017, SUEZ placed two bonds for a total of EUR 1.2 billion:

- EUR 500 million, with a maturity date of April 3, 2025 and a fixed annual coupon of 1.00%;
- EUR 700 million, with a maturity date of April 3, 2029 and a fixed annual coupon of 1.50%.

2.3 New issue of undated deeply subordinated notes

On April 19, 2017, SUEZ placed undated deeply subordinated notes (hybrid bonds) for a total of EUR 600 million with an initial fixed coupon of 2.875%. The coupon will be revised for the first time seven years after issue on the basis of the 5-year swap rate, and then every five years.

In accordance with the provisions of Standard IAS 32, these securities or hybrid bonds constitute an equity instrument in the consolidated accounts of the Group. In the normal lifespan of these securities, there is no direct or indirect obligation to pay interest (except in the event of the distribution of dividends by the issuer, or the redemption of securities); likewise there is no final repayment term – only optional repayment dates.

As a result of this issue, the Group's outstanding hybrid bonds amount to EUR 1.6 billion as of June 30, 2017.

2.4 Capital increase

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

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

2.5 Sale of Torre Agbar

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

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

2.6 Group transformation plan

SUEZ launched a plan to transform the support functions in France in late 2016. In January 2017, as part of this transformation plan, SUEZ implemented a voluntary redundancy scheme with the voluntary period running from April to July 2017. This voluntary redundancy scheme resulted in the recognition of restructuring costs of -EUR 56.2 million at June 30, 2017.

NOTE 3 Operating segments information

In accordance with the provisions of IFRS 8 – Operating Segments, the segments used below to present segment information have been identified based on internal reporting, in particular those segments monitored by the Management Committee, comprised of the Group's key operational decision-makers.

The Group uses four operating segments:

- Water Europe;
- Recycling and Recovery Europe;
- International;
- Other.

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

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

3.1 Operating segments

SUEZ's subsidiaries are divided into the following operating segments:

- **Water Europe:** water distribution and treatment services, particularly under concession contracts (water management). These services are rendered to individuals, local authorities and industrial clients;
- **Recycling and Recovery Europe:** waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;
- **International:** the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments;
- the **Other** segment is made up of holding companies, including SUEZ, as well as SUEZ Consulting, the consulting subsidiary of the Group. Since January 1st, 2017, it also includes entities involved in the Industrial Water activity (see Note 3.2).

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. The EBITDA and EBIT indicators are presented without IFRIC 21 impact.

3.2 Key indicators by operating segment

In 2017, the whole operating segments structure has been modified to be in line with the reorganizations decided by the Management Committee. These modifications are reflected as follows:

- entities from Europe Latam business unit have been reclassified from International segment to Water Europe segment;
- foreign entities from Water France and USG business units have been reclassified from Water Europe segment to International segment;
- R&R Poland and Czech Republic entities have been reclassified from Recycling and Recovery Europe segment to International segment.

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

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

Revenues

	June 30, 2017			June 30, 2016 restated		
In millions of euros	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	2,266.8	33.1	2,299.9	2,239.4	33.2	2,272.6
Recycling and Recovery Europe	3,047.2	15.9	3,063.1	3,035.4	20.5	3,055.9
International	1,937.6	(12.9)	1,924.7	1,877.9	4.0	1,881.9
Other	274.5	20.6	295.1	302.4	64.7	367.1
Intercompany eliminations		(56.7)	(56.7)		(122.4)	(122.4)
TOTAL REVENUES	**7,526.1**	**-**	**7,526.1**	**7,455.1**	**-**	**7,455.1**

EBITDA

In millions of euros	June 30, 2017	June 30, 2016 restated
Water Europe	592.0	593.5
Recycling and Recovery Europe	355.1	349.5
International	386.0	407.2
Other	(64.9)	(78.9)
TOTAL EBITDA	**1,268.2**	**1,271.3**

EBIT

In millions of euros	June 30, 2017	June 30, 2016 restated
Water Europe	262.7	270.3
Recycling and Recovery Europe	136.7	131.0
International	272.1	280.9
Other	(77.1)	(84.1)
TOTAL EBIT	**594.4**	**598.1**

Depreciation and amortization

In millions of euros	June 30, 2017	June 30, 2016 restated
Water Europe	(222.8)	(219.2)
Recycling and Recovery Europe	(194.2)	(210.3)
International	(121.3)	(111.8)
Other	(14.4)	(11.6)
TOTAL DEPRECIATION AND AMORTIZATION	**(552.7)**	**(552.9)**

Capital employed

In millions of euros	June 30, 2017	December 31, 2016 restated
Water Europe	5,750.3	5,921.5
Recycling and Recovery Europe	3,600.0	3,552.6
International	5,759.8	5,897.5
Other	327.6	315.2
TOTAL CAPITAL EMPLOYED	**15,437.7**	**15,686.8**

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

In millions of euros	June 30, 2017	June 30, 2016 restated
Water Europe	(207.0)	(224.1)
Recycling and Recovery Europe	(151.1)	(200.3)
International	(165.6)	(210.1)
Other	(7.5)	(17.1)
TOTAL INVESTMENTS	**(531.2)**	**(651.6)**

Financial investments included in this indicator include the acquisitions of additional interests net of disposal 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 interest 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.

In millions of euros	Revenues		Capital Employed	
	June 30, 2017	June 30, 2016	June 30, 2017	December 31, 2016
France	2,492.6	2,471.8	2,312.1	2,333.1
Europe	2,565.0	2,608.3	5,681.0	8,118.7
International	2,468.5	2,375.0	7,444.6	5,235.0
TOTAL	**7,526.1**	**7,455.1**	**15,437.7**	**15,686.8**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 Reconciliation of EBIT and EBITDA with current operating income

In millions of euros	June 30, 2017	June 30, 2016
Current operating income	**440.1**	**455.7**
(+) Share in net income of equity-accounted companies considered as core business	112.2	102.7
(-) IFRIC 21 impacts	41.8	39.0
(-) Others	0.3	0.7
EBIT	**594.4**	**598.1**
(-) Net depreciation, amortization and provisions	545.4	535.4
(-) Share-based payments [a]	0.3	4.3
(-) Disbursements under concession contracts	128.1	133.5
EBITDA	**1,268.2**	**1,271.3**

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

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

In millions of euros	June 30, 2017	December 31, 2016
(+) Tangible and intangible assets, net	11,879.6	12,502.8
(+) Goodwill, net	3,507.1	3,646.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	140.8	142.6
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	871.9	879.3
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	980.4	916.0
(+) Investments in associates (excluding Other comprehensive income net of taxes)	1,073.4	984.3
(+) Trade and other receivables	4,368.8	4,041.4
(+) Inventories	285.6	262.7
(+) Other current and non-current assets	1,811.5	1,784.8
(-) Provisions and actuarial losses/gains on pensions plans	(1,626.6)	(1,656.0)
(-) Trade and other payables	(2,840.7)	(3,063.6)
(-) Other current and non-current liabilities	(4,966.7)	(4,744.0)
(-) Other financial liabilities	(47.4)	(10.4)
CAPITAL EMPLOYED	**15,437.7**	**15,686.8**

