CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

1 Consolidated statements of financial position

(in millions of euros)	Note	December 31, 2018	December 31, 2017 restated
Non-current assets			
Intangible assets, net	10	4 982,1	4 916,3
Goodwill	9	5 223,8	5 142,1
Property, plant and equipment net	11	8 774,4	8 506,1
Equity instruments [(a)]	13	133,0	127,1
Loans and receivables carried at amortized cost	13	610,7	721,9
Derivative financial instruments	13	119,0	149,5
Investments in joint ventures	12.1	897,4	1 003,9
Investments in associates	12.2	1 084,3	1 023,8
Contracts assets	4.1.3	95,6	21,6
Other assets		214,0	274,5
Deferred tax assets	7	546,6	630,0
Total non-current assets		**22 680,9**	**22 516,8**
Current assets			
Loans and receivables carried at amortized cost	13	109,7	136,6
Derivative financial instruments	13	97,6	89,5
Trade and other receivables	13	4 584,0	4 709,8
Inventories		499,5	455,1
Contracts assets	4.1.3	627,2	414,9
Other assets		1 500,7	1 230,0
Financial assets measured at fair value through income	13	29,2	56,9
Cash and cash equivalents	13	3 424,1	3 221,3
Total current assets		**10 872,0**	**10 314,1**
Total assets		**33 552,9**	**32 830,9**
Shareholders' equity, Group share		6 391,8	6 510,4
Non-controlling interests	16	2 600,8	2 511,4
Total shareholders' equity		**8 992,6**	**9 021,8**
Non-current liabilities			
Provisions	17	1 507,6	1 579,2
Long-term borrowings	13	9 803,2	9 760,6
Derivative financial instruments	13	9,5	26,4
Other financial liabilities	13	47,2	43,1
Contracts liabilities	4.1.3	287,7	268,7
Other liabilities		591,6	561,6
Deferred tax liabilities	7	649,4	649,6
Total non-current liabilities		**12 896,2**	**12 889,2**
Current liabilities			
Provisions	17	496,1	582,6
Short-term borrowings	13	2 762,1	2 169,7
Derivative financial instruments	13	47,2	38,3
Trade and other payables	13	3 798,9	3 741,3
Contracts liabilities	4.1.3	976,5	1 058,8
Other liabilities		3 583,3	3 329,2
Total current liabilities		**11 664,1**	**10 919,9**
Total shareholders' equity and liabilities		**33 552,9**	**32 830,9**

(a) At 31 December, 2017 restated, the amount indicated refers to "Available-for-sale securities" measured in accordance with IAS 39. See Note 1.2.4.4.

For the year ended December 31, 2017, the consolidated statement of financial position has been modified compared to the statement presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standard IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water.

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

2 Consolidated income statements

(in millions of euros)	Note	December 31, 2018	December 31, 2017 restated
Revenues	4.1	17 331,1	15 783,0
Purchases		(3 648,6)	(3 032,2)
Personnel costs		(4 598,4)	(4 115,1)
Depreciation, amortization and provisions		(1 167,7)	(1 109,2)
Other operating expenses		(6 999,2)	(6 816,1)
Other operating income		225,2	289,8
Current operating income	**4**	**1 142,4**	**1 000,2**
Mark-to-market on operating financial instruments		(0,8)	1,3
Impairment on property, plant and equipment, intangible and financial assets		(25,6)	(20,3)
Restructuring costs		(87,6)	(157,6)
Scope effects		(6,2)	77,6
Other gains and losses on disposals and non-recurring items		60,1	33,6
Costs linked to the acquisition of GE Water		-	(44,4)
Income from operating activities	**5**	**1 082,3**	**890,4**
Share in net income of equity-accounted companies considered as core business		192,9	211,6
of which: share in net income (loss) of joint ventures	12.1	*82,0*	*92,2*
of which: share in net income (loss) of associates	12.2	*110,9*	*119,4*
Income from operating activities after share in net income of equity-accounted companies considered as core business		**1 275,2**	**1 102,0**
Financial expenses		(555,6)	(518,5)
Financial income		90,2	89,6
Net financial income (loss)	**6**	**(465,4)**	**(428,9)**
Income tax expense	7	(244,0)	(157,2)
Net income		**565,8**	**515,9**
of which: Group share		334,9	295,5
Non-controlling interests		230,9	220,4
Net Income (Group share) per share (in euros)	**8**	**0,47**	**0,45**
Net diluted income (Group share) per share (in euros)	**8**	**0,47**	**0,45**

For the year ended December 31, 2017, the consolidated income statement has been modified compared to the statement presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standard IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water.

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

3 Consolidated statements of comprehensive income

(in millions of euros)	December 31, 2018	December 31, 2018 of which Group share	December 31, 2018 of which non controlling interests	December 31, 2017 restated	December 31, 2017 of which Group share restated	December 31, 2017 of which non controlling interests restated
Net income	**565,8**	**334,9**	**230,9**	**515,9**	**295,5**	**220,4**
Available for sale securities [(a)]	2,4	2,7	(0,3)	0,1	(0,1)	0,2
Net investment hedges	0,4	0,4	-	(4,0)	(4,0)	-
Cash flow hedges (excluding commodities)	13,6	11,3	2,3	14,9	12,3	2,6
Commodity cash-flow hedges	(4,2)	(3,5)	(0,7)	(2,3)	(1,9)	(0,4)
Deferred taxes on items above	(1,0)	(0,5)	(0,5)	(3,0)	(2,4)	(0,6)
Share of joint ventures in reclassifiable items, net of taxes	0,8	0,8	-	(53,5)	(53,5)	-
Share of associates in reclassifiable items, net of taxes	9,1	9,1	-	(6,6)	(6,6)	-
Translation adjustments	(2,1)	27,8	(29,9)	(241,8)	(166,6)	(75,2)
Total reclassifiable items	**19,0**	**48,1**	**(29,1)**	**(296,2)**	**(222,8)**	**(73,4)**
Actuarial gains and losses	5,2	1,8	3,4	7,6	8,7	(1,1)
Deferred taxes on actuarial gains and losses	(33,8)	(32,8)	(1,0)	19,2	19,2	-
Equity instrument [(a)]	(124,0)	(123,6)	(0,4)	-	-	-
Deffered taxes on equity instrument	0,2	0,2	-	-	-	-
Share of associates in non-reclassifiable items, net of taxes	2,9	2,9	-	0,1	0,1	-
Total non-reclassifiable items	**(149,5)**	**(151,5)**	**2,0**	**26,9**	**28,0**	**(1,1)**
Comprehensive income	**435,3**	**231,5**	**203,8**	**246,6**	**100,7**	**145,9**

(a) IFRS 9 standard replaces IAS 39 as from January 1, 2018. Available-for-sale financial assets as specified in IAS 39 at December 31, 2017 have been reclassified and measured in accordance with the principles of IFRS 9 standard detailed in Note 1.2.4.4. Since January 1, 2018, reclassifiable items of comprehensive income corresponding to available-for-sale assets are no longer measured as reclassifiable items in accordance with IFRS 9. Their variation over the financial year corresponds to the repayment of the opening stock.

For the year ended December 31, 2017, the consolidated statement of comprehensive income has been modified compared to the statement presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standard IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water.

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

4 Statements of changes in consolidated shareholders' equity

(in millions of euros)	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 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**
IFRS 15 restatement [(a)]					(49,9)		2,0			(47,9)		(47,9)
Shareholders' equity at January 1, 2017 restated		**564 401 246**	**2 257,6**	**4 632,3**	**(2 337,6)**	**(240,6)**	**182,0**	**(28,6)**	**982,9**	**5 448,0**	**1 869,9**	**7 317,9**
Net income published					301,8					301,8	218,4	520,2
IFRS 15 impact [(a)]					(11,6)		6,2			(5,4)	-	(5,4)
Opening balance sheet and purchase price allocation of GEW impact [(a)]					5,3		8,9			14,2	6,4	20,6
Other comprehensive income published					28,1	12,3	(250,3)			(209,9)	(78,9)	(288,8)
Comprehensive income					**323,6**	**12,3**	**(235,2)**			**100,7**	**145,9**	**246,6**
Purchase price allocation of GEW impact [(a)]					(12,8)					(12,8)	1,2	(11,6)
Share-based payment					3,0					3,0		3,0
Dividends distributed in cash					(366,6)					(366,6)	(205,9)	(572,5)
Issue of new undated deeply subordinated note									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					0,5			(48,4)		(47,9)	-	(47,9)
Delivery of performance shares and bonus shares	15.1	1 514 949	6,0	(6,0)						-	-	-
Capital increase linked to the acquisition of GE Water [(b)]	15.1	47 468 354	189,9	555,7						745,6	-	745,6
Employee share issue [(c)]	15.1	9 978 030	39,9	78,0						117,9	-	117,9
Legal reserve appropriation [(d)]				(23,6)	23,6					-	-	-
Transactions between shareholders [(e)]					(41,7)					(41,7)	20,4	(21,3)
Business combinations [(f)]										-	688,4	688,4
Other changes					(6,0)					(6,0)	(8,5)	(14,5)
Shareholders' equity at December 31, 2017 restated		**623 362 579**	**2 493,4**	**5 236,4**	**(2 441,5)**	**(228,3)**	**(53,2)**	**(77,0)**	**1 580,6**	**6 510,4**	**2 511,4**	**9 021,8**

(a) Opening balance sheet restatements detailed in Note 1.2.4.
(b) Including a EUR 750.0 million capital increase and -EUR 4.4 million in set up costs for the GE Water acquisition.
(c) After the employee share issue ("Sharing 2017"), the share capital rose by 9,978,030 shares, totaling EUR 117.9 million, net of expenses.
(d) Following the various capital increases that occurred in 2017, the legal reserve was funded with 10% of the total amount of the capital increases, representing EUR 23.6 million.
(e) Primarily including the acquisition of non-controlling interest of Hydralia in Agbar and the dilution without loss of control in SWTS due to the entry in its shareholders equity of CDPQ.
(f) Including EUR 696.7 million relating to non-controlling interests in GE Water purchased on September 29, 2017, and -EUR 13.1 million pertaining to non-controlling interests in Palyja, sold in 2017.

For the year ended December 31, 2017, the consolidated statement of changes in consolidated shareholders' equity has been modified compared to the statement presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standard IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water.

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

(in millions of euros)	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2017 restated		**623 362 579**	**2 493,4**	**5 236,4**	**(2 441,5)**	**(228,3)**	**(53,2)**	**(77,0)**	**1 580,6**	**6 510,4**	**2 511,4**	**9 021,8**
Net income					334,9					334,9	230,9	565,8
Other comprehensive income items IFRS 9 [(a)]						(122,8)				(122,8)	(0,8)	(123,6)
Other comprehensive income items excluding IFRS 9					(28,2)	22,7	24,9			19,4	(26,3)	(6,9)
Comprehensive income					**306,7**	**(100,1)**	**24,9**			**231,5**	**203,8**	**435,3**
Retained earnings IFRS 9 restatement [(a)]					67,5					67,5	(0,1)	67,4
Share-based payment					1,1					1,1	-	1,1
Dividends distributed in cash					(401,9)					(401,9)	(221,3)	(623,2)
Interests of undated deeply subordinated notes issue					(44,8)					(44,8)	-	(44,8)
Purchase/sale of treasury shares					(0,1)			25,2		25,1	-	25,1
Capital increase / decrease [(b)]	15.1	(2 000 000)	(8,0)	(22,0)						(30,0)	(18,0)	(48,0)
Transactions between shareholders [(c)]					36,0					36,0	29,3	65,3
Business combinations [(d)]										-	96,6	96,6
Other changes					(3,1)					(3,1)	(0,9)	(4,0)
Shareholders' equity at December 31, 2018		**621 362 579**	**2 485,4**	**5 214,4**	**(2 480,1)**	**(328,4)**	**(28,3)**	**(51,8)**	**1 580,6**	**6 391,8**	**2 600,8**	**8 992,6**

(a) See Note 1.2.4.4.
(b) EUR 30 million capital reduction resulting from the cancellation of 2,000,000 treasury shares held by SUEZ. The decrease of EUR 18 million in non-controlling interests corresponds to the repayment of the contribution to CDPQ by SWTS.
(c) Primarily concerns movements resulting from the Group's sale of 6.5% stake of the Chilean company IAM, a shareholder of Aguas Andinas, without loss of control.
(d) Primarily concerns the change of consolidation method of a Chinese joint venture to full consolidation.

5 Consolidated statements of cash flows

(in millions of euros)	Note	December 31, 2018	December 31, 2017 restated
Net income		**565,8**	**515,9**
- Share in net income (loss) of joint ventures	12.1	(8,6)	(92,2)
- Share in net income (loss) of associates	12.2	(184,3)	(119,4)
+ Dividends received from joint ventures and associates		144,6	140,8
- Amortization, depreciation and provisions		1 103,7	1 109,8
- Other gains and losses on disposal and scope effects		(56,8)	(111,2)
- Other items with no cash impact		2,9	1,5
- Income tax expense	7	244,0	157,2
- Financial income	6	465,4	428,9
Cash flows from operations before financial income/(expense) and income tax		**2 276,7**	**2 031,3**
+ Tax paid		(156,9)	(192,5)
Change in working capital requirements		**(146,4)**	**123,6**
Cash flows from operating activities		**1 973,4**	**1 962,4**
Investments in property, plant and equipment and intangible assets	3.4.3	(1 342,9)	(1 177,2)
Acquisitions of interests in associates and joint-ventures	3.4.3	(47,8)	(19,9)
Acquisitions of equity instrument	3.4.3	(31,7)	(18,8)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(66,9)	(2 561,7)
Disposals of property, plant and equipment and intangible assets		157,9	234,1
Disposals of interests in associates and joint ventures		(5,3)	109,1
Disposals of equity instrument		4,2	3,9
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		88,4	8,8
Other net interest on financial assets		14,1	(5,2)
Dividends received on non-current financial assets		8,5	5,0
Change in loans and financial receivables		(8,8)	(4,1)
Cash flows from investing activities		**(1 230,3)**	**(3 426,0)**
Capital increase/ reduction of parent company [(a)]		-	863,5
Purchase/sale of treasury shares		(4,9)	(47,9)
Capital increase/ reduction of non controlling interests [(b)]		(23,4)	729,2
Change in share of interests in controlled entities	3.4.3	(10,8)	(61,4)
Dividends paid to parent company's shareholders [(c)]		(446,7)	(352,2)
Dividends paid to non controlling interests [(c)]		(249,4)	(218,6)
Issue of undated deeply subordinated notes net of costs [(d)]	15.6	-	597,7
Increase in loans and financial debt [(e)]	13.2.1	1 323,0	1 037,7
Repayment of borrowings and financial debt	13.2.1	(766,5)	(1 172,2)
Change in financial assets at fair value through income		27,5	5,7
Financial interest paid		(392,5)	(364,5)
Financial interest received		26,6	32,4
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(75,9)	96,5
Cash flows from financing activities		**(593,0)**	**1 145,9**
Impact of changes in exchange rates and other		4,7	(51,6)
TOTAL CASH FLOWS FOR THE PERIOD		**154,8**	**(369,3)**
OPENING CASH AND CASH EQUIVALENTS		**2 555,4**	**2 924,7**
CLOSING CASH AND CASH EQUIVALENTS [(f)]	**13**	**2 710,2**	**2 555,4**

(a) In 2017, this flow mainly included a capital increase of EUR 745.6 million, net of issue costs as part of the acquisition of GE Water and a capital increase of EUR 118 million net of issuance costs as part of the employee shareholding plan (SHARING 2017)

(b) This flow mainly includes, up to EUR 18 million, a repayment of the contribution to CDPQ by SUEZ WTS. The cash flow for the previous financial year was mainly composed of a EUR 668 million capital increase of SWTS subscribed by CDPQ and of a EUR 60 million capital increase of SUEZ NWS Limited subscribed by NWS Holdings Limited.

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

(d) In 2017, this flow was related to the issuance by SUEZ, of undated deeply subordinated notes for EUR 597.7 million after allocation of issuance costs as part of the acquisition of GE Water

(e) In accordance with IAS 7.8, bank overdrafts due on demand included in financial liabilities in the consolidated statement of financial position are reclassified as cash and cash equivalents in the consolidated statement of cash flows; the reclassification amounted to - EUR 665.9 million in 2017. In 2018, this amount is EUR 48 million. In total, the net change in borrowings in the consolidated statement of cash flows for 2018 iss EUR 556.5 million compared with EUR 604.5 million in Note 13.2.1. (See Notes 1.5.9.1 and 1.5.17).

(f) Cash and cash equivalents presented at the end of the restated 2017 financial year amounted to EUR 2,555.4 million compared with EUR 3,058.1 million in the 2017 Reference Document. The difference, i.e. - EUR 502.7 million, is explained by:

** a reclassification increasing cash and cash equivalents by EUR 163.2 million against a decrease in bank overdrafts;*

** the reclassification of bank overdrafts due on request for an amount of -EUR 665.9 million in accordance with IAS 7.8. The total amount of bank overdrafts due in the closing cash position thus amounts to EUR 713.9 million.*

For the year ended December 31, 2017, the consolidated statement of cash flows have been modified compared to the statement presented in the Reference Document published on December 31, 2017 to take into account the impacts related to the application of the new standard IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water.

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.

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Note 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

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

The Group is a global player in the management of the water cycle and the waste cycle.

SUEZ is listed on the Euronext Paris (Compartment A) and Euronext Brussels markets since July 22, 2008.

On February 26, 2019, the Board of Directors of SUEZ approved and authorized the publication of the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2018.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last two fiscal years ended December 31, 2017 and 2018, and was prepared in accordance with European Regulation (EC) 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2017 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union.[1]

The accounting standards applied in preparing the financial statements at December 31, 2018 are consistent with those applied in preparing the financial statements of December 31, 2017, with the exception of the items mentioned below in Note 1.2.1.

1.2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FOR ANNUAL PERIODS BEGINNING ON JANUARY 1, 2018

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

- IFRS 9 – Financial instruments;
- IFRS 15 - Revenue from contracts with customers.
  Impacts of the application of these new standards are described in Note 1.2.4.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 2 - Share-based Payment;
- Annual improvements to IFRS 2014-2016 Cycle.

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

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

1.2.2 IFRS STANDARDS AND AMENDMENTS APPLICABLE AFTER 2018 THAT THE GROUP HAS ELECTED NOT TO EARLY ADOPT

Amendments published by the IASB and adopted by the European Union

► IFRS 16 – Leases

As from January 1, 2019, IFRS 16 is replacing IAS 17 – Leases as well as the interpretations of IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases - Incentives and SIC 27 –Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 does not introduce any changes in accounting treatment for lessors compared to standards in effect up to December 31, 2018: lessors will continue to classify their leases as operating leases if they retain most of the risks and benefits associated with the assets, or failing that, as capital leases.

By contrast, IFRS 16 introduces major changes in how the lessee measures, recognizes and presents leases. Starting on January 1, 2019, it requires the lessee to recognize a vast majority of its lease agreements in the statement of financial position using a single model, whether they be operational or capital leases.

Starting from this date, the lessee will record:

- assets in the statement of financial position under rights of use;
- lease liabilities under liabilities;
- depreciation and amortization of rights of use and interest expenses related to lease liabilities in the income statement.

More specifically, the SUEZ group will adopt IFRS 16 by recognizing the cumulative retrospective impact of initial application as of January 1, 2019. As a result, the Group will not restate comparative information for 2018.

At the transition date January 1, 2019 as authorized by the standard, the SUEZ group will measure and recognize:

- lease liabilities at the present value of lease payments payable;
- assets at the lease liability amount adjusted for prepaid rent or rent to be paid that has already been recognized in the statement of financial position as of December 31, 2018.

In order to address organizational challenges involved by the standard, SUEZ rolled out a group-wide IFRS 16 project in 2017. Key milestones of the project included:

- setting up and training of dedicated project teams and identifying contracts that could potentially be impacted by the standard (June 2017/September 2017);
- simulating the impacts on the financial statements and indicators using the listed leases with the 18 largest entities and subgroups (September 2017/June 2018);
- selecting and setting up a management tool to manage the standard's complex and specific needs as well as the massive volume involved, in a multi-country and multi-currency dimension (January 2018/September 2018);
- rolling out this management tool within Group entities as well as making training kits and operating procedures for upgrading interfaces upstream and downstream with local tools (September 2018/December 2018);
- helping entities and sub-consolidated units in the phase of transferring and checking historical data (beginning in October 2018).

Impacts generated by the new IFRS 16 standard will primarily come from real estate leases, vehicle leases and construction machinery. Waste collection, recycling and recovery activities have proportionally the largest lease agreements compared to those in effect in the Group's other business activities.

The SUEZ group has retained two exemptions permitted by the standard and, as a result, will not restate rent on short-term leases or on low-value assets. As indicated in the standard, SUEZ group will also not restate variable rent depending on the degree of use of the asset concerned. Rent related to all these leases will continue to be recognized as operating expenses and will not generate new lease liabilities.

The following simplification measures authorized by the new IFRS 16 standard will be applied by the SUEZ group:

- an agreement already identified as a lease agreement according to IAS 17 and the IFRIC 4 interpretation will fall under the scope of the standard;
- an agreement that was not identified as a lease agreement within the meaning of IAS 17 and IFRIC 4 up to December 31, 2018 will not be restated under IFRS 16;
- as of the January 1, 2019 transition date, lease agreements whose residual term is less than or equal to 12 months will be considered as short-term leases and will remain recognized as operating expenses;
- all items included in equipment and transportation lease agreements, including items related to maintenance and other services, will be subject to restatement according to IFRS 16. In contrast, maintenance and other services included in the lease agreements for other assets will not be restated.

Lease liabilities as of January 1, 2019 that arise from the initial application of IFRS 16 standard will take into account impacts from early contract renewals or terminations when early renewals or terminations of existing contracts are reasonably certain.

Estimating impacts is currently being finalized. The new standard will have a material impact on debt, fixed assets and EBITDA. However, other items on the statement of financial position and the income statement (Current Operating Income, Net Financial Income, Net Income in particular) will only be marginally impacted.

Debt and fixed assets should increase within a range of EUR 1,2 billion to EUR 1,5 billion.

The impact on the cash flow statement would consist of:

- an increase in cash flow from operating activities up to the amount of rent reversed from operating expenses;
- a decrease corresponding in net cash flows from financing activities. This decrease will lead to the creation of the following two distinct aggregates: interest paid on lease liabilities and repayments on lease liabilities.

In addition, as of December 31, 2018, the Group publishes its outstanding minimum future payment liabilities under lease agreements in Note 20 in accordance with IAS 17.

The method for calculating the new lease liability will be different than what is used to determine future lease payment. In fact, future lease payments as of December 31, 2018 include future rent to be paid over only for non-cancelable periods. They exclude impacts from renewal options that can be reasonably taken by the lessee. On the contrary, they include impacts from short-term leases and impacts relating to low-value assets.

► IFRIC 23 – Uncertainty over Tax Treatments;

IFRIC 23 – Uncertainty over Income Tax Treatments clarifies the accounting treatment of income tax expense. Some positions taken by the SUEZ group may be uncertain from an income tax expense perspective, for example, because the text of certain local legislation may be subject to interpretation. IFRIC 23 requires calculating and recognizing income tax expense according to a calculation method that tax authorities are likely to use.

The SUEZ group will apply IFRIC 23 as from January 1, 2019 without providing comparative data for 2018.

The SUEZ Group's activities are carried out in a multinational environment. The impact analysis of the application of IFRIC 23 is in progress. The accounting treatment of taxes other than income taxes remains unchanged.

The amendment below described will also be in application starting January 1, 2019.

► Amendments to IFRS 9 - Prepayment features with negative compensation.

The analysis of the possible impact of these amendments and improvements is ongoing.

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

The following interpretations and amendments will apply from January 1, 2020

- Amendments to IAS 19 - Plan amendments, curtailments, and settlements;
- Amendments to IAS 28 - Long-term interests in associates and joint ventures;
- Amendments resulting from the annual improvements to IFRS 2015-2017 Cycle
- Amendments to IFRS 3 – business combination - definition of a business
- Amendments to IAS 1 and to IAS 8 - definition of materiality
- Revised version of Conceptual Framework for Financial Reporting;
- IFRS 14 - Regulatory Deferral Accounts

This last 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.

1.2.3 REMINDER OF IFRS 1 TRANSITION OPTIONS

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

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves on January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.2.4 IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 15 STANDARD - REVENUE FROM CONTRACTS WITH CUSTOMERS, THE FINALIZATION OF THE PURCHASE PRICE ALLOCATION OF GE WATER AND THE FIRST-TIME APPLICATION OF IFRS 9 STANDARD - FINANCIAL INSTRUMENTS

1.2.4.1 IFRS 15 – Revenue from contracts with customers

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

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

The 2017 financial statements restatements primarily concern specific cases in two business units. One relates to the identification of distinct performance obligations presenting a different control transfer profile, while the other is related to the payment made to customers analyzed as a revenue reduction and formerly analyzed as expenses.

The impacts on the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income are set out in the tables of Note 1.2.4.3.

The impact of IFRS 15 on the Group's shareholder's equity on the transition date as of January 1, 2018 is -EUR 53.3 million. Retroactive impact as of January 1, 2017 as presented in the consolidated shareholder's equity was -EUR 47.9 million.

The principles and accounting methods applied in accordance with IFRS 15 are summarized in Notes 1.5.13., 1.5.14. and 1.5.15.

1.2.4.2 Finalization of the purchase price allocation of GE Water

The Group applies the purchase method as defined in IFRS 3 Revised, which consists of recognizing at the acquisition date the identifiable assets acquired and the liabilities assumed at their fair value, including any non-controlling interests in the acquired entity. These non-controlling interests are measured either at fair value or at proportionate share of the identifiable net assets.

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

On September, 30, 2017 at the date of GE Water & Process Technologies acquisition, the fair value of identifiable assets acquired and the liabilities assumed was not definitive. On December 31,2018 fair value has been revised (refer to Note 2.1.1 and 2.1.2).

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

1.2.4.3 Impacts related to the first-time application of IFRS 15 - Revenue from contracts with customers and the finalization of the purchase price allocation of GE Water

Impacts on the comparative consolidated statements of financial positions at December 31, 2017

(in millions of euros)	December 31, 2017 published	First application of IFRS 15	Purchase price allocation of GEW	December 31, 2017 restated
Non-current assets				
Intangible assets, net	4,161.9	(17.5)	771.9	4,916.3
Goodwill	5,587.2	-	(445.1)	5,142.1
Property, plant and equipment net	8,467.5	-	38.6	8,506.1
Investments in equity instruments	127.1	-	-	127.1
Loans and receivables carried at amortized cost	728.6	(6.7)	-	721.9
Derivative financial instruments	149.5	-	-	149.5
Investments in joint ventures	1,003.9	-	-	1,003.9
Investments in associates	1,020.4	(4.8)	8.2	1,023.8
Contracts assets	-	21.6	-	21.6
Other assets	274.5	-	-	274.5
Deferred tax assets	697.2	17.6	(84.8)	630.0
Total non-current assets	**22,217.8**	**10.2**	**288.8**	**22,516.8**
Current assets				
Loans and receivables carried at amortized cost	136.6	-	-	136.6
Derivative financial instruments	89.5	-	-	89.5
Trade and other receivables	4,689.7	30.4	(10.3)	4,709.8
Inventories	471.0	(1.7)	(14.2)	455.1
Contracts assets	-	414.7	0.2	414.9
Other assets	1,650.7	(408.6)	(12.1)	1,230.0
Financial assets measured at fair value through income	56.9	-	-	56.9
Cash and cash equivalents	3,058.1	-	163.2	3,221.3
Total current assets	**10,152.5**	**34.8**	**126.8**	**10,314.1**
Total assets	**32,370.3**	**45.0**	**415.6**	**32,830.9**
Shareholders' equity, Group share	6,562.3	(53.3)	1.4	6,510.4
Non-controlling interests	2,503.7	-	7.7	2,511.4
Total shareholders' equity	**9,066.0**	**(53.3)**	**9.1**	**9,021.8**
Non-current liabilities				
Provisions	1,574.9	-	4.3	1,579.2
Long-term borrowings	9,760.6	-	-	9,760.6
Derivative financial instruments	26.4	-	-	26.4
Other financial liabilities	43.1	-	-	43.1
Contracts liabilities	-	268.7	-	268.7
Other liabilities	893.6	(332.0)	-	561.6
Deferred tax liabilities	556.2	0.1	93.3	649.6
Total non-current liabilities	**12,854.8**	**(63.2)**	**97.6**	**12,889.2**
Current liabilities				
Provisions	505.8	(0.1)	76.9	582.6
Short-term borrowings	2,004.4	-	165.3	2,169.7
Derivative financial instruments	38.3	-	-	38.3
Trade and other payables	3,713.5	(47.9)	75.7	3,741.3
Contracts liabilities	-	1,081.0	(22.2)	1,058.8
Other liabilities	4,187.5	(871.5)	13.2	3,329.2
Total current liabilities	**10,449.5**	**161.5**	**308.9**	**10,919.9**
Total shareholders' equity and liabilities	**32,370.3**	**45.0**	**415.6**	**32,830.9**

Opening impacts on the comparative consolidated income statements at December 31, 2017