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

In millions of euros	June 30, 2017	June 30, 2016
Investments in property, plant and equipment and intangible assets	(487.0)	(519.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	(26.6)	(92.9)
Acquisitions of interests in associates and joint-ventures	(11.1)	(19.3)
Acquisitions of available-for-sale securities	(6.5)	(17.8)
Change in share of interests in controlled entities	-	(2.6)
TOTAL INVESTMENTS	**(531.2)**	**(651.6)**

NOTE 4 Income statement

4.1 Current operating income and EBIT

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

4.2 Income from operating activities

In millions of euros	June 30, 2017	June 30, 2016
CURRENT OPERATING INCOME	**440.1**	**455.7**
Mark-to-market on operating financial instruments	13.9	(1.2)
Impairment on property, plant and equipment, intangible and financial assets	(6.5)	(16.2)
Restructuring costs	(86.4)	(19.3)
Scope effects	(1.8)	2.9
Other gains and losses on disposals and non-recurring items	16.8	6.4
Costs incurred by the rebranding and change in visual identity	0.0	(6.5)
INCOME FROM OPERATING ACTIVITIES	**376.1**	**421.8**

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

In millions of euros	June 30, 2017	June 30, 2016
Impairments:		
Goodwill	-	-
Property, plant and equipment and other intangible assets	(3.8)	(1.5)
Financial assets	(10.8)	(16.5)
TOTAL	**(14.6)**	**(18.0)**
Write-back of impairments:		
Property, plant and equipment and other intangible assets	4.9	0.4
Financial assets	3.2	1.4
TOTAL	**8.1**	**1.8**
TOTAL	**(6.5)**	**(16.2)**

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

4.2.1.1 IMPAIRMENT ON GOODWILL

At June 30, 2017 as at June 30, 2016, no loss of value was detected during occasional impairment tests on goodwill.

4.2.1.2 IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As at June 30, 2016, there is no significant impairment at June 30, 2017.

4.2.1.3 IMPAIRMENT ON FINANCIAL ASSETS

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

At June 30, 2016, this item includes especially impairments on financial receivables related to a concession contract in the International segment and financial assets in Recycling and Recovery Europe.

The remeasurement at fair value of available-for-sale securities is presented in Note 8 to the interim condensed consolidated financial statements.

4.2.2 Restructuring costs

At June 30, 2017, this item mainly includes the costs of the voluntary redundancy plan negotiated with French entities within the framework of the transformation plan initiated by the Group for -EUR 56.2 million (see Note 2.6).

4.2.3 Scope effects

As at June 30, 2016, no significant scope effect on the scope of consolidation to be noticed at June 30, 2017.

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

At June 30, 2017, this item mainly includes gains on the disposal of the Torre Agbar in Spain as well as the disposal of tangible assets in Recycling and Recovery France.

4.3 Financial result

	June 30, 2017			June 30, 2016		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
COST OF NET DEBT	**(208.5)**	**16.3**	**(192.2)**	**(204.4)**	**19.4**	**(185.0)**
Interest expense on gross borrowings	(186.2)	-	(186.2)	(176.3)	-	(176.3)
Exchange gain/(loss) on borrowings and hedges	(17.0)	-	(17.0)	(20.5)	-	(20.5)
Unrealized income/(expense) from economic hedges on borrowings	-	0.1	0.1	-	0.4	0.4
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	15.7	15.7	-	18.2	18.2
Capitalized borrowing costs		0.5	0.5		0.8	0.8
Financial income (expense) relating to a financial debt or receivable restructuring	(5.3)	-	(5.3)	(7.6)	-	(7.6)
OTHER FINANCIAL INCOME AND EXPENSES	**(46.5)**	**21.6**	**(24.9)**	**(40.3)**	**15.9**	**(24.4)**
Net interest expenses related to post employment and other long term benefits	(8.2)	-	(8.2)	(9.2)	-	(9.2)
Unwinding of discounting adjustment to long term provisions (except post employment)	(19.3)	-	(19.3)	(18.1)	-	(18.1)
Change in fair value of derivatives not included in net debt	(3.8)	-	(3.8)	-	0.6	0.6
Income from available-for-sale securities	-	1.1	1.1	-	3.7	3.7
Other	(15.2)	20.5	5.3	(13.0)	11.6	(1.4)
FINANCIAL INCOME/(LOSS)	**(255.0)**	**37.9**	**(217.1)**	**(244.7)**	**35.3**	**(209.4)**

The increase of the cost of debt between June 30, 2017 and June 30, 2016 is mainly explained by the new bonds issues on the period, related to the financing of GE Water & Process Technologies acquisition.

4.4 Income tax

4.4.1 Income tax expense in the income statement

In millions of euros	June 30, 2017	June 30, 2016
Net income (A)	165.5	258.0
Income tax expense (B)	(105.7)	(57.1)
Share in net Income of joint ventures and associates (C)	112.2	102.7
Income before income tax and before share in net income of joint ventures and associates (A) - (B) - (C) = (D)	**159.0**	**212.4**
THEORETICAL INCOME TAX EXPENSE - (B)/(D)	**66.5%**	**26.9%**

At June 30, 2017, the Group's effective tax rate is 66.5% compared to 26.9% at June 30, 2016.

At June 30, 2017, this rate is primarily explained by the write-off of deferred tax assets within the Spanish and French tax consolidation group.

At June 30, 2016, this rate is primarily explained by the integration of SUEZ R&R Australia in the Australian tax consolidation group causing reversal of write-offs of deferred tax assets previously booked.

Net deferred tax assets within the French tax consolidation group, including all temporary differences totaled EUR 232 million at June 30, 2017, compared to EUR 226 million at December 31, 2016.

4.4.2 Deferred taxes in the statement of financial position

In millions of euros	Assets	Liabilities	Net Balances
At December 31, 2016	**783.1**	**(654.5)**	**128.6**
From income statement	(22.8)	11.4	(11.4)
From other comprehensive income	2.9	9.4	12.3
Scope effects	(19.8)	(2.1)	(21.9)
Translation adjustments	(32.6)	53.3	20.7
Other impacts	(55.4)	50.0	(5.4)
Deferred tax netting off by tax entity	69.0	(69.0)	-
AT JUNE 30, 2017	**724.4**	**(601.5)**	**122.9**

NOTE 5 Earnings per share

	June 30, 2017	June 30, 2016
Numerator *(in millions of euros)*		
Net income, Group share	**44.6**	**174.0**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014	(7.5)	(7.5)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015	(6.3)	(6.3)
ADJUSTED NET INCOME, GROUP SHARE	**30.8**	**160.2**
Denominator *(in millions)*		
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	**574.2**	**541.5**
Earnings per share *(in euros)*		
Net income Group share per share	**0.05**	**0.30**
Net diluted income Group share per share	**0.06**	**0.29**

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

- the SUEZ bonus share plans;
- the OCEANE 2020 convertible bonds, *i.e.* 19,052,803 securities issued in 2014, which generate financial expense of EUR 3.2 million at June 30, 2017.