(in millions of euros)	December 31, 2017 published	First application of IFRS 15	Purchase price allocation of GEW	December 31, 2017 restated
Revenues	15,871.3	(88.3)	-	15,783.0
Purchases	(3,092.4)	60.2	-	(3,032.2)
Personnel costs	(4,115.1)	-	-	(4,115.1)
Depreciation, amortization and provisions	(1,099.8)	0.1	(9.5)	(1,109.2)
Other operating expenses	(6,781.1)	25.8	(60.8)	(6,816.1)
Other operating income	289.8	-	-	289.8
Current operating income	**1,072.7**	**(2.2)**	**(70.3)**	**1,000.2**
Income from operating activities	**962.9**	**(2.2)**	**(70.3)**	**890.4**
Income from operating activities after share in net income of the equity-accounted companies considered as core business	**1,174.5**	**(2.2)**	**(70.3)**	**1,102.0**
Net financial income (loss)	**(428.9)**	**-**	**-**	**(428.9)**
Income tax expense	(225.4)	(9.4)	77.6	(157.2)
Net income	**520.2**	**(11.6)**	**7.3**	**515.9**
Group share	301.8	(11.6)	5.3	295.5
Non-controlling interests	218.4	-	2.0	220.4
Net income (Group share) per share (in euros)	**0.46**			**0.45**
Net diluted income (Group share) per share (in euros)	**0.46**			**0.45**

Opening impact on the comparative consolidated statement of comprehensive income at December 31, 2017

(in millions of euros)	**December 31, 2017 published**	December 31, 2017 Group share published	December 31, 2017 non controlling interests published	**First application of IFRS 15**	Group share	Non controlling interests	**Purchase price allocation of GEW**	Group share	Non controlling interests	**December 31, 2017 restated**	**December 31, 2017 Group share restated**	**December 31, 2017 non controlling interests restated**
Net income	**520.2**	301.8	218.4	**(11.6)**	(11.6)	-	**7.3**	5.3	2.0	**515.9**	**295.5**	**220.4**
Total reclassifiable items	**(315.7)**	(237.9)	(77.8)	**6.2**	6.2	-	**13.3**	8.9	4.4	**(296.2)**	**(222.8)**	**(73.4)**
Total non-reclassifiable items	**26.9**	28.0	(1.1)	**-**		-	**-**		-	**26.9**	**28.0**	**(1.1)**
Comprehensive income	**231.4**	91.9	139.5	**(5.4)**	(5.4)	-	**20.6**	14.2	6.4	**246.6**	**100.7**	**145.9**

Opening impacts on the comparative consolidated statement of cash flows at December 31, 2017

(in millions of euros)	December 31, 2017 published	First application of IFRS 15	Depreciation / Amortization of purchase price allocation of GEW	December 31, 2017 restated for IFRS 15 and GEW effects	Reclassification of bank overdraft due on demand (a)	December 31, 2017 restated
Net income	**520.2**	**(11.6)**	**7.3**	**515.9**		**515.9**
Cash flows from operations before financial income / (expense) and income tax	2,094.4	(2.3)	(60.8)	2,031.3		2,031.3
Tax paid	(192.5)	-	-	(192.5)		(192.5)
Change in working capital requirements	60.5	2.3	60.8	123.6		123.6
Cash flows from operating activities	1,962.4	-	-	1,962.4		1,962.4
Cash flows from investing activities	(3,589.1)	-	163.1	(3,426.0)		(3,426.0)
Cash flows from financing activities	1,811.8	-	-	1,811.8	(665.9)	1,145.9
Impact of changes in exchange rates and other	(51.7)	-	0.1	(51.6)		(51.6)
Total cash flows of the period	**133.4**	**-**	**163.2**	**296.6**	**(665.9)**	**(369.3)**
Opening cash and cash equivalents	**2,924.7**	**-**	**-**	**2,924.7**		**2,924.7**
Closing cash and cash equivalents	**3,058.1**	**-**	**163.2**	**3,221.3**	**(665.9)**	**2,555.4**

(a) In accordance with IAS 7.8, bank overdrafts due on demand included in financial liabilities in the consolidated statements of financial position are reclassified to cash and cash equivalents.

1.2.4.4 Impacts IFRS 9 – Financial Instruments

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

The standard includes three sections described below:

The SUEZ group has applied the arrangements of the standard to sections 1 and 2 retroactively. As permitted by the standard, the cumulative effect of the transition has been recorded in the consolidated shareholders' equity balance as of January 1, 2018 without comparative restatement for the 2017 period. The Group applied arrangements related to section 3 prospectively starting from January 1, 2018.

Classification and measurement of financial assets and liabilities (section 1)

IFRS 9 requires that financial assets are classified in the statements of financial position according to their nature, the characteristics of their contractual cash flows and the business model adopted for their management.

Within SUEZ group, the only reclassification required by the first time application of IFRS 9 concerns the equity instruments initially classified as "Available-for-sale securities" under IAS 39, and which have now been divided into two categories of equity instruments, as detailed below and in note 13.1.1.

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

(in millions of euros)	December 31, 2017 restated	Reclassification	January 1st, 2018 restated
Available for sales securities	127.1	(127.1)	-
Equity instruments measured at fair value through equity		94.3	94.3
Equity instruments measured at fair value through income		32.8	32.8

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

Equity instruments measured at fair value through income statement are mainly investments not consolidated, held in listed companies.

A reclassification of reserves to items of comprehensive income, related to the IFRS 9 restatement, was carried out for an amount of – EUR 123.6 million.

Impairment (section 2)

IFRS 9 determines the applicable principles and methodology for measuring and recognizing impairment linked to credit risk on financial assets and contracts assets as defined by IFRS15.
Financial assets are defined in Note 1.5.9. and contracts assets are defined in Note 1.5.15.

The assets concerned within the SUEZ group are primarily:

- trade receivables, including receivables recorded by applying IFRIC 12 interpretation to service concession;
- loans;
- deposits and guarantees;
- contracts assets as defined in IFRS 15;
- finance lease receivables.

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

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

The impact of the restatement resulting from the first-time application of IFRS 9 mainly derives from the additional impairment recognized on trade receivables, recorded against equity, for an amount of -EUR 83.4 million before deferred taxes. This impact comes:

- on the one hand, from additional depreciation of receivables carried by fully consolidated entities for EUR -44.4 million;
- on the other hand, from the impairments on trade receivables carried by investments in associates for an amount of EUR -39.0 million.

The gross value of receivables and the amount of depreciation on receivables carried by fully consolidated entities are summarized as follows as at January 1, 2018, before and after application of IFRS9:

(in millions of euros)	December 31, 2017 restated	First application of IFRS 9	January 1st, 2018 restated
Trade and other receivables - gross	5,022.9	-	5,022.9
Trade and other receivables - impairment	(313.1)	(44.4)	(357.5)
Trade and other receivables - net	4,709.8	(44.4)	4,665.4

The carrying amount of investments in associates at January 1, 2018, before and after application of IFRS 9, is as follows:

(in millions of euros)	December 31, 2017 restated	First application of IFRS 9	January 1st, 2018 restated
Investments in associates	1,023.8	(39.0)	984.8

The Group has also adapted the impairment methods for its contracts assets and other financial assets to the principles of IFRS 9 (see section 1.5.9.1). These other adjustments in methods did not generate any material restatements as at January 1, 2018.

Hedge accounting (section 3)

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

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

1.3 Measurement basis for preparation of the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IFRS 9.

1.4 Use of judgment and estimates

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

1.4.1 ESTIMATES

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

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

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

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Note 1.5.4.1 and 1.5.5);
- the measurement of provisions, particularly for legal and arbitration proceeding and for pensions and other employee benefits (see Note 1.5.12);
- the measurement of capital renewal and replacement liabilities (see Note 1.5.13.4);
- the measurement of financial instruments (see Note 1.5.9);
- the measurement of unmetered revenue (see Note 1.5.13);
- the measurement of margin at termination relating to construction contracts (see Note 1.5.13.3);
- the measurement of capitalized tax loss carry-forward.

1.4.1.1 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

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

1.4.1.2 Recoverable amount of goodwill, property, plant and equipment and intangible assets

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

1.4.1.3 Estimates of provisions

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

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

1.4.1.4 Pensions and other employee benefit obligations

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

1.4.1.5 Capital renewal and replacement liabilities

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

1.4.1.6 Financial instruments

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

1.4.1.7 Revenues

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

1.4.1.8 Margin at termination relating to construction contracts

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

Management reassesses those estimates for the preparation of Consolidated Financial Statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed (See Note 1.5.13.3).

1.4.1.9 Measurement of capitalized tax loss carry-forwards

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

1.4.2 JUDGMENT

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

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

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

1.5 Accounting policies

1.5.1 SCOPE AND METHODS OF CONSOLIDATION

The consolidation methods used by the Group are the following:

- subsidiaries (over which the Group exercises exclusive control) are fully consolidated;
- joint operations over which the Group exercises joint control are consolidated in proportion to the direct rights to the assets and direct obligations for the liabilities of the entity;
- the equity method is used for:
  - joint ventures over which the Group exercises a joint control but has only rights to the net assets of the entity,

- associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognizes its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates". The accounting policies applied by these companies comply with IFRS and are consistent with the accounting policies of the Group.

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

All intercompany balances and transactions are eliminated in the Consolidated Financial Statements.

A list of the main fully consolidated companies together with the main investments accounted for by the equity method, is presented in Note 26 "List of the main consolidated companies at December 31, 2018 and 2017".

1.5.2 FOREIGN CURRENCY TRANSLATION METHODS

1.5.2.1 Presentation currency of the Consolidated Financial Statements

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

1.5.2.2 Functional currency

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

1.5.2.3 Foreign currency transactions

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

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

1.5.2.4 Translation of the financial statements of consolidated companies with a functional currency other than the euro

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

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

1.5.3 BUSINESS COMBINATIONS

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

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

1.5.4 INTANGIBLE ASSETS

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

1.5.4.1 Goodwills

a) Recognition of goodwill

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

Business combinations carried out before January 1, 2010

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

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

Business combinations carried out after January 1, 2010

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

i. the consideration transferred;

ii. the amount of any non-controlling interest in the acquired company; and

iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company;

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

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

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

b) Measurement of goodwill

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

The methods used to carry out these impairment tests are described in Note 1.5.6 "Impairment of property, plant and equipment and intangible assets".

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

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

1.5.4.2 Other intangible assets

a) Development costs

Research costs are expensed as incurred.

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

b) Other internally generated or acquired intangible assets

Other intangible assets include mainly:

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

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

Useful life *(in years)*	**Minimum**	**Maximum**
Concession rights - duration of contracts	10	50
Customer portfolios	10	25
Other intangible assets	1	40

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

1.5.5 PROPERTY, PLANT AND EQUIPMENT

1.5.5.1 Property, plant and equipment - initial measurement and subsequent measurement

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

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

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

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

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

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

1.5.5.2 Depreciation

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

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

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

Standard useful lives are as follows:

Main depreciation periods *(in years)*	
Constructions [(a)]	3 to 100
Plant and equipment	2 to 70
Transport equipment	3 to 14

(a) Including fittings

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

1.5.6 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

Impairment indicators

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

The main indications of impairment used by the Group are:

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

Impairment

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

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

Measurement of recoverable amount

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

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

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

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

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

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

1.5.7 LEASES

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

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

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

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

1.5.7.1 Accounting for finance leases

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

1.5.7.2 Accounting for operating leases

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

1.5.7.3 Accounting for arrangements that contain a lease

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

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

1.5.8 INVENTORIES

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

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

1.5.9 FINANCIAL INSTRUMENTS

Financial instruments are recognized and measured in accordance with IAS 39 until December 31,2017 and in accordance with IFRS 9 starting from January 1, 2018.

1.5.9.1 Classification, valuation and impairment of financial assets

Financial assets are mainly cash or the right to receive cash or shareholders' equity instruments from other entities.

Since January 1, 2018, financial assets are listed as follows:

► Assets whose cash flows are not interests and principal repayments (equity interests in non-consolidated entities, derivative instruments);

► Assets whose cash flows are interests and principal repayments (primarily loans and receivables);

► Cash and cash equivalent instruments.

Until December 31, 2017, financial assets comprised available-for-sale securities, loans and receivables carried at amortized cost including trade and other receivables, financial assets measured at fair value through income including derivative financial instruments and cash and cash equivalent instruments.

In 2018, as in 2017, financial assets are broken down into current and non-current assets in the statement of financial position.

a) Equity interests in non-consolidated entities

Since January 1, 2018, the SUEZ group's investments in non-consolidated companies are classified as either:

► equity instruments measured at fair value through income. This category mainly includes listed securities held in companies in which the SUEZ group does not hold a significant influence; or

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

In accordance with IFRS 9, equity instruments are recognized:

► at their initial cost plus transaction costs when they are measured at fair value through other items of comprehensive income;

► at their initial cost when they are measured at fair value through income. Transaction costs are then recorded on the income statement at the acquisition date.

Until December 31, 2017, in accordance with IAS 39, investments in non-consolidated companies were classified as:

► financial assets measured at fair value through income when securities were held for transaction and short-term investment purposes and did not meet the criteria to be classified as cash or cash equivalents;

► "available-for-sale securities" when the Group's investment did not meet the criteria to be classified as financial assets measured at fair value through income.

Until 2017, during initial recognition, these assets were usually recognized at their acquisition price plus transaction costs.

As of December 31, 2018, as at December 31, 2017, the Group's equity investments in non-consolidated companies are measured and recognized at their fair value. For listed companies, fair value is determined based on the quoted market price at the relevant closing date. For unlisted securities, fair value is measured using valuation models based primarily on the latest market transactions, discounted dividends, cash flows, or failing that, using net book value.

Since January 1, 2018:

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

► By contrast, impacts related to instruments measured at fair value through other items of comprehensive income are never recycled in the income statement. The positive or negative differences between fair value and acquisition price are recorded in other items of comprehensive income as long as the instruments are held. Gains and losses on disposals are classified in other items of comprehensive income, then the cumulative total of other items of comprehensive income related to the line of sold securities is reclassified to consolidated reserves. Only dividends received impact the Group's revenue;

► There is no longer impairment recognition for of the Group's investments in non-consolidated companies.

Until December 31, 2017, differences between the fair value and the acquisition price of investments in non-consolidated companies were recognized the entire time they were held:

- as fair value directly through income when the investments were classified as "Financial assets measured at fair value through income"; gains or losses on disposals were also recognized through income;
- as "Other items of comprehensive income" when the investments were classified as "Available-for-sale securities". However, material or prolonged decreases in value compared to the acquisition cost of these securities and the gains or losses from their disposal generated impacts on the income statement.

b) Derivative instruments

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

c) Loans and receivables carried at amortized cost

Since January 1, 2018, the category mainly includes loans and receivables attached to investments, advances granted to associates or non-consolidated companies, guarantee deposits, long-term receivables from customers for concession contracts (see section 1.5.13.4) as well as trade and other receivables less than one year.

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

In accordance with the terms and conditions of IFRS 9, since January 1, 2018, SUEZ group entities have started using an impairment approach per type of asset for counterparty risk.

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

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

Since January 1, 2018, these assets are classified into three categories:

► Situation 1: Assets whose credit risk has not significantly deteriorated and debtors pay on time or with delays of less than 60 days;

► Situation 2: Assets that have suffered material credit risk deterioration with overdue payments of between 60 and 180 days;

► Situation 3: Assets that have deteriorated to the point where the loss has occurred, with overdue payments exceeding 180 days.

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

► the likelihood of default of the debtor;

► the estimated loss rate if the counterparty defaults applied to the total value of the asset.