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

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

In millions of euros	Goodwill	Intangible assets	Property, plant and equipments
A. Gross amount at December 31, 2016	**3,741.3**	**7,676.8**	**16,502.4**
Acquisitions	1.5	141.0	281.4
Disposals	-	(1.0)	(293.1)
Changes in scope of consolidation	(3.3)	113.1	6.3
Translation adjustments	(136.9)	(86.2)	(572.9)
Other	2.6	55.9	171.8
AT JUNE 30, 2017	**3,605.2**	**7,899.6**	**16,095.9**
B. Accumulated depreciation and impairment at December 31, 2016	**(94.4)**	**(3,453.8)**	**(8,222.6)**
Depreciation and impairment losses	-	(210.1)	(346.4)
Disposals	-	1.9	127.5
Changes in scope of consolidation	-	(115.2)	(2.0)
Translation adjustments	1.1	33.7	162.6
Other	(4.8)	(50.8)	(40.7)
AT JUNE 30, 2017	**(98.1)**	**(3,794.3)**	**(8,321.6)**
C. Carrying amount = A + B			
at December 31, 2016	3,646.9	4,223.0	8,279.8
AT JUNE 30, 2017	**3,507.1**	**4,105.3**	**7,774.3**

With respect to total goodwill, as we did not identify any indicator of impairment over the first half of 2017, no depreciation was accounted for as at June 30, 2017.

The main translation adjustments recorded in relation to the net value of goodwill concern the American dollar (-EUR 53.9 million) and the Hong Kong dollar (-EUR 60.7 million).

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the American dollar (-EUR 187.4 million) and the Chilean Peso (-EUR 208.6 million).

NOTE 7 Investments in joint ventures and associates

7.1 Investments in joint ventures

In millions of euros	Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	June 30, 2016 [a]
SUEZ NWS Limited group	597.1	558.9	26.3	10.2
Suyu group	278.5	288.0	6.2	42.6
Other	104.5	68.9	11.7	9.1
TOTAL	**980.1**	**915.7**	**44.3**	**61.8**

(a) *The data from June 30, 2016 were presented in the same way as the data from June 30, 2017. As a reminder, as of June 30, 2016, Chinese joint ventures were already accounted for using the equity method in SUEZ NWS Limited. However, SUEZ NWS Limited was only accounted for using the equity method in the SUEZ consolidated accounts, as SUEZ only had taken it over in late 2016.*

In millions of euros	June 30, 2017	June 30, 2016
Net income	44.3	61.8
Other comprehensive income (OCI) [a]	(45.9)	(7.8)
COMPREHENSIVE INCOME	**(1.6)**	**54.0**

(a) *These amounts mainly correspond to the variation of translation adjusments.*

Chinese joint ventures are jointly owned: 50% is owned by SUEZ NWS Limited, a Hong Kong-based company, and 50% by local authorities. Following the full consolidation of SUEZ NWS Limited in SUEZ, the shares of Chinese joint ventures were accounted for using the equity method at 50% in SUEZ's consolidated statement of financial position as of June 30, 2017 for EUR 597.1 million. Another major joint venture is the Suyu group, which is based in China and is 50%-owned by SUEZ.

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

Summarized Statement of financial position at 100%

In millions of euros	June 30, 2017	Dec. 31, 2016
Non-current assets	636.3	636.2
Current assets	309.2	263.2
of which Cash and cash equivalents	149.2	156.5
TOTAL ASSETS	**945.5**	**899.4**
Shareholders' equity, Group share	524.9	543.1
Non-controlling interests	3.8	3.9
Total shareholders' equity	**528.7**	**547.0**
Non-current liabilities	204.8	139.0
Current liabilities	212.0	213.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**945.5**	**899.4**

Summarized Income Statement at 100%

In millions of euros	June 30, 2017	June 30, 2016
Revenues	173.7	149.4
Current operating income	35.8	35.9
Net income – group share	**27.3**	**25.5**
Net income – non-controlling interests	0.2	0.3
Net income	27.5	25.8
Other comprehensive income (OCI) [(a)]	(29.6)	(25.1)
Comprehensive income	**(2.1)**	**0.8**

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

Dividends at 100%

In millions of euros	Dividends related to 2016	Dividends related to 2015
Dividends paid by Chinese joint ventures at June 30	16.1	7.7

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

Summarized Statement of financial position at 100%

In millions of euros	June 30, 2017	Dec. 31, 2016
Non-current assets [(a)]	758.8	789.0
Current assets	1.2	1.3
of which Cash and cash equivalents	*1.2*	*1.3*
TOTAL ASSETS	**760.0**	**790.3**
Shareholders' equity, Group share	557.1	575.9
Non-controlling interests	-	-
Total shareholders' equity	**557.1**	**575.9**
Non-current liabilities	202.9	214.4
Current liabilities	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**760.0**	**790.3**

(a) *Includes Derun Environment equity accounted.*

Summarized Income Statement at 100%

In millions of euros	June 30, 2017	June 30, 2016
Net income [(a)]	**12.4**	**85.2**
Other comprehensive income (OCI)	(37.6)	(31.7)
Comprehensive income	**(25.2)**	**53.5**

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

Dividends at 100%

In millions of euros	Dividends related to 2016	Dividends related to 2015
Dividends paid by Suyu at June 30	-	-

7.2 Investments in associates

In millions of euros	Carrying amount of investments in associates		Share in net income/(loss) of associates	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	June 30, 2016
In Acea group	560.5	559.1	29.1	12.8
In Agbar group [(a)]	176.9	200.0	7.5	7.6
In the company Aquasure Holding	100.8	99.2	9.4	7.3
In the company Brnenske Vodarny A Kanalizace	34.6	34.2	0.8	0.6
In the company Aguas de Saltillo SA de CV	17.7	17.0	0.7	-
In R&R Belgium group	17.7	18.9	1.2	3.4
In R&V France group	12.0	10.3	2.3	(0.2)
In the company Aguas de Cartagena [(a)]	11.6	-	1.2	-
In the company PT PAM Lyonnaise Jaya [(b)]	9.7	-	0.2	-
In the company Arte SA de CV	8.3	7.8	0.7	0.5
In R&R UK group	7.4	2.5	9.5	8.2
In the company Degrémont WTE Praha v.o.s.	5.6	4.2	1.2	-
In the company Aquasystema Maribor	5.0	5.5	0.6	0.5
In the company SUEZ Treatment Solutions Beijing	2.3	2.4	-	-
In SUEZ Water Inc. group	2.0	4.1	-	-
Other	29.8	15.6	3.5	0.2
TOTAL	**1,001.9**	**980.8**	**67.9**	**40.9**