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

Receivables arising from concession contracts, when SUEZ group has obtained an unconditional right to receive cash, contain a financing component within the meaning of IFRS 15 (see Note 1.5.13.4), since customers pay over several years for a service already provided by the Group. As authorized by IFRS 9, the impairment method used to calculate impairment losses on loans and advances on current accounts and described above has been applied to these receivables since January 1, 2018.

Up to December 31, 2017, SUEZ group entities were already recording loans and receivables at amortized cost. However, they were recording impairments on these assets based on actual unpaid debts and not on expected losses.

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

Contracts assets concluded with customers are defined in Note 1.5.15. They include amounts due from customers under construction contracts. The calculation method used is described in Note 1.5.13.3. These assets are subject to an impairment test using the same rules as trade receivables.

d) Cash and cash equivalents

The cash and cash equivalents line item includes cash as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7 and held in order to meet short-term cash commitments.

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

1.5.9.2 Classification, valuation of financial liabilities

Financial liabilities include borrowings (of which bank overdrafts), trade and other payables, derivative financial instruments, and other financial liabilities.

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

► financial liabilities with a settlement or maturity date within 12 months of the closing date;

► derivative financial instruments qualifying as fair value hedges;

► all derivative financial instruments not qualifying as hedges.

a) Measurement of borrowings and other financial liabilities

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

On initial recognition, any issue premiums/discounts, redemption premiums/discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

In 2018, as in 2017, the SUEZ group treats restructurings of financial debts that do not take place between identical lenders and borrowers as an extinction of the initial debt and an acknowledgement of the new debt.

Similarly, a renegotiated debt whose value of cash flows under the new conditions (including fees paid to the counterparty bank, discounted using the initial effective interest rate) differs by more than 10% from the present value of the remaining cash flows of the initial financial liability is also considered to be an extinguishment of debt and the recognition of new debt.

At this time all fees related to the former and not yet amortized debt are transferred to the income statement.

In addition, until 31 December 2017, in accordance with IAS 39, renegotiated financial debt, whose revised cash flow value was less than 10% of the value of the remaining cash flows of the initial liability under the terms of the comparison mentioned above, had no impact on the income statement. Since January 1, 2018, the SUEZ group reassesses, through the income statement, the amortized cost of financial debt following the renegotiation, in order to comply with IFRS 9.

b) Call options on non-controlling interests granted before January 1, 2010

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

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

1.5.9.3 Derivatives and hedge accounting

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

a) Definition and scope of derivative financial instruments

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

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

b) Derivative hedging instruments: recognition and presentation

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

- a fair value hedge of an asset or liability;

- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

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

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

Cash flow hedges

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

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

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

Hedging of a net investment in a foreign entity

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

c) Identification and documentation of hedging relationships

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

This methodology complies with IFRS 9 and IAS 39.

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

In accordance with IFRS 9, hedges are considered effective from January 1, 2018 when:

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

Until December 31, 2017, in accordance with IAS 39, hedges were considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item were offset within a range of 80%-125%.

In 2018, as in 2017, hedge effectiveness has been demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in fair value or in cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used by the Group.

d) Derivative instruments not qualifying for hedge accounting: recognition and presentation

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

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

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

e) Measurement of fair value

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

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

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

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

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

1.5.10 TREASURY SHARES

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

1.5.11 SHARE-BASED PAYMENTS

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

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

1.5.11.1 Equity-settled instruments

Stock option plans

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

Allotment of bonus shares

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

Employee share purchase plans

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

1.5.11.2 Cash-settled instruments

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

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

1.5.12 PROVISIONS

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

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

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

- the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each

country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

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

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

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

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

1.5.12.2 Other provisions

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

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

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

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

1.5.13 REVENUES

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

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

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

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

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

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

- the Group bears the main responsibility in managing and completing the overall service;

▶ the Group made a significant effort to integrate various work carried out by co-contracting parties; and

▶ the Group made significant efforts in technical supervision so the Group could take total control of the goods or services carried out before transferring control over to the customer.

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

▶ Water Services;

▶ Waste Services;

▶ Engineering and construction contracts and other services.

1.5.13.1 Water Services

As of December 31, 2018, as during previous fiscal years, revenues are based on volumes delivered to the customer in the water distribution business, whether these volumes resulted in specific invoicing (“statement”) or are estimated based on the output of the supply networks. As authorized by IFRS 15 and by simplification, revenues correspond to volumes delivered multiplied by a price per m^3 (see Note 1.4.1.7).

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

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

1.5.13.2 Waste Services

As of December 31, 2018, as during previous fiscal years, revenues are recorded:

▶ depending on the tonnages collected and the service provided by the SUEZ group, in the waste collection activity;

▶ depending on the volumes of waste treated and the additional income from waste recovery, in incineration (sale of heat and power in particular) and sorting (sale of raw materials - paper, cardboard, glass, metals, plastics).

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

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

1.5.13.3 Engineering, construction contracts and other services.

As of December 31, 2018, as during previous fiscal years, revenues are recognized using the percentage of completion method for engineering, construction and equipment sales activities.

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

Partial payments received under construction contracts before the corresponding work has been carried out are recorded on the liabilities side of the statement of financial position as advances received under contracts liabilities (see also section 1.5.15).

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

1.5.13.4 Concession contracts

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

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

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

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

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

- the grantor controls or regulates the public service, i.e. it controls or regulates the services to be provided through the infrastructure subject to the concession and determines to whom and at what price they should be provided; and

- the grantor controls all residual interest in the infrastructure at the end of the contract. This control is usually reflected through the grantor's right to take over the infrastructure at the end of the contract.

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

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

- The operation performance obligation includes current operations of infrastructure, carrying out operations service for the customer (distribution of drinking water; waste treatment, etc.) and incurring identical renewal expenses to maintain the facilities in proper condition.

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

► When the asset created is a receivable, the amounts received from the customer as compensation for the construction performance obligation are partly recognized as interest income in revenues and partially as repayment of principal of the receivable. The amount received in compensation for the operations performance obligation is recorded as revenues;

► When the asset created is an intangible asset, it is amortized over the term of the concession contract. All amounts received from the customer are fully recognized in revenue.

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

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

► a reduction in the infrastructure's sales price, recognized as operating expenses when the consideration for the construction performance obligation is a financial asset;

► an increase in the intangible asset when the consideration for the construction performance obligation is an intangible asset and the payments to the grantor are fixed; the amount of this increase in intangible assets corresponds to the present value of future fixed payments;

► an operating expense when the consideration for the construction performance obligation is an intangible asset and the payments to the grantor are variable.

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

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

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

The concession renewal work liability recorded in respect of the general obligation to restore the site amounted to EUR 194 million at the end of the financial year, compared with EUR 203 million at December 31, 2017. This item is classified as "other current liabilities".

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

1.5.14 COSTS TO OBTAIN AND EXECUTE CONTRACTS

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

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

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

► are directly related to a specific contract (direct labor costs, costs that can be rebilled to the customer as per the contract, raw material costs);

► provide the Group new or increased resources which will be used to meet or to continue to meet a performance obligation in the future;

► the Group expects to recover these costs.

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

1.5.15 CONTRACTS ASSETS AND LIABILITIES

As of December 31, 2018, as during previous fiscal years, the SUEZ group presents separately, as assets in the statement of financial position, trade receivables corresponding to the unconditional right to receive cash, in exchange for the contractual obligations that SUEZ has already fulfilled.

There are also situations in which SUEZ has fulfilled some of its obligations under contracts signed with customers but has not yet obtained an unconditional right to receive cash because, for example, a technical milestone has not been achieved as of the reporting date. These situations now require the Group to present the assets concerned on two separate lines on the statement of financial position: "Non-current Contracts Assets" and "Current Contracts Assets". Up to December 31, 2017, these assets were included in "Net intangible assets" and "Other current assets" on the statement of financial position.

Contracts assets are impaired as soon as impairments on these assets are expected, by applying the same principles as those described in section 1.5.9 for impairments on trade receivables.

In addition, there are contracts liabilities with customers which are incurred because customers have already paid for services that SUEZ has not yet performed (advances received on services not yet performed, deferred income). Until December 31, 2017, these contracts liabilities were all included in "Other current liabilities" and "Other non-current liabilities" on the statement of financial position. They are now separated into two line items: "Non-current Contracts Liabilities" and "Current Contracts Liabilities".

1.5.16 CURRENT OPERATING INCOME (COI)

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

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

  This line includes:

  - direct costs related to acquisitions of controlling interests,
  - in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interests at acquisition-date fair value,
  - subsequent changes in the fair value of contingent consideration,
  - gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests,
- other gains and losses on disposals and non-recurring items: this includes mainly capital gains and losses on disposals of non-current assets and equity instruments;
- costs linked to the acquisition of GE Water.

  In 2017, costs linked to the acquisition of GE Water by nature unusual and material by amount,have been presented on a separate line in the income statement, between the current operating income and the income from operating activities. The costs reached a total of EUR 44.4 million in 2017.

1.5.17 STATEMENTS OF CASH FLOWS

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

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

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

Cash flows related to payment of taxes are treated separately.

Pursuant to IAS 7 amendment "Disclosure initiative for statement of cash flows", financial debt variations by flows are analyzed by type of transactions: cash flows, forex effect, scope effect, change in fair value and amortized cost, other. This breakdown is presented in Note 13.2.1 for the 2018 financial year.

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

1.5.18 INCOME TAX EXPENSE

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

1.5.19 EARNINGS PER SHARE

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

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

Note 2 Major transactions

2.1 Purchase Price Allocation following GE Water & Process Technologies acquisition

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

The purchase price was EUR 2.903 million. GE Water's cash in hand on the acquisition date amounted to EUR 204 million, generating a cash outflow of EUR 2.699 million, which is reflected in the 2017 cash flow statement. As of December 31, 2017, goodwill generated at the time of the acquisition totaled EUR 2,171 million (at the exchange rate USD/EUR as of December 31, 2017).

The acquisition agreement provided for purchase price adjustment procedures based on GE Water's financial statements prepared in accordance with US GAAP as of September 29, 2017. During the second half of 2018, the purchase price adjustment procedure led to a price reduction of USD 20 million (approximately EUR 17 million).

2.1.1 PURCHASE PRICE ALLOCATION

During 2018, the Group performed the purchase price allocation in accordance with IFRS 3 revised – "business combinations". This purchase price allocation was finalized on September 29, 2018.

(in millions of euros)	**Fair value of identifiable assets acquired and liabilities assumed at the acquisition date**
Non-current assets	
Intangible assets, net	886
Net tangible assets	567
Investments in joint-ventures	24
Deferred tax assets	62
Current assets	
Other assets	716
Cash and cash equivalents	349
Non-current liabilities	
Other liabilities	79
Deferred tax liabilities	320
Current liabilities	
Other liabilities	1 033
Total net assets (100%)	**1 172**
Consideration transferred for the acquisition of GE Water	2 886
Non-controlling interests	39
GOODWILL ARISING ON ACQUISITION	**1 753**

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

INTANGIBLE ASSETS

The fair value of intangible assets amounted to EUR 886 million and mainly includes customer relationships and technologies. Intangible assets were valued using the income approach (discounted value of future cash flows) or based on the royalty method.

PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment amounted to EUR 567 million. Property, plant and equipment are measured using a combination of three approaches:

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

INVENTORIES

The fair value of inventories totaled EUR 198 million. They were measured at their sale price less costs of completion and marketing costs.

PROVISIONS

In accordance with IFRS 3 revised, estimated provisions were adjusted to take into account provisions for contingent liabilities mainly due to ongoing litigation as of the acquisition date. These provisions are classified as "other current liabilities".

DEFERRED TAXES

Deferred tax assets and liabilities are calculated based on temporary differences between the IFRS book values after the purchase price allocation and tax values of the assets acquired and liabilities assumed. Recognized net deferred taxes amounted to EUR 258 million.

NON-CONTROLLING INTERESTS

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

GOODWILL ARISING ON ACQUISITION

At the transaction date and after the purchase price allocation, residual goodwill amounted to EUR 1,753 million and corresponds not only to the ability to develop new assets in the future (technologies, customer relationships) but also to the level of synergies expected by the Group.

In 2018, the net impact in EBIT was -EUR 32 million and namely included the additional annual depreciation charge related to these various remeasurements, as well as the consumption of deferred charges and deferred income.

2.1.2 INFORMATION ON THE STATEMENTS OF FINANCIAL POSITION AFTER PURCHASE PRICE ALLOCATION AS OF DECEMBER 31, 2017

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

(in millions of euros)	December 31, 2017 published	Impact from purchase price allocation	December 31, 2017 after purchase price allocation
Net intangible assets	4 162	772	4 934
Goodwill	5 587	(445)	5 142
Property, plant and equipment, net	8 468	39	8 506
Deferred tax assets	697	(85)	612
Other	3 304	8	3 312
Total non-current assets	**22 218**	**289**	**22 507**
Inventories	471	(14)	457
Other assets	1 651	(12)	1 639
Other	8 030	153	8 183
Total current assets	**10 152**	**127**	**10 279**
Total assets	**32 370**	**416**	**32 786**
Shareholders'equity, Group share	6 562	1	6 564
Non-controlling interests	2 504	8	2 511
Total shareholders' equity	**9 066**	**9**	**9 075**
Provisions	1 575	4	1 579
Deferred tax liabilities	556	93	649
Other	10 724		10 724
Total non-current liabilities	**12 855**	**97**	**12 952**
Provisions	506	77	583
Other liabilities	4 188	14	4 202
Other	5 756	219	5 974
Total current liabilities	**10 449**	**310**	**10 758**
Total shareholders' equity and liabilities	**32 370**	**416**	**32 786**

2.1.3 INFORMATION ON THE STATEMENTS OF FINANCIAL INCOME STATEMENT AFTER PURCHASE PRICE ALLOCATION AS OF DECEMBER 31, 2017

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

(in millions of euros)	December 31, 2017 published	Impact from purchase price allocation	December 31, 2017 after purchase price allocation
Revenues	15 871	-	15 871
Purchases	(3 092)	-	(3 092)
Depreciation, amortization and provisions	(4 115)	(10)	(4 125)
Other	(7 591)	(60)	(7 651)
Current operating income/(loss)	**1 073**	**(70)**	**1 003**
Income from operating activities	**963**	**(70)**	**893**
Income from operating activities after share in net income of the equity-accounted companies considered as core business	**1 175**	**(70)**	**1 105**
Financial income/(loss)	**(430)**	**-**	**(430)**
Income tax expense	(225)	77	(148)
Net income	**520**	**7**	**527**
Net income Group share	302	5	307

Purchase price allocation generated EUR 77 million of deferred tax income. This impact is the result of two items :

► EUR 17 million in deferred tax income related to the fair value adjustment of the various assets as part of the purchase price allocation at the acquisition date (at the prevailing tax rate as September 30, 2017) ;

► EUR 60 million deferred tax income related to the tax reform in the United States which took place at the end of December 2017.

The additional depreciation charge over the last quarter of 2017 related to these remeasurement impacts the income from operating activities by approximately EUR 10 million.

Inventory consumption after remeasurement as well as the consumption of deferred charges and deferred income generated a -EUR 60 million impact on the income from operating activities.

After taking into account all the impacts of the purchase price allocation, GE Water's revenues and EBITDA contributions within SUEZ Group consolidated financial statements totaled EUR 511 million and EUR 16 million, respectively, as of December 31, 2017.

2.2 SUEZ Spain transformation plan

In late 2017, SUEZ Spain implemented a restructuring plan. This voluntary redundancy scheme resulted in the recognition of around EUR 20 million of restructuring costs in 2018.

2.3 Sale of Infectious Medical Waste (IMW) activities

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

As of December 31, 2018, this transaction generated a EUR 12 million gross capital gain.

2.4 Sale of 20% of the regulated water activity of SUEZ Water Inc.

In July 2018, an agreement was signed with the Dutch fund manager PGGM for the sale of 20% of the regulated water activity of SUEZ Water Inc. for USD 601 million.
The finalization of this transaction is scheduled during the first half of 2019.

2.5 Sale of 6,5% of Inversiones Aguas Metropolitanas (IAM) by Suez Inversiones Aguas del Gran Santiago Limited

In August 2018, SUEZ Inversiones Aguas del Gran Santiago Limited sold 6.5% of IAM for EUR 87 million.

This transaction was considered as a transaction between shareholders and did not generate any capital gain considering the Group has maintained control over IAM.

2.6 New bond issue

On September 17, 2018, SUEZ Group placed a new bond for EUR 500 million maturing on September 17, 2030, bearing a 1.625% fixed annual coupon

2.7 Sale of nuclear waste treatment activities

On December 31, 2018, SUEZ R&V Osis Sud Est sold its nuclear waste treatment activity for approximately EUR 39 million to Endel, an ENGIE subsidiary.This transaction generated a EUR 27 million gross capital gain.

Note 3 Operating segments information

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

The Group uses five operating segments:

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

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

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

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

3.1 Operating segments

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

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

The accounting principles and valuation methods used to prepare internal reporting are the same as those used to prepare the consolidated financial statements. The EBITDA, EBIT, capital employed and investments indicators are reconciled with the consolidated financial statements.

3.2 Key indicators by operating segment

The December 2017 data in the various tables below have been restated to take into account the impacts of the first-time application of IFRS 15 - Revenues from contracts with customers and the finalization of the purchase price allocation following the acquisition of GE Water (see Note 1.2.4.).

Revenues

(in millions of euros)	December 31, 2018			December 31, 2017 restated		
	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,628.9	54.1	4,683.0	4,618.8	69.8	4,688.6
Recycling and Recovery Europe	6,206.1	59.1	6,265.2	6,139.3	38.3	6,177.6
International	3,990.2	1.9	3,992.1	3,951.3	1.5	3,952.8
WTS	2,396.3	60.5	2,456.8	970.7	42.5	1,013.2
Other	109.6	132.1	241.7	102.9	4.6	107.5
Intercompany eliminations		(307.7)	(307.7)		(156.7)	(156.7)
TOTAL REVENUES	**17,331.1**	**-**	**17,331.1**	**15,783.0**	**-**	**15,783.0**

EBITDA

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	1,136.1	1,164.8
Recycling and Recovery Europe	683.8	707.5
International	816.3	799.2
WTS	249.6	31.3
Other	(117.5)	(124.4)
TOTAL EBITDA	**2,768.3**	**2,578.4**

EBIT

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	503.0	515.4
Recycling and Recovery Europe	287.1	302.8
International	562.6	555.1
WTS	127.7	(10.9)
Other	(145.1)	(150.6)
TOTAL EBIT	**1,335.3**	**1,211.8**

Depreciation and amortization

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	(443.2)	(444.9)
Recycling and Recovery Europe	(367.7)	(379.5)
International	(252.1)	(245.1)
WTS	(127.9)	(44.2)
Other	(19.4)	(20.0)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,210.3)**	**(1,133.7)**

Capital employed

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	5,545.5	5,756.6
Recycling and Recovery Europe	3,538.0	3,555.1
International	6,035.3	5,542.0
WTS	3,458.9	3,184.9
Other	67.1	(25.5)
TOTAL CAPITAL EMPLOYED	**18,644.8**	**18,013.1**

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	(441.8)	(496.5)
Recycling and Recovery Europe	(392.2)	(324.8)
International	(494.3)	(433.2)
WTS	(154.8)	(2,555.0)
Other	(17.0)	(29.5)
TOTAL INVESTMENTS	**(1,500.1)**	**(3,839.0)**

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

3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

	Revenues		Capital Employed	
(in millions of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2018	December 31, 2017 restated
France	5,059.7	5,091.1	2,296.7	2,141.6
Europe	5,583.5	5,286.9	5,692.3	5,646.9
International	6,687.9	5,405.0	10,655.8	10,224.6
TOTAL	**17,331.1**	**15,783.0**	**18,644.8**	**18,013.1**

3.4 Reconciliation of indicators with consolidated financial statements

3.4.1 RECONCILIATION OF EBIT AND EBITDA WITH CURRENT OPERATING INCOME

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Current operating income	**1,142.4**	**1,000.2**
(+) Share in net income of equity-accounted companies considered as core business	192.9	211.6
EBIT	**1,335.3**	**1,211.8**
(-) Net depreciation, amortization and provisions	1,167.7	1,109.2
(-) Share-based payments [a]	2.9	1.5
(-) Disbursements under concession contracts	262.4	255.9
EBITDA	**2,768.3**	**2,578.4**

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

3.4.2 RECONCILIATION OF CAPITAL EMPLOYED WITH ITEMS OF THE STATEMENT OF FINANCIAL POSITION

(in millions of euros)	December 31, 2018	December 31, 2017 restated
(+) Tangible and intangible assets, net	13,756.5	13,422.4
(+) Goodwill, net	5,223.8	5,142.1
(+) Equity instrument (excluding marketable securities and impact of revaluation to fair value)	264.5	131.7
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	720.4	858.5
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	897.3	1,071.0
(+) Investments in associates (excluding Other comprehensive income net of taxes)	1,143.8	1,030.2
(+) Trade and other receivables	4,584.0	4,709.8
(+) Inventories	499.5	455.1
(+) Contracts assets	722.8	436.6
(+) Other current and non-current assets	1,714.7	1,504.4
(-) Provisions and actuarial losses/gains on pensions plans	(1,597.4)	(1,745.9)
(-) Trade and other payables	(3,798.9)	(3,741.3)
(-) Contracts liabilities	(1,264.2)	(1,327.5)
(-) Other current and non-current liabilities	(4,174.8)	(3,890.9)
(-) Other financial liabilities	(47.2)	(43.0)
Capital employed	**18,644.8**	**18,013.1**

3.4.3 RECONCILIATION OF INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AND FINANCIAL INVESTMENTS WITH ITEMS IN THE STATEMENT OF CASH FLOWS

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Investments in property, plant and equipment and intangible assets	(1,342.9)	(1,177.2)
Takeover of subsidiaries net of cash and cash equivalents acquired	(66.9)	(2,561.7)
Acquisitions of interests in associates and joint-ventures	(47.8)	(19.9)
Acquisitions of equity instrument	(31.7)	(18.8)
Change in share of interests in controlled entities	(10.8)	(61.4)
Total investments	**(1,500.1)**	**(3,839.0)**

Note 4 Current operating income

The components of current operating income are as follows:

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Revenues	17,331.1	15,783.0
Purchases	(3,648.6)	(3,032.2)
Personnel costs	(4,598.4)	(4,115.1)
Depreciation, amortization and provisions	(1,167.7)	(1,109.2)
Other operating income and expenses	(6,774.0)	(6,526.3)
Current operating income	**1,142.4**	**1,000.2**

4.1 Revenues

4.1.1 REVENUES BY NATURE

The following table shows Group's revenues per category:

(in millions of euros)	December 31, 2018	December 31, 2017 restated[a]
Sale, transport and distribution of electricity	426,8	432,7
Water, Recycling and Recovery	13 719,7	13 421,5
Construction contracts, equipment sales, engineering and other services [b]	2 217,2	1 666,4
Sale of chemical treatments for industrial water [c]	967,4	262,4
TOTAL	**17 331,1**	**15 783,0**

(a) Restatement due to the first-time application of IFRS 15 "Revenue from contracts with customers" (See Note 1.2.4.).

(b) Revenues include rental income of EUR 83.3 million.

(c) In 2017, the revenue corresponds to one quarter following the GE Water acquisition.

4.1.2 BACKLOG

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

At December 31, 2018, the breakdown of the backlog book is as follows:

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

4.1.3 CONTRACTS ASSETS AND CONTRACTS LIABILITIES

The application of IFRS 15 leads in the separate presentation of contracts assets and contracts liabilities previously included in the aggregates "Net intangible assets", "Other current assets" and "Other current liabilities" (see Note 1.5.15).

	December 31, 2018		December 31, 2017 restated	
(in millions of euros)	Non current	Current	Non current	Current
Contracts assets	95.6	627.2	21.6	414.9
Contracts liabilities	287.7	976.5	268.7	1,058.8

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Amounts due from customers under construction contracts	377.5	287.9
Amounts due to customers under construction contracts	217.6	178.9
NET POSITION	**159.9**	**109.3**

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Cumulated costs incurred and margins recognized	5,763.6	5,389.9
Advances received	121.6	101.5
Retentions	53.2	37.8

4.2 Personnel costs

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Short-term benefits	(4,507.2)	(4,050.4)
Share-based payments or by cash payment	(6.9)	3.6
Post-employment benefit obligations and other long-term benefits	(84.3)	(68.3)
Total	**(4,598.4)**	**(4,115.1)**

Short-term benefits correspond to salaries and expenses recognized for the period. The amount of these short-term benefits is reduced by the impact of CICE (tax credit for competitiveness and employment) in France for an amount of EUR 36.9 million in 2018 for the companies included in the SUEZ French tax consolidation group *versus* EUR 43.6 million in 2017.

Share-based payments and cash-based payments are broken down in Note 21. This amount includes the expenses related to long-term incentive plans.

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

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals:

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Amortization	(1 210,3)	(1 133,7)
Depreciation of inventories, trade receivables and other assets	(3,2)	(28,5)
Net change in provisions [(a)]	45,8	53,0
Total	**(1 167,7)**	**(1 109,2)**

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

The amortization breakdown is EUR 731.4 million for property, plant and equipment and EUR 478.9 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Other operating income	**225.2**	**289.8**
Other operating expenses	**(6,999.2)**	**(6,816.1)**
Sub-contracting	(2,613.3)	(2,570.0)
Taxes excluding corporate income tax	(764.4)	(730.1)
Other expenses	(3,621.5)	(3,516.0)
Total	**(6,774.0)**	**(6,526.3)**

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

Note 5 Income from operating activities

(in millions of euros)	Note	December 31, 2018	December 31, 2017 restated
Current operating income		**1,142.4**	**1,000.2**
MtM on operating financial instruments	5.1	(0.8)	1.3
Impairment on property, plant and equipment, intangible and financial assets	5.2	(25.6)	(20.3)
Restructuring costs	5.3	(87.6)	(157.6)
Scope effects	5.4	(6.2)	77.6
Other gains and losses on disposals and non-recurring items	5.5	60.1	33.6
Costs linked to the acquisition of GE Water	5.6	-	(44.4)
Income from operating activities		**1,082.3**	**890.4**

5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a loss of EUR 0.8 million at December 31, 2018, versus a gain of EUR 1.3 million in 2017 resulting primarily from the following factors:

► Implementation of economic hedging strategies through forward contracts traded on wholesale markets by certain Group entities. The objective of this strategy is to optimize margins by reducing their sensitivity to changes in raw material prices;

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

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Impairments		
Property, plant and equipment and other intangible assets	(3.3)	(12.8)
Financial assets	(25.1)	(13.5)
Total	**(28.4)**	**(26.3)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	0.3	5.0
Financial assets	2.5	1.0
Total	**2.8**	**6.0**
TOTAL	**(25.6)**	**(20.3)**

5.2.1 Impairments of *goodwills*

As of December 31, 2018, one-off tests carried out on goodwill in accordance with the procedure described in note 9.3 did not reveal any impairment on goodwill.

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

In 2018, impairment losses on property, plant and equipment and intangible assets mainly concern the Recycling and Valuation Europe operating segment, especially in France.

In 2017, losses were also recorded in Recycling and Recovery in Europe operating segment and the Water Europe operating segment, linked to difficulties in the market, especially in France and Spain.

5.2.3 IMPAIRMENTS OF FINANCIAL ASSETS

In 2018, as in 2017, this item includes impairment losses on financial receivables relating to concession contracts in the Recycling and Recovery Europe operating segment.

In 2017, this item mainly included impairment losses on tangible and intangible fixed assets in the Recycling and Recovery Europe and Water Europe operating segments due to difficult market trends, particularly in France and Spain.

5.3 Restructuring costs

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

At December 31, 2017, this item included in particular the expense linked to the voluntary redundancy scheme plans negotiated in the French entities as part of the transformation plan launched by the Group for EUR 73 million.

5.4 Scope effects

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

At December 31, 2017, this item included in particular the sale of Palyja and the sale of 9.1% stake of Aquasure.

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Disposals of property, plant and equipment and intangible assets	63.3	34.3
Disposals of shares	(3.9)	(0.8)
Others	0.7	0.1
Total	**60.1**	**33.6**

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

In 2017, the main part of the gains came from the sale of Torre Agbar in Spain and the sale of two sites in the United Kingdom.

5.6 Costs linked to the acquisition of GE Water

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

Given their unusual nature and their significant amount those expenses are presented on a separate line in the income statement, between the current operating income and the income from operating activities.

Note 6 Net financial income/loss

(in millions of euros)	December 31, 2018 Expenses	Income	Total	December 31, 2017 restated Expenses	Income	Total
Cost of net debt	(458.6)	36.1	(422.5)	(417.7)	39.9	(377.8)
Other financial income and expenses	(97.0)	54.1	(42.9)	(100.8)	49.7	(51.1)
Financial income/(loss)	**(555.6)**	**90.2**	**(465.4)**	**(518.5)**	**89.6**	**(428.9)**

6.1 Cost of net debt

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

(in millions of euros)	December 31, 2018 Expenses	Income	Total	December 31, 2017 restated Expenses	Income	Total
Interest expense on gross borrowings	(401.2)	-	(401.2)	(373.2)	-	(373.2)
Exchange gain/(loss) on borrowings and hedges	(40.2)	-	(40.2)	(26.3)	-	(26.3)
Unrealized income/(expense) from economic hedges on borrowings	(0.1)	-	(0.1)	-	-	-
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	25.1	25.1	-	28.7	28.7
Capitalized borrowing costs	-	0.7	0.7	-	1.2	1.2
Financial income (expense) relating to a financial debt or receivable restructuring	(17.1)	10.3	(6.8)	(18.2)	10.0	(8.2)
Cost of net debt	**(458.6)**	**36.1**	**(422.5)**	**(417.7)**	**39.9**	**(377.8)**

The increase in the cost of net debt between December 31, 2017, and December 31, 2018, is mainly due to the full-year effect of bond issues in 2017, as well as a new bond issue in 2018:

► On March 27, 2017, two issues for a total of EUR 1,200 million following the announcement, on March 8, 2017, of the acquisition project of GE Water:

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

► On September 13, 2017, a EUR 500 million issue with a fixed annual coupon of 1.625% maturing on September 21, 2032.