(a) *As of December 31, 2016, Aguas de Cartagena was included in the Agbar group.*

(b) *Change in consolidation method of PT LAM Lyonnaise Jaya from full consolidation to equity method on January 1st, 2017, due to the loss of controlling interests on this entity by the Group.*

In millions of euros	June 30, 2017	June 30, 2016
Net income	67.9	40.9
Other comprehensive income (OCI)	4.9	(14.2)
COMPREHENSIVE INCOME	**72.8**	**26.7**

The Group's largest individual associate is the Acea group, based in Rome. On September 21, 2016, SUEZ acquired from the Caltagirone group, an additional 10.85% stake in Acea. At June 30, 2017, SUEZ holds 23.33% of the capital of Acea and continues to consolidate Acea with the equity method.

The book value of Acea in the statement of financial position as of June 30, 2017 is EUR 560.5 million. Its market value is EUR 659.4 million.

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

Summarized Statement of financial position at 100%

In millions of euros	March 31, 2017 [(a)]	Dec. 31, 2016
Non-current assets	4,856.1	4,771.2
Current assets	2,187.6	2,133.0
of which Cash and cash equivalents	*531.2*	*665.5*
TOTAL ASSETS	**7,044.2**	**6,904.7**
Shareholders' equity, Group share	1,747.6	1,671.1
Non-controlling interests	90.6	86.8
Total shareholders' equity	**1,838.2**	**1,757.9**
Non-current liabilities	3,384.3	3,382.5
Current liabilities	1,821.7	1,764.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**7,044.2**	**6,904.7**

(a) *The Acea group's consolidated financial statements were not available at the date when the Group's interim condensed consolidated financial statements were published. In compliance with IAS 28 – Investments in Associates and Joint Ventures, the summarized statement of financial position at March 31, 2017 corresponds to the latest available information.*

Summarized Income Statement at 100% – first quarter results

In millions of euros	March 31, 2017 [(a)]	March 31, 2016
Revenues	725.6	713.7
Gross operating profit	214.4	207.2
Operating profit/(loss)	117.2	123.6
Net income – Group share	65.7	66.9
Net income – non-controlling interests	2.7	2.3
Net income	68.5	69.2
Other comprehensive income (OCI)	1.4	(8.7)
Comprehensive income	**69.9**	**60.5**

(a) *The Acea group's consolidated financial statements were not available at the date when the Group's interim condensed consolidated financial statements were published. In compliance with IAS 28 – Investments in Associates and Joint Ventures, the summarized income statement at March 31, 2017 corresponds to the latest available information.*

Dividends (at 100%)

In millions of euros	Dividends related to 2016	Dividends related to 2015
Dividends paid by Acea at June 30	131.8	106.5

NOTE 8 Financial instruments

8.1 Financial assets

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

In millions of euros	June 30, 2017			Dec. 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	138.4	-	138.4	138.3	-	138.3
Loans and receivables carried at amortized cost	700.4	4,540.2	5,240.6	739.9	4,180.8	4,920.7
Loans and receivables carried at amortized cost (excluding trade and other receivables)	700.4	171.4	871.8	739.9	139.4	879.3
Trade and other receivables	-	4,368.8	4,368.8	-	4,041.4	4,041.4
Financial assets measured at fair value	137.4	136.1	273.5	198.2	93.5	291.7
Derivative financial instruments *(see Note 8.4)*	137.4	76.9	214.3	198.2	31.2	229.4
Financial assets measured at fair value through income	-	59.2	59.2	-	62.3	62.3
Cash and cash equivalents	-	4,114.9	4,114.9	-	2,924.7	2,924.7
TOTAL	**976.2**	**8,791.2**	**9,767.4**	**1,076.4**	**7,199.0**	**8,275.4**

8.1.1 Available-for-sale securities

Movements during the period are broken down as follows:

In millions of euros	
AT DECEMBER 31, 2016	**138.3**
Acquisitions	6.5
Net book value of disposals	(2.0)
Changes in fair value posted to equity as other comprehensive income	2.5
Changes in fair value posted to income statement	(0.2)
Changes in scope, exchange rates and other	(6.7)
AT JUNE 30, 2017	**138.4**

The value of available-for-sale securities held by the Group amounts to EUR 138.4 million as at June 30, 2017, which is divided between EUR 25.3 million for listed securities and EUR 113.1 million for unlisted securities.

The Group analyzed the fair value of the various available-for-sale securities, on a case-by-case basis, and taking market context into consideration, to determine whether it was necessary to recognize impairment losses.

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

Gains and losses on available-for-sale securities are recognized either in equity or in the income statement as follows:

		Post acquisition remeasurement			
In millions of euros	Dividends	Change in fair value	Impact of exchange rates	Impairment	Income/(loss) on disposals
Shareholders' equity [(a)]		2.5	-		
Net income	1.1	-		(0.2)	-
TOTAL AT JUNE 30, 2017	**1.1**	**2.5**	**-**	**(0.2)**	**-**
Shareholders' equity [(a)]		(1.8)	-		
Net income	7.9	-		(2.3)	3.2
TOTAL AT DECEMBER 31, 2016	**7.9**	**(1.8)**	**-**	**(2.3)**	**3.2**

(a) *Excluding tax impact.*

8.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liability categories as at June 30, 2017, as well as their breakdown as "non-current" and "current":

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debts	9,564.3	1,722.0	11,286.3	8,665.5	2,499.8	11,165.3
Derivative financial instruments *(see Note 8.4)*	26.4	195.0	221.4	45.6	62.8	108.4
Trade and other payables	-	2,840.7	2,840.7	-	3,063.6	3,063.6
Other financial liabilities	47.4	-	47.4	10.4	-	10.4
TOTAL	**9,638.1**	**4,757.7**	**14,395.8**	**8,721.5**	**5,626.2**	**14,347.7**