► On 17 September 2018, a EUR 500 million bond issue with a fixed annual coupon of 1.625% maturing on 17 September 2030.

6.2 Other financial income and expenses

(in millions of euros)	December 31, 2018 Expenses	Income	Total	December 31, 2017 restated Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(19.5)	-	(19.5)	(16.3)	-	(16.3)
Unwinding of discounting adjustment to long term provisions (except post employment)	(44.3)	-	(44.3)	(41.7)	-	(41.7)
Change in fair value of derivatives not included in net debt	(0.8)	-	(0.8)	(1.2)	-	(1.2)
Income from equity instrument	-	8.7	8.7	-	5.0	5.0
Other	(32.4)	45.4	13.0	(41.6)	44.7	3.1
Other Financial Income and Expenses	**(97.0)**	**54.1**	**(42.9)**	**(100.8)**	**49.7**	**(51.1)**

Note 7 Income tax

7.1 Income tax expense in the income statement

7.1.1 BREAKDOWN OF INCOME TAX EXPENSE IN THE INCOME STATEMENT

Income tax expense for the fiscal year amounted to EUR 244 million (compared to EUR 157.2 million in 2017 restated from impacts of purchase price allocation of GE Water) and breaks down as follows:

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Current income tax	(222.7)	(125.9)
Deferred taxes	(21.3)	(31.3)
Total income tax expense recognized in income	**(244.0)**	**(157.2)**

7.1.2 THEORETICAL INCOME TAX EXPENSE AND ACTUAL INCOME TAX EXPENSE

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Net income	**565,8**	**515,9**
- Share in net income of associates and joint ventures	192,9	211,6
- Income tax expense	(244,0)	(157,2)
Income before income tax and share in net income of associates and joint ventures (A)	**616,9**	**461,5**
Of which French companies	*26,4*	*(28,1)*
Of which companies outside France	*590,5*	*489,6*
Statutory income tax rate of SUEZ (B) [(a)]	34,43%	34,43%
Theoretical income tax expense (C) = (A) x (B)	**(212,4)**	**(158,9)**
In fact :		
Difference between the normal tax rate applicable to SUEZ and the normal tax rate applicable in jurisdictions in France and outside France [(b)]	33,6	32,7
Permanent differences [(c)]	(28,4)	47,3
Income taxed at a reduced rate or tax-exempt	4,0	1,4
Additional tax expense [(d)]	(36,1)	11,3
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences [(e)]	(41,9)	(181,7)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences [(f)]	10,6	26,1
Impact of changes in tax rates [(g)]	(10,9)	1,3
Tax savings and credits [(h)]	24,8	29,6
Other [(i)]	12,7	33,7
Actual income tax expense	**(244,0)**	**(157,2)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)	**39,6%**	**34,1%**

(a) The overall corporate tax rate in France is 34.43%. Under current law, this rate will be 32.02% in 2019.

(b) It mainly reflects the impact of the rate difference in 2018 on the one hand between federal tax in United States (21%) and the rate in France and on ther hand beetween corporate tax in Chile (27%) and those in France.

(c) In 2018, this item includes particulary the limit on the deductibility of some financial expenses. In 2017, this item included the capital gain on the disposal of Aquasure securities.

(d) This item records mainly withholding taxes on dividends, "State Tax" on american subsidiaridies and the tax impact of dividends received. In 2017, this item included additionnally a EUR 53 million reimbursement by the state of the 3% contribution on dividends paid out between 2013 and 2017.

(e) In 2018, it reflects the impact of -EUR 16.5 million which corresponds to the impairment of deferred tax assets within the French WTS and SUEZ Spanish tax consolidation group. Furthermore, it includes -EUR 7 million of impairment of deferred tax assets previously recognised in relation with the limit on the deductibility of Interests in United States. In 2017 this item included an impact of -EUR 139.1 million which corresponded to the impairment of deferred tax assets within the French and Spanish tax consolidation group.

(f) In 2018, this item includes mainly the recognition of deferred tax on Suez R&R Belgium for EUR 3.9 million and R&R Netherlands for EUR 2.1 million. In 2017, this item included mainly the recognition of deferred tax on SUEZ Treatment Solutions Inc for EUR 8 million and Suez R&R Belgium for EUR 4 million.

(g) In 2018, this item primarily includes the impact of the tax rate difference in France beetween deferred tax rate by reversing horizon and normative tax rate. In 2017 this item included the impact of the revaluation of deferred tax of the entities based in France and US in particulary in the context of purchase price allocation of WTS subsidiaridies.

(h) In 2018 and 2017, this item includes the impact of the tax credit for Competitiveness and Employment (CICE) and the tax credit for research (CIR). Moreover, in 2017, this item included tax credits perceived in Spain.

(i) In 2017 and 2018, it mainly includes the impact of the tax savings generated by the tax consolidation group in France and in Spain as well as the impact of tax adjustments on prior years.

Increase of the effective tax rate at December 31, 2018 compared to 2017 restated can be mainly explained by impairment of deferred tax assets within French WTS and Spanish consolidation tax group and the impairment of deferred tax assets previously recognized in relation with the limit on the deductibility of financial expenses in United States. As of December 31, 2017, the effective tax rate benefited from the positive effect of the modification of the US tax rate and the reimbursement by French State of the 3% contribution on dividends paid out between 2013 and 2017.

7.1.3 ANALYSIS BY TYPE OF TEMPORARY DIFFERENCE IN DEFERRED TAX INCOME/EXPENSES ON THE INCOME STATEMENT

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Deferred tax assets		
Loss carryforwards	(25,7)	(50,6)
Pension obligations	(0,3)	4,4
Concessions arrangements	1,4	(3,0)
Non-deductible provisions	8,5	(9,7)
Differences between the carrying amount of PPE and their tax bases	(3,8)	(20,2)
Measurement of financial instruments at fair value	11,2	3,9
Other	(37,0)	(17,7)
TOTAL	**(45,7)**	**(92,9)**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	0,2	64,3
Concessions arrangements	1,1	(0,2)
Tax-driven provisions	(2,8)	(3,1)
Measurement of assets and liabilities at fair value	(0,5)	4,3
Other	26,4	(3,7)
Total	**24,4**	**61,6**
Net Deferred Taxes	**(21,3)**	**(31,3)**

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

In 2017, the amounts presented under “Loss carryforwards” mainly referred to the impact of the impairment of deferred tax assets within French and Spanish consolidation tax groups. The movement shown in "Differences between the carrying amount of PPE and their tax bases" was mainly related to the impact of change in US tax rate on the non-regulated activity and by the purchase price allocation of GE Water.

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

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Equity instrument	0.2	-
Actuarial gains and losses	(33.8)	19.2
Net investment hedges	(0.1)	(0.1)
Cash flow hedges	(0.9)	(2.9)
Total excluding share of associates and joint ventures	**(34.6)**	**16.2**
Share of associates	(2.8)	(2.0)
Total	**(37.3)**	**14.2**

In 2018, as in 2017, tax effect is mainly due to actuarial gains and losses on pension and other employee benefit obligations in SUEZ Water Inc.: EUR 14 million in 2017 and -EUR 31.1 million in 2018.

7.3 Deferred taxes in the statement of financial position

7.3.1 CHANGE IN DEFERRED TAXES

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

(in millions of euros)	Assets	Liabilities	Net Balances
At December 31, 2017 restated	**630.0**	**(649.6)**	**(19.6)**
IFRS 9 Restatement	6.5	(1.7)	4.8
At January,1 2018	**636.5**	**(651.3)**	**(14.8)**
From income statement	(45.5)	24.2	(21.3)
From other comprehensive income [(a)]	(49.1)	14.5	(34.6)
Scope effects	41.7	(63.9)	(22.2)
Translation adjustments	(1.5)	(5.3)	(6.8)
Other impacts	(1.5)	(1.6)	(3.1)
Deferred tax netting off by tax entity	(34.0)	34.0	-
At December 31, 2018	**546.6**	**(649.4)**	**(102.8)**

[(a)] Excluding share of associates and joint-ventures

Movements in "Scope effects" mainly corresponds to the change in consolidation method of a Chinese joint venture which is now fully consolidated.

7.3.2 ANALYSIS OF THE NET DEFERRED TAX POSITION RECOGNIZED ON THE STATEMENT OF FINANCIAL POSITION BY TYPE OF TEMPORARY (BEFORE NETTING OFF DEFERRED TAX ASSETS AND LIABILITIES BY ENTITY), DIFFERENCE)

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Deferred tax assets		
Loss carry-forwards and tax credit	266,0	292,6
Pension obligations	184,5	208,8
Concessions arrangements	96,6	97,6
Non-deductible provisions	178,9	173,7
Differences between the carrying amount of PPE and their tax bases	125,2	174,1
Measurement of financial instruments at fair value	23,6	9,6
Other	321,8	191,8
Total	**1 196,6**	**1 148,2**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(837,4)	(1 029,0)
Concessions arrangements	(76,7)	(77,4)
Tax-driven provisions	(20,0)	(17,4)
Measurement of assets and liabilities at fair value	(39,5)	(39,4)
Other	(325,8)	(4,6)
Total	**(1 299,4)**	**(1 167,8)**
Net Deferred Taxes	**(102,8)**	**(19,6)**

In 2017 restated, the movement in "Differences beetween the carrying amount of PPE and their tax bases" line in comparison with December 31, 2017 published is due to the impact of the purchase price allocation of GE Water and the first application of IFRS 15 " Revenue from Contracts with Customers" restatements.

The deferred tax assets recognized on tax loss carry-forwards amount to EUR 266.0 million as of December 31, 2018 *versus* EUR 292.6 million as of December 31, 2017. These tax losses carried forward mainly correspond to the losses recognized by the SUEZ French consolidation tax group.

In 2018, the Group impaired deferred tax assets arising during the year within the SUEZ French consolidation tax group, generated by the recurring tax effect of interest on hybrid loans since their inception. The total amount of net deferred tax assets within the SUEZ French tax consolidation group, including all temporary differences, is of EUR 201.4 million at December 31, 2018 (including EUR 131.2 million on tax loss carry-forward and tax credit) and amounted to EUR 211.3 million at December 31, 2017.

Management considers that the SUEZ French tax consolidation group will be able to use up its deferred tax assets not depreciated on loss carry-forwards over the 5-year medium-term plan (approximately 50% of them) or beyond.

7.4 Unrecognized deferred taxes

7.4.1 DEDUCTIBLE TEMPORARY DIFFERENCES UNRECOGNIZED

Temporary differences on losses carried forward

At December 31, 2018, unused and unrecognized tax losses carried forward (unrecognized because they did not meet the criteria for recognition as a deferred tax asset) amounted to EUR 431.6 million for ordinary tax loss carry-forwards, *versus* EUR 417.8 million as of December 31, 2017. This movement is mainly related to the tax losses of the period, unrecognized in the WTS French consolidated tax group.

Other temporary differences unrecognized

The amount of deferred tax assets on other unrecognized temporary differences amounted to EUR 212.5 million at December 31, 2018, compared to EUR 81.2 million at December 31, 2017. These unrecognized deferred taxes mainly come from WTS scope subsidiaries.

7.4.2 UNRECOGNIZED DEFERRED TAX LIABILITIES ON TAXABLE TEMPORARY DIFFERENCES RELATING TO INVESTMENTS IN SUBSIADIARIES

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

Note 8 Earning per share

Numerator *(in millions of euros)*	**December 31, 2018**	**December 31, 2017 restated**
Net income, Group share	**334,9**	**295,5**
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in June 2014	(15,0)	(15,0)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in March 2015	(12,5)	(12,5)
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ in April 2017	(17,3)	
Adjusted Net Income, Group Share	**290,1**	**268,0**
Denominator *(in millions)*		
Weighted average number of outstanding shares	**618,0**	**593,2**
Earnings per share *(in euros)*		
Net income Group share per share	**0,47**	**0,45**
Net diluted income Group share per share	**0,47**	**0,45**

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

- the SUEZ bonus share plans;
- the SUEZ employee share issue;
- the OCEANE 2020 convertible bonds, i.e. 19,052,803 securities issued in 2014, which generate financial expense of EUR 6.6 million in 2018.

Note 9 Goodwill

9.1 Movements in the carrying amount of goodwill

At December 31, 2017, the estimated goodwill following the acquisition of GE Water amounted to EUR 2,171 million**.** In accordance with IFRS 3 revised on business combinations (see Note 2), the carrying amount of goodwill has been adjusted for the effects of the final allocation of the purchase price. The residual goodwill thus amounted to EUR 1,753 million.

(in millions of euros)	**Gross amount**	**Impairment Losses**	**Carrying amount**
At December 31, 2016	**3,741.3**	**(94.4)**	**3,646.9**
Scope effects	1,704.3	4.7	1,709.0
Impairment losses	-	-	-
Translation adjustments	(215.5)	2.2	(213.3)
Other	4.3	(4.8)	(0.5)
At December 31, 2017 restated	**5,234.4**	**(92.3)**	**5,142.1**
Scope effects	(24.4)	-	(24.4)
Impairment losses	-	-	-
Translation adjustments	98.7	1.9	100.6
Other	5.5	-	5.5
At December 31, 2018	**5,314.2**	**(90.4)**	**5,223.8**

In 2018, the net change in goodwill amounted to +EUR 81.7 million. This is mainly the result of:

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

At December 31, 2017 restated, the net change in goodwill amounted to +EUR 1,495.2 million and recorded, in addition to the final measurement of the goodwill of GE Water (after the purchase price allocation), the following items:

- translation adjustments mainly related to fluctuations in the US dollar for -EUR 110.9 million, the pound sterling for -EUR 14.2 million, and the Hong Kong dollar for -EUR 72.0 million.
- a EUR 14.0 million decrease following the sale of 9.1% stake of Aquasure.

9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

(in millions of euros)	Operating segment	December 31, 2018	December 31, 2017 restated
Material CGUs			
SUEZ WTS	WTS	1,817.7	1,740.9
R&V France	Recycling and Recovery Europe	620.7	615.4
SUEZ Spain	Water Europe	565.4	562.1
R&R News	Recycling and Recovery Europe	510.1	507.1
SUEZ Water Inc.- regulated activity	International	456.7	436.1
R&R UK	Recycling and Recovery Europe	347.7	350.5
Water France	Water Europe	328.3	332.1
SUEZ NWS	International	239.3	248.7
R&R Australia	International	157.9	166.0
Other CGUs (individual goodwill of less than EUR 150 million)		180.0	183.2
Total		**5,223.8**	**5,142.1**

9.3 Impairment test

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out based on actual results at the end of June, on the last forecast of the year taking into account the upcoming events in the second half of the year, on the following year budget and on the medium-term plan (MTP) over four years for the rest of the business plan.

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

- cash flow projections prepared over the duration of the medium-term plan approved by the Group's Board of Directors. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in pricing regulations and future market outlooks;
- a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 2% and 3% depending on the activity, to normalized free cash flow[1] (used specifically in impairment tests) in the final year of the projections;
- a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2018 range from 4.5% to 8.1%.

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

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

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

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

Main assumptions used for material goodwill

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

Cash-generating units	Measurement method	Discount rates
SUEZ WTS	DCF	8.1%
R&V France	DCF	5.0%
SUEZ Spain	DCF	5.6%
R&R News	DCF	5.1%
SUEZ Water Inc.- regulated activity	multiples [(a)] + DCF	4.8%
R&R UK	DCF	5.3%
Water France	DCF	4.5%
SUEZ NWS	DCF	6.9%
R&R Australia	DCF	6.6%

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

9.4 Sensitivity to interest rate and operational assumptions

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

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

	Discount rates		Growth rate of "normalized" Free Cash Flow	
Impact in % on excess of recoverable value over book value	**- 50 pb**	**+ 50 pb**	**- 50 pb**	**+ 50 pb**
SUEZ WTS	109%	-91%	-68%	82%
R&V France	35%	-25%	-22%	31%
SUEZ Spain	89%	-67%	-59%	77%
R&R News	40%	-28%	-24%	34%
SUEZ Water Inc.- regulated activity	110%	-61%	-58%	104%
R&R UK	30%	-22%	-19%	26%
Water France	35%	-23%	-21%	32%
SUEZ NWS	36%	-28%	-25%	32%
R&R Australia	17%	-13%	-11%	14%

Moreover, the Group ensured that, in 2018, a reasonable decrease (equal to or less than 5%) of both cash flows during the medium-term plan and of the terminal value does not call into question the goodwill values of the different significant CGUs.

9.5 Segment information

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

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Water Europe	741.8	744.3
Recycling and Recovery Europe	1,531.3	1,533.7
International	1,130.3	1,120.5
WTS	1,817.7	1,740.9
Other	2.7	2.7
Total	**5,223.8**	**5,142.1**

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

Note 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

(in millions of euros)	Softwares	Intangible rights arising on concession contracts		Other	Total
A. Gross amount at December 31, 2016	**756,6**	**5 562,2**		**1 358,0**	**7 676,8**
Acquisitions	38,8	154,7		131,9	325,4
Disposals	(27,7)	(191,8)	(a)	(6,8)	(226,3)
Translation adjustments	(4,5)	(59,2)		(69,1)	(132,8)
Changes in scope of consolidation [(b)]	13,1	83,0		868,5	964,6
Other	19,4	285,9		(158,0)	147,3
At December 31, 2017 restated	**795,7**	**5 834,8**		**2 124,5**	**8 755,0**
Acquisitions	39,5	234,0		76,0	349,5
Disposals	(17,3)	(133,8)	(a)	(8,5)	(159,6)
Translation adjustments	(3,5)	15,5		35,2	47,2
Changes in scope of consolidation	(2,8)	(9,3)		(8,8)	(20,9)
Other	40,8	198,9	(c)	(57,2)	182,5
At December 31, 2018	**852,4**	**6 140,1**		**2 161,2**	**9 153,7**
B. Accumulated depreciation and impairment at December 31, 2016	**(507,1)**	**(2 314,2)**		**(632,5)**	**(3 453,8)**
Depreciation	(66,8)	(312,3)		(62,6)	(441,7)
Impairment losses	-	(1,9)		(5,3)	(7,2)
Disposals	33,9	169,4	(a)	5,1	208,4
Translation adjustments	3,0	24,3		19,2	46,5
Changes in scope of consolidation	0,4	(0,2)		2,0	2,2
Other	(7,9)	(224,4)		39,2	(193,1)
At December 31, 2017 restated	**(544,5)**	**(2 659,3)**		**(634,9)**	**(3 838,7)**
Depreciation	(71,0)	(317,9)		(90,0)	(478,9)
Impairment losses	(0,6)	-		1,9	1,3
Disposals	15,8	128,1	(a)	7,7	151,6
Translation adjustments	2,8	(8,4)		(0,6)	(6,2)
Changes in scope of consolidation	2,5	7,8		2,7	13,0
Other	(6,9)	(11,7)		4,9	(13,7)
At December 31, 2018	**(601,9)**	**(2 861,4)**		**(708,3)**	**(4 171,6)**
C. Carrying Amount					
At December 31, 2016	**249,5**	**3 248,0**		**725,5**	**4 223,0**
At December 31, 2017 restated	**251,2**	**3 175,5**		**1 489,6**	**4 916,3**
At December 31, 2018	**250,5**	**3 278,7**		**1 452,9**	**4 982,1**

(a) At the end of the concession agreements, intangible assets within the scope of IFRIC 12 are derecognized, through a "disposal" flow.

(b) Changes in the scope of consolidation in 2017 corresponded to the takeover of VAK Karlovy Vary, the finalization of the purchase price allocation related to the 2016 business combination of SUEZ NWS (Hong Kong) and the purchase price allocation of GE Water (see Note 1.2.4.3).

(c) Changes in "Other" mainly correspond to the change in consolidation method of a Chinese joint venture now fully consolidated in 2018.

10.2 Information on intangible assets

Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Notes 1.5.4, 1.5.6 and 1.5.13.4) in the drinking water distribution, wastewater treatment and waste management businesses. Infrastructure rights granted to the Group as concession operator, falling within the scope of application of IFRIC 12, and corresponding to the intangible model, are recognized under this category. These include the rights to charge end users under IFRIC 12 the intangible asset model.

Most of the acquisition of the year are done in the Water Europe sector.

Non-depreciable intangible assets

Non-depreciable intangible assets, mainly composed of water rights, amounted to EUR 102 million at December 31, 2018, *versus* EUR 105 million at December 31, 2017, and were included in the column "Other".

No significant impairment was posted in this asset category in 2018.

Information on research and development expenses

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

Research and development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of EUR 120 million, a slight increase as at December 31, 2018 compared with December 31, 2017 which were registered for EUR 92 million.

Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material for year end 2018.

Note 11 Property, plant and equipment

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

(in millions of euros)	Lands	Constructions	Plant and equipment	Transport equipment	Capitalized dismanting and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
At December 31, 2016	**1,850.8**	**3,311.8**	**8,084.0**	**1,460.6**	**538.1**	**745.3**	**511.8**	**16,502.4**
Acquisitions	26.9	52.6	158.0	31.7	-	608.8	28.7	906.7
Disposals	(11.8)	(169.3)	(223.6)	(129.3)	-	-	(26.1)	(560.1)
Translation adjustments	(43.6)	(98.0)	(448.0)	(18.7)	(6.3)	(29.1)	(25.2)	(668.9)
Changes in scope of consolidation	45.2	100.1	377.1	(0.7)	-	58.8	0.1	580.6
Other[a]	153.2	105.1	343.2	3.2	7.5	(533.0)	15.9	95.1
At December 31, 2017 restated	**2,020.7**	**3,302.3**	**8,290.7**	**1,346.8**	**539.3**	**850.8**	**505.2**	**16,855.8**
Acquisitions	7.2	115.5	245.9	23.8	-	638.6	30.6	1,061.6
Disposals	(12.5)	(55.0)	(193.9)	(121.3)	(0.6)	-	(23.2)	(406.5)
Translation adjustments	(26.7)	(45.3)	1.4	(8.9)	(5.1)	(14.4)	5.8	(93.2)
Changes in scope of consolidation	(7.6)	(15.5)	(10.1)	(2.3)	-	(6.9)	(4.3)	(46.7)
Other	30.0	24.6	534.1	21.1	0.3	(495.6)	19.5	134.0
At December 31, 2018	**2,011.1**	**3,326.6**	**8,868.1**	**1,259.2**	**533.9**	**972.5**	**533.6**	**17,505.0**
B. Accumulated depreciation and impairment								
At December 31, 2016	**(981.4)**	**(1,474.7)**	**(3,757.6)**	**(1,110.4)**	**(535.6)**	**(16.3)**	**(346.6)**	**(8,222.6)**
Depreciation	(67.2)	(127.5)	(348.2)	(90.4)	(0.3)		(58.5)	(692.1)
Impairment losses	(13.7)	(4.7)	(4.4)	(0.1)		-	(0.1)	(23.0)
Disposals	9.3	35.6	215.3	109.0	-	-	19.3	388.5
Translation adjustments	19.6	23.3	123.9	13.1	6.3	1.4	14.1	201.7
Changes in scope of consolidation	-	-	(6.6)	0.3	-	-	(3.8)	(10.1)
Other[a]	(28.2)	10.3	7.8	8.0	(7.5)	-	17.5	7.9
At December 31, 2017 restated	**(1,061.6)**	**(1,537.7)**	**(3,769.8)**	**(1,070.5)**	**(537.1)**	**(14.9)**	**(358.1)**	**(8,349.7)**
Depreciation	(71.2)	(136.7)	(391.8)	(76.4)	(0.3)		(55.0)	(731.4)
Impairment losses	(0.9)	(3.2)	3.1	(0.7)		(0.4)	(0.1)	(2.2)
Disposals	2.4	42.1	168.5	101.0	0.6	0.3	19.1	334.0
Translation adjustments	10.7	13.3	20.3	6.4	5.1	(0.4)	(3.0)	52.4
Changes in scope of consolidation	1.3	10.3	16.0	1.7	-	-	3.4	32.7
Other	(0.3)	8.5	(94.1)	3.0	(0.3)	0.3	16.5	(66.4)
At December 31, 2018	**(1,119.6)**	**(1,603.4)**	**(4,047.8)**	**(1,035.5)**	**(532.0)**	**(15.1)**	**(377.2)**	**(8,730.6)**
C. Carrying Amount								
At December 31, 2016	869.4	1 837.1	4 326.4	350.2	2.5	729.0	165.2	8,279.8
At December 31, 2017 restated	959.1	1 764.6	4 520.9	276.3	2.2	835.9	147.1	8,506.1
At December 31, 2018	**891.5**	**1 723.2**	**4 820.3**	**223.7**	**1.9**	**957.4**	**156.4**	**8,774.4**

(a) Torre Agbar in Barcelona had been reclassified as an "asset held for sale" in accordance with IFRS 5, at the end of December 2016. This asset was reclassified in tangible asset for a total amount of EUR 131.8 million in early 2017, before being sold, on January 12, 2017, to the Spanish real estate group Merlin.

In 2018, the main changes are as follows:

- the lines "Other" include the change in consolidation method of a Chinese joint venture which is now fully consolidated in SUEZ Group accounts, for EUR 117.8 million.
- the main translation adjustments on the carrying amount of property, plant and equipment concern the Chilean peso -EUR 139 million, the US dollar +EUR 126 million and the Australian dollar -EUR 13 million.

Acquisition of tangible assets in progress, stable over the period, were mainly made in the United States +EUR 193 million, France +EUR 191 million and Chile +EUR 116 million.

In 2017, the main changes were explained as follows:

▶ GE Water acquisition as of September 29, 2017 generating a scope effect of EUR 533 million. This effect was adjusted by +EUR 39 million following the completion of the price purchase allocation of GE Water (see Note 2.1.2).

▶ translation adjustments on the carrying amount of property, plant and equipment which primarily concerned the Chilean peso -EUR 131 million and the US dollar -EUR 303 million.

11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to EUR 10.6 million at December 31, 2018 against EUR 11.0 million at December 31, 2017.

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

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

The Group's contractual commitments for property, plant and equipment amounted to EUR 446.6 million at December 31, 2018, against EUR 429.7 million at December 31, 2017.

Note 12 Investments in joint ventures and associates

12.1 Investments in joint ventures

The Group's most significant joint ventures are the Chinese joint ventures jointly owned by SUEZ NWS Limited, a Hong Kong-based company at 50% and by local concessionary authorities at 50%. Following the full consolidation of SUEZ NWS Limited in SUEZ, the shares of Chinese joint ventures are accounted for by using the equity method at 50% in SUEZ's consolidated statement of financial position at December 31, 2018 for EUR 561.1 million.
Another major joint venture is the Suyu group, which is based in China and is 50% owned by SUEZ.

	Carrying amount of investments in joint ventures		Share in net income/ (loss) of joint ventures	
(in millions of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2018	December 31, 2017 restated
SUEZ NWS Limited group	561.1 [(a)]	681,7	56,8	67,3
Suyu group	298,0	284,6	17,9	14,8
Other	38,3	37,6	7,3	10,1
TOTAL	**897,4**	**1 003,9**	**82,0**	**92,2**

(a) The decrease of EUR 120.6 million between December 2018 and December 2017 mainly corresponds to the change in consolidation method of a Chinese joint venture which is now fully consolidated in 2018.

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Net income	82.0	92.2
Other comprehensive income (OCI)	0.8	(53.5)
Comprehensive income	**82.8**	**38.7**

➢ **SUEZ NWS Limited group**

The summarized financial information presented below represent 100% of Chinese joint ventures' financial statements and income statement held at 50% by SUEZ NWS Limited.

Summarized Statement of financial position

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Non-current assets	607.3	629.9
Current assets	291.4	320.3
of which Cash and cash equivalents	*139.5*	*159.0*
Total assets	**898.7**	**950.2**
Shareholders' equity, Group share	478.9	529.0
Non-controlling interests	4.5	4.5
Total shareholders' equity	**483.4**	**533.5**
Non-current liabilities	189.6	196.2
Current liabilities	225.7	220.5
Total shareholders' equity and liabilities	**898.7**	**950.2**

Summarized Income Statement

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Revenues	360.8	341.9
Current operating income	68.7	77.8
Net income - group share	62.4	60.5
Net income - non-controlling interests	0.6	0.5
Net income	**63.0**	**61.0**
Other comprehensive income (OCI)[(a)]	(2.4)	(34.3)
Comprehensive income	**60.6**	**26.7**

(a) This amount corresponds to translation adjustments

Dividends (at 100%)

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by Chinese joint ventures	94.6	89.2

- **Suyu group**

The summarized financial information presented below represent 100% of the financial statements and income statement of Suyu group.

Summarized Statement of financial position

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Non-current assets [(a)]	756,5	750,0
Current assets	2,2	0,6
of which Cash and cash equivalents	*2,2*	*0,6*
Total assets	**758,7**	**750,6**
Shareholders' equity, Group share	595,9	569,2
Total shareholders' equity	**595,9**	**569,2**
Non-current liabilities	162,8	181,4
Current liabilities	-	-
Total shareholders' equity and liabilities	**758,7**	**750,6**

(a) Includes Derun Environment shares equity accounted for EUR 721.3 million in December 2018 (EUR 714.5 million in December 2017).