8.3 Net debt

8.3.1 Analysis by type of net debt

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	9,556.7	1,618.8	11,175.5	8,620.2	2,369.8	10,990.0
Impact of measurement at amortized cost [(a)]	(76.9)	101.7	24.8	(69.0)	125.5	56.5
Impact of fair value hedge [(b)]	84.5	1.5	86.0	114.3	4.5	118.8
Borrowings and debts	**9,564.3**	**1,722.0**	**11,286.3**	**8,665.5**	**2,499.8**	**11,165.3**
Debt-related derivatives under liabilities [(c)] *(see Note 8.4)*	5.6	9.3	14.9	5.5	35.3	40.8
Gross debt	**9,569.9**	**1,731.3**	**11,301.2**	**8,671.0**	**2,535.1**	**11,206.1**
Financial assets at fair value through income excluding financial derivative instruments *(see Note 8.1)*	-	(59.2)	(59.2)	-	(62.3)	(62.3)
Cash and cash equivalents	-	(4,114.9)	(4,114.9)	-	(2,924.7)	(2,924.7)
Debt-related derivatives under assets [(c)] *(see Note 8.4)*	(126.3)	(58.7)	(185.0)	(175.8)	(1.8)	(177.6)
Net cash	**(126.3)**	**(4,232.8)**	**(4,359.1)**	**(175.8)**	**(2,988.8)**	**(3,164.6)**
Net debt	**9,443.6**	**(2,501.5)**	**6,942.1**	**8,495.2**	**(453.7)**	**8,041.5**
Outstanding borrowings	9,556.7	1,618.8	11,175.5	8,620.2	2,369.8	10,990.0
Financial assets measured at fair value through income excluding financial derivative instruments *(see Note 8.1)*	-	(59.2)	(59.2)	-	(62.3)	(62.3)
Cash and cash equivalents	-	(4,114.9)	(4,114.9)	-	(2,924.7)	(2,924.7)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	**9,556.7**	**(2,555.3)**	**7,001.4**	**8,620.2**	**(617.2)**	**8,003.0**

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

The fair value of borrowings and debts amounts to EUR 12,614.0 million at June 30, 2017, compared with a book value of EUR 11,286.3 million.

The reduction in the current portion of outstanding borrowings at June 30, 2017 is mainly due to:

- the repayment of the bond issued by SUEZ maturing in January 2017 for EUR 200 million;
- the reduction in outstanding commercial paper in the amount of EUR 599 million.

For the increase in the non-current portion of outstanding borrowings at June 30, 2017, see Note 8.3.3.

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

8.3.2 Issue of Undated Deeply Subordinated Notes

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

As with previous issues (in 2010, 2014 and 2015), this new issue is not recognized in the financial debt because it fulfils the conditions stipulated in IAS 32 allowing it to be recognized as shareholders' equity (see Note 2.3).

8.3.3 Bond and Commercial Paper issues

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

- EUR 500 million, maturing on April 3, 2025 and with a fixed annual coupon of 1.00%, and
- EUR 700 million, maturing on April 3, 2029 and with a fixed annual coupon of 1.50%.

SUEZ has a commercial paper program. At June 30, 2017, the outstanding notes totaled EUR 165 million.

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

At June 30, 2017, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

8.3.4 Securitization of receivables

CONTEXT

In 2012, the group 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 concerned assignors from SUEZ RV France, SUEZ Haz Waste, SUEZ Nederland, SUEZ Recycling and Recovery UK and SUEZ Deutschland.

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

The aim of the receivable assignment or receivable securitization program is to carry out so-called "deconsolidation" assignments within the meaning of IAS 39.

The main characteristics of the program are as follows:

(a) A compartment dedicated to the Group's receivables was created within a FCT.

(b) The FCT used in the program is financing the compartment by issuing three types of instruments:

- shares known as "senior", issued on the markets through a dedicated channel;
- a deposit known as "mezzanine", underwritten by the Group;
- shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group.

(c) These shares are presented here in order of payment priority related to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last.

(d) The Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

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

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

(e) Set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above.

(f) Set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ or to the non-respect by the Group of its contractual obligations. At June 30, 2017, this security deposit had not yet been formed.

(g) Existence of a mechanism known as "excess fee" through which, in certain cases, the FCT can give back part of the excess cash accumulated in the compartment when recovering receivables (transferred at discount prices). This mechanism corresponds to a part of the remuneration of Group subsidiaries for collecting receivables (see below).

(h) An option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term), or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date.

(i) Issue of a guarantee for the risk of modification of tax rules.

(j) Preservation by each Group subsidiary of the follow-up and collection of receivables that it has transferred to the compartment; to this effect, a follow-up and collection agreement was signed by each of the subsidiaries acting as collector and by the compartment, this service being remunerated by FCT.

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits. It also receives part of the benefits from the FCT *via* the collection of an excess fee in its role as servicer.

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

the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through the granting of liquidation proceeds.

ACCOUNTING TREATMENT

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

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

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 4).

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

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

FIGURES AT JUNE 30, 2017

In millions of euros		
Total of receivables sold over the period	1,254.6	
Gain/(loss) arising from sale over the period	(10.0)	(b)
Remuneration for CC1 over the period	0.3	(c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	5.4	(d)
Outstanding receivables transferred as of June 30, 2017	434.8	(a)
Book value of CC1 as of June 30, 2017	26.2	(e)
Fair value of CC1	26.2	
Book value of CC2	*	
Residual maturity of CC1	56 months	
Impact of sales of derecognized receivables in the sense of IAS 39 on net debt	404.3	(a) + (b) + (c) + (d) - (e)

* *No security deposit known as "CC2" had been made as of June 30, 2017; payment of this deposit is subject to the conditions described above.*

8.3.5 Change in net debt

During the first half of 2017, net debt decreased by EUR 1 099.4 million. Key transactions that led to this situation include:

- the payment of cash dividends to shareholders of SUEZ amounting to EUR 377.6 million (tax of 3% on distribution amounting EUR 11.0 million included);
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 171.4 million;
- the issue of undated deeply subordinated notes on April 19, 2017, net of expenses, generated a EUR 597.7 million reduction in the net financial debt;
- the increase in SUEZ's share capital on May 24, 2017, net of expenses, generated a EUR 746.3 million reduction in the net financial debt;
- the exchange rate variations resulted in a decrease of EUR 286.1 million in the net financial debt, mainly linked to the depreciation of the US dollar and the Chilean peso against the euro.

8.3.6 Debt/equity ratio

In millions of euros	June 30, 2017	Dec. 31, 2016
Net debt	6,942.1	8,041.5
Total equity	7,957.6	7,365.8
Debt/equity ratio	**87.2%**	**109.2%**

The decrease in the debt/equity ratio is primarily linked to the implementation of various components to finance the acquisition of GE Water (see Note 8.3.5), which will be finalized in the third quarter of 2017.

8.4 Derivative financial instruments

Derivative financial assets

In millions of euros	June 30, 2017			Dec. 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	126.3	58.7	185.0	175.8	1.8	177.6
Derivatives hedging commodities	-	1.1	1.1	-	1.1	1.1
Derivatives hedging other items [(a)]	11.1	17.1	28.2	22.4	28.3	50.7
TOTAL *(See Note 8.1)*	**137.4**	**76.9**	**214.3**	**198.2**	**31.2**	**229.4**

(a) *Includes derivative financial instruments:*
- for net investment hedging for EUR 1,6 millions at June 30, 2017, compared with EUR 9,9 million at December 31 2016.
- for the interest rate future portion of debt-related derivatives not designated as hedges for EUR 2,9 millions at June 30, 2017, compared with EUR 6,1 million at December 31, 2016.

Derivative financial liabilities

In millions of euros	June 30, 2017			Dec. 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	5.6	9.3	14.9	5.5	35.3	40.8
Derivatives hedging commodities	0.4	5.5	5.9	-	2.3	2.3
Derivatives hedging other items [(a)]	20.4	180.2	200.6	40.1	25.2	65.3
TOTAL *(See Note 8.2)*	**26.4**	**195.0**	**221.4**	**45.6**	**62.8**	**108.4**

(a) *Mainly includes derivative financial instruments:*
- for the interest rate future portion of debt-related derivatives qualifying as cash flow hedge for EUR 9.2 million at June 30, 2017, compared with EUR 22.4 million at December 31, 2016.
- for forward interest pre-rate hedges maturing in 9 years with deferred start dated in 2018, designated as cash flow hedge, for EUR 4.9 million at June 30, 2017, compared with EUR 10.4 million at December 31, 2016.
- cash flow hedges set up in connection with the financing of the acquisition of GE Water & Process Technologies for EUR 158.3 million.
As of June 30, 2017, there was no net investment hedge activity, compared with EUR 10.7 million as of December 31, 2016.

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

8.5 Fair value of financial instruments by level

8.5.1 Financial assets

AVAILABLE-FOR-SALE SECURITIES

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 25.3 million at June 30, 2017. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 113.1 million at June 30, 2017 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As at June 30, 2017, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros	
At December 31, 2016	**114.1**
Acquisitions	6.5
Disposals	(2.0)
Gains and losses posted to equity	0.0
Gains and losses posted to income	(0.1)
Changes in scope, exchange rates and other	(5.6)
At June 30, 2017	**113.1**

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 871.8 million at June 30, 2017, may contain elements that contribute to a fair value hedging relationship.

DERIVATIVE FINANCIAL INSTRUMENTS

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options, and forward currency sales and purchases. It is recognized at its fair value at June 30, 2017 for EUR 214.3 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME

Financial assets measured at fair value through the income statement amounting to EUR 59.2 million at June 30, 2017, based on observable data, are considered Level 2.

8.5.2 Financial liabilities

The fair value of financial liabilities and financial instruments posted to liabilities are distributed as follows among the various levels of fair value:

	June 30, 2017				Dec. 31, 2016			
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings and debts	12,614.0	7,479.7	5,134.3		12,404.3	6,556.4	5,847.9	
Derivative financial instruments	221.4	-	221.4	-	108.4		108.4	
Debt-related derivates	14.9		14.9		40.8		40.8	
Derivatives hedging commodities	5.9		5.9		2.3		2.3	
Derivatives hedging other items	200.6		200.6		65.3		65.3	
TOTAL	**12,835.4**	**7,479.7**	**5,355.7**	**-**	**12,512.7**	**6,556.4**	**5,956.3**	**-**

BORROWINGS AND DEBTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

See Note 8.5.1 for details on fair value level.

8.6 Offsetting of derivative assets and liabilities

At June 30, 2017, as at December 31, 2016, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, the group SUEZ has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These master netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

	June 30, 2017				Dec. 31, 2016			
	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)]	213.2	(215.6)	1.1	(5.8)	228.3	(106.1)	1.1	(2.3)
VALUE AFTER OFFSETTING	**149.8**	**(152.2)**	**1.0**	**(5.7)**	**191.3**	**(69.1)**	**0.0**	**(1.2)**

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

NOTE 9 Management of risks arising from financial instruments

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

The risk management policy is described in Note 14 to the consolidated financial statements as at December 31, 2016.

9.1 Market risks

9.1.1 Commodity market risks

9.1.1.1 HEDGING OPERATIONS

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

9.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

The fair values of derivative instruments linked to commodities at June 30, 2017 and at December 31, 2016 are presented in the table below:

	June 30, 2017				Dec. 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	1.1	-	5.5	0.4	1.1	-	2.3	-
TOTAL	**1.1**	**-**	**5.5**	**0.4**	**1.1**	**-**	**2.3**	**-**

9.1.2 Currency risk

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

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

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

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

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

The sensitivity analysis was based on the net debt position (including derivatives financial instruments), and derivatives designated as net investment hedges at the reporting date. As at June 30, 2017, there are no instruments designated as net investment hedges.

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

IMPACT ON INCOME AFTER TAKING INTO ACCOUNT FOREIGN EXCHANGE DERIVATIVES

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional currency of the companies carrying on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/-10% change in foreign exchange rates against the euro would generate a gain or a loss of EUR 4.6 million.

IMPACT ON EQUITY AFTER TAKING INTO ACCOUNT FOREIGN EXCHANGE DERIVATIVES

As at June 30, 2017, there are no financial liabilities (debts and derivatives) designated as net investment hedges. Therefore, a uniform +/-10% change in foreign exchange rates against the euro would not have a negative or positive impact on shareholders' equity in terms of net investment hedging.

9.1.3 Interest rate risk

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

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

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

In 2014 and in 2015, to protect the refinancing of a portion of its debt, the Group set up forward interest pre-rate hedges maturing in nine years with deferred start dates in 2018. At June 30, 2017 these hedges are still active.

9.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE

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

Outstanding borrowings

	June 30, 2017		Dec. 31, 2016	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	16%	29%	24%	36%
Fixed rate	75%	60%	66%	54%
Fixed rate indexed to inflation	9%	11%	10%	10%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	June 30, 2017		Dec. 31, 2016	
In %	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-36%	-17%	-7%	11%
Fixed rate	122%	99%	94%	76%
Fixed rate indexed to inflation	14%	18%	13%	13%
TOTAL	**100%**	**100%**	**100%**	**100%**

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

9.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of +/-1% compared with interest rates at June 30, 2017.

Impact on income after taking into account interest rate derivatives

A +/-1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt, inflation-linked debt Included, and the floating-rate component of derivatives would have a negative or positive impact of EUR 0.7 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a loss of EUR 1.2 million in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would a contrario generate a gain of EUR 1.3 million.

Impact on equity after taking into account interest rate derivatives

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of EUR 27.7 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 31.2 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

9.2 Counterparty risk

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

9.2.1 Operating activities

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

Trade and other receivables *In millions of euros*	Past-due non impaired assets at closing date				Impaired assets [a]	Non-impaired and not past-due assets	
	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2017	260.6	38.3	43.2	342.1	400.8	3,926.7	4,669.6
At December 31, 2016	225.6	40.0	47.4	313.0	450.1	3,595.0	4,358.1

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

The Group does not consider that it is exposed to any material credit concentration risk in respect of receivables, taking into account the diversified nature of its customer portfolio.

9.2.2 Financial activities

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

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) *In millions of euros*	Past-due non impaired assets at closing date				Impaired assets [a]	Non-impaired and not past-due assets	
	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At June 30, 2017	-	-	0.3	0.3	201.3	762.7	964.3
At December 31, 2016	-	-	0.5	0.5	201.3	848.6	1,050.4

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment or amortized cost in the amount of, respectively, -EUR 93.2 million and +EUR 0.7 million as at June 30, 2017. The change in these items is presented in Note 8.1.

COUNTERPARTY RISK ARISING FROM INVESTING ACTIVITIES AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

At June 30, 2017, "cash and cash equivalents" and derivative assets are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

	June 30, 2017				Dec. 31, 2016			
Counterparty risk arising from investing activities	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]
% of exposure to counterparties	4,359.1	96%	3%	1%	3,094.1	93%	6%	1%

(a) *Conterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.*

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

9.3 Liquidity risk

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

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

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

As at June 30, 2017, the Group's total net cash stood at EUR 4,359.1 million, consisting of cash and cash equivalents of EUR 4,114.9 million, financial assets at fair value through income of EUR 59.2 million, and debt-related derivatives recorded as assets of EUR 185.0 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at June 30, 2017, the Group specifically had EUR 2,911.9 million in confirmed credit facilities, including EUR 85.2 million already drawn; unused credit facilities therefore totaled EUR 2,826.7 million, EUR 825.1 million of which will be maturing before June 30, 2018. The amount of unused credit facilities include a confirmed credit line worth USD 758.8 million, dedicated to financing the acquisition of GE Water & Process Technologies.

91% of total credit lines and 93% of undrawn facilities are centralized. Excluding the credit facility dedicated to the acquisition of GE Water & Process Technologies mentioned above, these percentages are 88% and 91% respectively. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As at June 30, 2017, bank funding accounted for 8% of gross financial debt (excluding bank overdrafts and current accounts, as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 87.0% and commercial papers for 1.6%) represented 88.6% of outstanding borrowings (excluding bank overdrafts and current accounts).

At June 30, 2017, available cash, composed of cash and cash equivalents (EUR 4,114.9 million) and financial assets measured at fair value through income (EUR 59.2 million), net of bank overdrafts and liability current accounts (EUR 916.2 million), amounted to EUR 3,257.9 million.

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

At June 30, 2017, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Bonds issues	8,922.7	200.6	209.8	843.7	465.2	1,023.6	6,179.8
Commercial paper	165.0	165.0	-	-	-	-	-
Draw downs on credit facilities	85.2	45.3	2.8	21.7	-	15.4	-
Borrowings under finance leases	180.9	24.8	75.6	35.3	15.9	8.3	21.0
Other bank borrowings	733.6	77.4	263.0	159.2	88.5	61.0	84.5
Other borrowings	171.9	58.3	10.8	15.9	7.5	6.7	72.7
Overdrafts and current accounts	916.2	916.2	-	-	-	-	-
Outstanding borrowings	**11,175.5**	**1,487.6**	**562.0**	**1,075.8**	**577.1**	**1,115.0**	**6,358.0**
Financial assets measured at fair value through income	(59.2)	(59.2)	-	-	-	-	-
Cash and cash equivalents	(4,114.9)	(4,114.9)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**7,001.4**	**(2,686.5)**	**562.0**	**1,075.8**	**577.1**	**1,115.0**	**6,358.0**

As at June 30, 2017, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	2,336.9	130.0	312.8	301.0	233.9	227.1	1,132.1

At June 30, 2017 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Derivatives (excluding commodities)	14.0	(122.4)	63.5	34.8	19.9	20.1	(1.9)

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

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

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Confirmed undrawn credit facilities	2,826.7	63.0	784.1	139.9	165.9	1,593.8	80.0

As at June 30, 2017, excluding the credit facility dedicated to the acquisition of GE Water & Process Technologies mentioned above, no counterparty accounted for more than 13% of the undrawn confirmed credit lines.

NOTE 10 Non-controlling interests

The contribution of the Agbar group to "non-controlling interests" reaches EUR 1,058.7 million out of a total of EUR 1,783.7 million at June 30, 2017, *versus* EUR 1,164.2 million out of a total of EUR 1,869.9 million at December 31, 2016.

Within the total contribution of Agbar Group for EUR 1,058.7 million, EUR 678.5 million correspond to Aguas Andinas at June 30, 2017.

SUEZ fully consolidates the Agbar group in its consolidated financial statements with a percentage of interest of 100% at June 30, 2017.

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

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

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

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

Summarized financial information on the Aguas Andinas (at 100%) appears below.

They are extracted from the data published by the company.

Summarized Statement of financial position at 100%

In millions of euros	March 31, 2017 [(a)]	December 31, 2016
Non-current assets	2,270.3	2,259.4
Current assets	266.1	258.7
of which Cash and cash equivalents	*74.1*	*92.2*
TOTAL ASSETS	**2,536.4**	**2,518.1**
Shareholders' equity, Group share	975.6	901.3
Non-controlling interests	76.6	74.9
Total shareholders' equity	**1,052.2**	**976.2**
Non-current liabilities	1,252.7	1,240.7
Current liabilities	231.5	301.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,536.4**	**2,518.1**
Closing exchange rate CLP/EUR	702.1	703.6

(a) *The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's interim condensed consolidated financial statements were published.*
The summarized statement of financial position at March 31, 2017 is extracted from the most recent published data (not audited).

Summarized Income Statement at 100%

In millions of euros	March 31, 2017 [(a)]	March 31, 2016
Revenues	209.1	180.1
Operating profit/(loss)	111.8	96.5
Net income – Group share	72.9	62.5
Net income – non-controlling interests	1.6	1.8
Net income	**74.5**	**64.3**
Other comprehensive income (OCI)	-	-
Comprehensive income	**74.5**	**64.3**
Average exchange rate CLP/EUR	697.8	772.3

(a) *The Aguas Andinas group's consolidated financial statements were not yet available on the date when the Group's interim condensed consolidated financial statements were published.*
The summarized income statement at March 31, 2017 is extracted from the most recent published data (not audited).

Dividends paid at 100%

In millions of euros	Dividends related to 2016	Dividends related to 2015
Dividends paid by Aguas Andinas at June 30	126.8	52.5

Moreover, the 42% of non-controlling interest in SUEZ NWS group entities, in China and Hong Kong represent EUR 417,1 million at June 30, 2017.

NOTE 11 Provisions

In millions of euros	December 31, 2016	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [(a)]	Translation adjustments	Other	June 30, 2017
Post-employment benefit obligations and other long-term benefits	801.1	16.8	(35.3)	(0.2)	(2.9)	8.2	(20.0)	(14.4)	753.3
Sector-related risks	88.5	2.8	(4.0)	-	-	-	-	10.4	97.7
Warranties	20.4	5.4	(1.1)	-	-	-	(0.1)	(3.7)	20.9
Tax risks, other disputes and claims	134.1	11.1	(41.7)	(1.9)	(1.7)	-	(0.7)	(0.2)	99.0
Site restoration	567.0	16.9	(18.7)	-	-	10.0	(5.8)	(0.3)	569.1
Restructuring costs	46.9	69.8	(25.7)	(0.6)	-	-	(0.6)	5.0	94.8
Other contingencies [(b)]	421.5	30.4	(57.6)	(1.3)	-	4.0	(5.3)	9.5	401.2
TOTAL PROVISIONS	**2,079.5**	**153.2**	**(184.1)**	**(4.0)**	**(4.6)**	**22.2**	**(32.5)**	**6.3**	**2,036.0**

(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.*

(b) *Provisions for "other contingencies" include a provision for onerous contracts for EUR 96.0 million in June 30, 2017 versus EUR 93.6 million in December 31, 2016, following the acquisition of WSN by SUEZ R&R Australia in 2010.*

As of June 30, 2017, the variation of total provisions mainly derives from:

- the increase in provisions for restructuring for +EUR 47.9 million which are primarily generated by amounts to be paid for voluntary redundancy plan in France (see Note 2.6);
- decrease in provision for post-employment and other long-term benefits of -EUR 36 million excluding exchange rate impacts and unwinding discount adjustments, mainly explained by restructurings (mergers, impact of voluntary redundancy plan…) (see Note 2.6);
- diminution of tax risks, other disputes and claim for -EUR 35.1 million of which -EUR 27.5 million related to the termination of tax litigation in Spain (see Note 13);
- the translation adjustment for -EUR 32.5 million, mainly generated by American subsidiaries;
- the +EUR 22.2 million impact of unwinding discount adjustments mainly related to provisions for site restoration and to provisions for post-employment benefit obligations and other long-term benefits.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for June 30, 2017:

In millions of euros	(Reversals)/net allowances
Income from operating activities	(8.6)
Other financial income and expenses	22.2
Income tax expense	(26.3)
TOTAL	**(12.7)**

NOTE 12 Share-based payments or cash-based payments

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

	(Expense) for the period	
In millions of euros	June 30, 2017	June 30, 2016
Performance share plans	(0.1)	(0.3)
Worldwide financial incentive scheme	(0.1)	(1.6)
Employees share issues [a]	(0.1)	(2.4)
Long-term incentive plan [b]	10.5	(7.5)
TOTAL	**10.2**	**(11.8)**

(a) *Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IAS 39). Before hedging by warrants, the expense of the first half of 2017 related to capital increases reserved for employees amounts to -EUR 0,2 million against +EUR 0,2 million in 2016.*

(b) *In 2017, this line includes a reversal of provision for EUR 15.2 million related to the 2014 plan for which the vesting period is achieved. This reversal of provision is the counterpart of the amount paid to the beneficiaries included in the personnel costs.*

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

All transactions and allocations prior to 2017 are disclosed in Note 23 to the consolidated financial statements at December 31, 2016 in the SUEZ Reference Document.

NOTE 13 Legal and arbitration proceedings

13.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to EUR 99 million as of June 30, 2017 (excluding litigation in Argentina).

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

Litigation in Argentina

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

In 2003, SUEZ – now ENGIE – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court

on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

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

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

Concerning the Santa Fe concession, in a December 4, 2015 decision, ICSID ordered the Argentine Republic to pay USD 225 million to the shareholders of Aguas Provinciales de Santa Fe as a result of the termination of the concession agreement, and the entire amount was to go to SUEZ and its subsidiaries. In September 2016, the Republic of Argentina petitioned an *ad hoc* ICSID committee to render this decision invalid. ICSI's decision is expected at the end of the year 2017 at the earliest.

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

13.2 Tax litigation

Sociedad General de Aguas de Barcelona

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

Agbar received a reassessment notice relating to the 1999-2001 fiscal years. In May 2009, Agbar was also notified of a reassessment in the amount of EUR 60.5 million for the 2002-2004 fiscal years, without additional penalties.

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

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

The only outstanding item in litigation was the late interest in the amount of EUR 9 million, which was contested before the Central Administrative Court. The latter's decision was unfavorable to Agbar. The company looked into the possibility of lodging an appeal with the Court of Appeal but chose not to in the end – as there was no argument to do so. As a result, the ruling became final, Agbar paid the outstanding penalty interest and the legal proceedings are thus now definitively completed.

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

In June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012, the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeal regarding the other elements for which the Administrative Court has not held in favor of Agbar.

In July 2015, Agbar received a partially favorable decision from the Court of appeal and then submitted an appeal to the Supreme Court.

At the beginning of 2017, the company received a ruling from the Supreme Court rejecting the company's prescriptive arguments. This ruling is final and irrevocable and the tax authorities have proceeded to execute it. Agbar paid the sum of EUR 18.5 million in 2017, ending the legal proceedings.

NOTE 14 Related party transactions

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

Only material transactions are described below.

14.1 Transactions with the ENGIE Group

In millions of euros	June 30, 2017	December 31, 2016	June 30, 2016
Transactions with ENGIE:			
Purchases/sales of goods and services	1.2	(0.9)	0.1
Non financial payables	1.4	9.0	2.5
Non financial receivables	0.1	0.4	0.3
Receivables carried at amortized cost [(a)]	15.7	16.3	19.5
Transactions with companies linked to ENGIE:			
Purchases/sales of goods and services	0.1	8.2	2.7
Non financial receivables	23.0	26.9	26.1
Non financial payables	0.7	1.0	1.4
Borrowings excluding financial instruments	0.9	1.0	1.1
Commodity derivatives (Liabilities)	2.8	0.1	1.8

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

14.2 Transactions with joint operations, joint ventures and associates

14.2.1 Joint operations

The Group has a EUR 301 million current account in the joint venture that was responsible for the construction of the seawater desalination plant near Melbourne (Australia). This joint operation is proportionately consolidated at 35%. The non-Group share of EUR 196 million was recognized under assets in the Group's consolidated statement of financial position.

14.2.2 Joint ventures and associates

As at June 30, 2017, the Group lends a total amount of EUR 35.7 million to joint ventures in the Water business in Europe.

Furthermore, the Group also lends EUR 94.4 million to associates in charge of the commissioning and operation of incinerators in the United Kingdom.

NOTE 15 Subsequent events

None.

Declaration of the person responsible for the Interim Financial Report

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Paris, July 26, 2017

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2017 have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company and all of the consolidated companies. I also certify that the interim management report presents a true and fair picture of the significant events over the first six months of the year, their impact on the financial statements, the major related party transactions and a description of the main risks and uncertainties they face for the remaining six months of 2017.

Jean-Louis Chaussade

Chief Executive Officer

SUEZ

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of SUEZ, for the period from January 1 to June 30, 2017;
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

We have also verified the information provided in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 26, 2017

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Dominique Muller	Achour Messas	Stéphane Pedron	Jean-Pierre Letartre

This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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