Summarized Income Statement

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Net income [(a)]	**59.4**	**49.2**
Other comprehensive income (OCI)	(5.2)	(44.0)
Comprehensive income	**54.2**	**5.2**

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

Dividends

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by Suyu group	4.6	-

12.2 Investments in associates

(in millions of euros)	Carrying amount of investments in associates December 31, 2018	December 31, 2017 restated	Share in net income/ (loss) of associates December 31, 2018	December 31, 2017 restated
In Acea group	563,5	573,1	55,5	48,8
In Agbar group	190,4	183,7	15,5	15,9
In the company Aquasure Holding	69,4	74,1	11,7	19,3
In Sita Waste Services Ltd group	63,5	-	4,7	-
In the company Brnenske Vodarny A Kanalizace	35,6	36,0	1,4	1,3
In SWTS group	25,6	20,9	3,5	1,2
In R&R BeLux	18,0	18,4	3,4	2,5
In the company Aguas de Saltillo S.A. de C.V.	17,3	15,9	1,7	1,2
In the company ACQUE BLU FIORENTINE SpA	17,2	17,2	1,7	1,8
In R&V France group	17,1	12,9	6,1	3,4
In the company Aguas de Cartagena S.A E.S.P	13,2	12,5	3,3	2,4
In the company Arte SA de CV	7,5	7,2	1,2	1,4
In SUEZ Polska sp zoo group	6,7	6,9	0,4	0,4
In the R&R UK group	5,7	9,5	(0,4)	8,3
In the company Interagbar de Colombia S.A.S	5,7	5,9	-	-
In the company Aquasystema Maribor	5,7	5,7	1,1	1,2
In SUEZ R&R Deutschland GmbH group	5,3	5,0	1,3	1,7
In SUEZ R&R Netherlands BV group	4,8	2,1	(2,6)	0,5
In the company Degrémont WTE Praha v.o.s.	3,7	8,4	2,0	5,2
In SUEZ Water Inc. group	2,0	1,9	-	-
In the company SUEZ Water Treatment Company Limited	1,8	1,8	-	(0,5)
Other	4,6	4,7	(0,6)	3,4
TOTAL	**1 084,3**	**1 023,8**	**110,9**	**119,4**

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Net income	110.9	119.4
Other comprehensive income (OCI)	12.0	(6.6)
Comprehensive income	**122.9**	**112.8**

The Group's largest individual associate is the Acea group, listed on the Milan Stock Exchange and in which the SUEZ group holds 23.33% of the capital.

The book value of Acea in the statement of financial position as of December 31, 2018 is EUR 563.5 million and its market value is EUR 596.8 million.

➢ **Acea group**

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

The consolidated financial statements of Acea group at December 31, 2018 are not available at the date of publication of the group's 2018 consolidated financial statements.

In compliance with IAS 28 "Investments in Associates and Joint Ventures", the summarized statement of financial position and the summarized income statement at September 30, 2018 correspond to the latest available information.

Summarized Statement of financial position

(in millions of euros)	September 30, 2018	December 31, 2017
Non-current assets	5,373.6	5,147.6
Current assets	2,342.3	2,191.5
of which Cash and cash equivalents	*928.7*	*680.6*
Total assets	**7,715.9**	**7,339.1**
Shareholders' equity, Group share	1,663.8	1,717.6
Non-controlling interests	92.8	93.6
Total shareholders' equity	**1,756.6**	**1,811.2**
Non-current liabilities	4,015.8	3,340.2
Current liabilities	1,943.5	2,187.7
Total shareholders' equity and liabilities	**7,715.9**	**7,339.1**

Summarized Income Statement – of the first nine months

(in millions of euros)	September 30, 2018	September 30, 2017
Revenues	2,173.9	2,037.9
Gross operating profit	659.6	607.9
Operating profit /(loss)	381.0	291.3
Net income - group share	214.8	152.6
Net income - non-controlling interests	11.0	9.0
Net income	**225.8**	**161.6**
Other comprehensive income (OCI)	13.4	(1.0)
Comprehensive income	**239.2**	**160.6**

Dividends (at 100%)

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

Note 13 Financial instruments

13.1 Financial assets

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

	December 31, 2018			December 31, 2017 restated [(a)]		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Equity instrument at fair value	133,0	-	133,0	127,1	-	127,1
Loans and receivables carried at amortized cost	610,7	4 693,7	5 304,4	721,9	4 846,4	5 568,3
Loans and receivables carried at amortized cost (excluding trade and other receivables)	610,7	109,7	720,4	721,9	136,6	858,5
Trade and other receivables	-	4 584,0	4 584,0	-	4 709,8	4 709,8
Financial assets measured at fair value	119,0	126,8	245,8	149,5	146,4	295,9
Derivative financial instruments	119,0	97,6	216,6	149,5	89,5	239,0
Financial assets measured at fair value through income	-	29,2	29,2	-	56,9	56,9
Cash and cash equivalents	-	3 424,1	3 424,1	-	3 221,3	3 221,3
Total	**862,7**	**8 244,6**	**9 107,3**	**998,5**	**8 214,1**	**9 212,6**

(a) Restatements due to the first-time application of IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water (see Note 1.2.4.).

13.1.1 Equity instruments at fair value

Since January 1, 2018 and the application of IFRS 9, equity instruments have been measured at fair value, either through profit or loss or through other comprehensive income, depending on the category used (see Note 1.5.9.1).

Movements on equity instruments at fair value are broken down as follows:

(in millions of euros)	Available for sale securities	Equity instruments at JV through OCI	Equity instruments at JV through income
At December 31, 2017	**127,1**		
IFRS 9 Restatement	(127,1)	94,3	32,8
At January 1, 2018	**-**	**94,3**	**32,8**
Acquisitions		31,6	0,1
Net book value of disposals		(1,5)	(1,1)
Changes in fair value posted to equity as other comprehensive income		(2,0)	-
Changes in fair value posted to income statement		-	(2,5)
Changes in scope, exchange rates and other		(17,4)	(1,3)
At December 31, 2018		**105,0**	**28,0**

The value of equity instruments at fair value through OCI held by the Group amounts to EUR 105 million of unlisted securities as at December 31, 2018.

The value of equity instrument at fair value through income held by the Group amounts to EUR 28 million as at December 31, 2018, which is divided between EUR 22.2 million of listed securities and EUR 5.8 million of unlisted securities.

13.1.2 Loans and receivables carried at amortized cost

(in millions of euros)	December 31, 2018 Non-current	Current	Total	December 31, 2017 restated [a] Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**610,7**	**109,7**	**720,4**	**721,9**	**136,6**	**858,5**
Loans granted to affiliated companies [b]	405,8	66,3	472,1	312,2	126,7	438,9
Other receivables at amortized cost	2,6	-	2,6	3,0	-	3,0
Concession receivables	201,6	43,4	245,0	405,9	9,8	415,7
Finance lease receivables	0,7	-	0,7	0,8	0,1	0,9
Trade and other receivables	**-**	**4 584,0**	**4 584,0**	**-**	**4 709,8**	**4 709,8**
Total	**610,7**	**4 693,7**	**5 304,4**	**721,9**	**4 846,4**	**5 568,3**

(a) Restatements due to the first-time application of IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water (see Note 1.2.4.).

(b) This item primarily includes loans granted to associates accounted for under the equity method and to non-consolidated companies, and amounted to EUR 283.8 million as of December 31, 2018, versus EUR 281,8 million as of December 31, 2017.

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

(in millions of euros)	December 31, 2018 Gross	Depreciation and impairment	Net	December 31, 2017 restated [a] Gross	Depreciation and impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	843,0	(122,6)	720,4	956,2	(97,7)	858,5
Trade and other receivables	4 940,1	(356,1)	4 584,0	5 022,9	(313,1)	4 709,8
TOTAL	**5 783,1**	**(478,7)**	**5 304,4**	**5 979,1**	**(410,8)**	**5 568,3**

(a) Restatements due to the first-time application of IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water (see Note 1.2.4.).

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

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

(in millions of euros)	Interests	Remeasurement post-acquisition Translation adjustment	Impairment
At December 31, 2017 restated	58.5	(4.3)	(41.9)
At December 31, 2018	**56.9**	**6.4**	**(27.0)**

Trade and other receivables

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

The fair value of trade and other receivables is equal to their net book value recorded in the statement of financial position.

13.1.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

	December 31, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	**119.0**	**97.6**	**216.6**	**149.5**	**89.5**	**239.0**
Debt-related derivatives (see Note 13.3.1)	111.4	67.9	179.3	136.0	58.3	194.3
Derivative hedging commodities (see Note 14.1.1.2)	-	0.7	0.7	-	0.4	0.4
Derivative hedging other items [(a)]	7.6	29.0	36.6	13.5	30.8	44.3
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	**-**	**29.2**	**29.2**	**-**	**56.9**	**56.9**
Financial assets measured at fair value through income (see Note 13.3.1)	-	29.2	29.2	-	56.9	56.9
TOTAL	**119.0**	**126.8**	**245.8**	**149.5**	**146.4**	**295,9**

(a) Includes derivative financial instruments:
- for the interest rate futures portion of debt-related derivatives not designated as hedges for EUR 4.5 million at December 31, 2018, compared with EUR 5.0 million at December 31, 2017.
- as at 31 December 2018, there is no longer any investment hedging, compared to EUR 0.9 million at December 31, 2017.

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

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

Income recognized on all financial assets measured at fair value through income as of December 31, 2018 is not material.

13.1.4 CASH AND CASH EQUIVALENTS

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

"Cash and cash equivalents" amounted to EUR 3,424.1 million as of December 31, 2018 versus EUR 3,221.3 million as of December 31, 2017.

This item mainly includes term deposits for EUR 699.8 million compared with EUR 600.2 million at December 31, 2017 restated and cash for EUR 2,669.2 million compared with EUR 2,565.7 million at December 31, 2017 restated.

In addition, restricted cash amounted to EUR 15.7 million as of December 31, 2018.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2018 amounted to EUR 24.0 million versus EUR 28.1 million as of December 31, 2017.

13.1.5 PLEDGED AND MORTGAGED ASSETS

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Pledge and mortgaged assets	**12.1**	**103.1**

The change in the item between 2017 and 2018 is mainly due to the cancellation of a loan from Banco de Chile to Aguas Andinas to cover 28% of IAM's shares.

13.2 Financial liabilities

Financial liabilities are accounted for:

- in "liabilities at amortized cost" for borrowings and debt, trade and other payables, and other financial liabilities;

- or in “liabilities measured at fair value” for derivative financial instruments.

The following table shows the various financial liability categories as of December 31, 2018, as well as their breakdown as “non-current” and “current”:

	December 31, 2018			December 31, 2017 restated [a]		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Borrowings	9 803,2	2 762,1	12 565,3	9 760,6	2 169,7	11 930,3
Derivative financial instruments	9,5	47,2	56,7	26,4	38,3	64,7
Trade and other payables	-	3 798,9	3 798,9	-	3 741,3	3 741,3
Other financial liabilities	47,2	-	47,2	43,1	-	43,1
TOTAL	**9 859,9**	**6 608,2**	**16 468,1**	**9 830,1**	**5 949,3**	**15 779,4**

(a) Restatements due to the first-time application of IFRS 15 "Revenue from contracts with customers" and the finalization of the purchase price allocation of GE Water (see Note 1.2.4.).

13.2.1 BORROWINGS AND DEBT

	December 31, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Bond issues	8 921,9	844,5	9 766,4	9 135,0	210,5	9 345,5
Commercial paper	-	641,8	641,8	-	400,0	400,0
Draw downs on credit facilities	288,0	31,1	319,1	26,5	46,0	72,5
Borrowings under finance leases	53,4	33,8	87,2	74,9	74,2	149,1
Other bank borrowings	408,8	75,6	484,4	428,5	276,0	704,5
Other borrowings	144,2	79,6	223,8	98,6	41,5	140,1
BORROWINGS (gross amounts)	**9 816,3**	**1 706,4**	**11 522,7**	**9 763,5**	**1 048,2**	**10 811,7**
Overdrafts and current cash accounts	-	928,8	928,8	-	989,9	989,9
OUTSTANDING FINANCIAL DEBT	**9 816,3**	**2 635,2**	**12 451,5**	**9 763,5**	**2 038,1**	**11 801,6**
Impact of measurement at amortized cost	(82,0)	123,6	41,6	(77,6)	131,6	54,0
Impact of fair value hedge	68,9	3,3	72,2	74,7	-	74,7
BORROWINGS AND DEBT	**9 803,2**	**2 762,1**	**12 565,3**	**9 760,6**	**2 169,7**	**11 930,3**

The fair value of borrowings and debt as of December 31, 2018 was EUR 13,503.7 million for a net book value of EUR 12,565.3 million (for details see Note 13.4.2).

Borrowings are analyzed in Note 13.3 “Net debt”.

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

						Non cash flows			
(in millions of euros)	December 31, 2017 restated	IFRS 9	January 1, 2018	Cash flows	Forex effect	Scope effect	Change in fair value and amortized cost	Others	December 31, 2018
Bond issues	9,345.5		9,345.5	413.7	7.3	-	-	(0.1)	9,766.4
Commercial paper	400.0		400.0	240.8	**1.0**	-	-	-	641.8
Draw downs on credit facilities	72.5		72.5	247.6	(0.1)	(0.3)	-	(0.6)	319.1
Borrowings under finance leases	149.1		149.1	(79.7)	(0.5)	-	-	17.3	87.2
Other bank borrowings	704.5		704.5	(217.2)	(8.3)	0.1	-	5.3	484.4
Other borrowings	140.1		140.1	89.4	(0.3)	0.8	-	(6.2)	223.8
BORROWINGS (gross amounts)	**10,811.7**		**10,811.7**	**694.6**	**0.1**	**0.6**	**-**	**15.7**	**11,522.7**
Overdrafts and current cash accounts [a]	989.9		989.9	(64.5)	7.7	(4.3)	-	(0.1)	928.8
OUTSTANDING FINANCIAL DEBT	**11,801.6**		**11,801.6**	**630.2**	**7.8**	**(3.7)**	**-**	**15.6**	**12,451.5**
Impact of measurement at amortized cost	54.0	(5.1)	48.9	(25.7)	(0.8)	-	17.1	2.1	41.6
Impact of fair value hedge	74.7		74.7	**-**	**-**	-	(2.5)	-	72.2
BORROWINGS AND DEBT	**11,930.3**	**(5.1)**	**11,925.2**	**604.5**	**7.0**	**(3.7)**	**14.6**	**17.7**	**12,565.3**

[a] The change in bank overdrafts due on demand, as defined by IAS 7.8, does not impact the item "Increase in financial liabilities" in the consolidated statement of cash flows for an amount of EUR 48 million, but is nevertheless taken into account in the 2018 cash flows of financial liabilities.

13.2.2 DERIVATIVE FINANCIAL INSTRUMENTS (INCLUDING COMMODITIES)

	December 31, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	3.6	17.6	21.2	5.7	11.3	17.0
Derivatives hedging commodities	-	7.5	7.5	-	3.9	3.9
Derivatives hedging other items [(a)]	5.9	22.1	28.0	20.7	23.1	43.8
TOTAL	**9.5**	**47.2**	**56.7**	**26.4**	**38.3**	**64.7**

(a) Mainly includes derivative financial instruments:
- for the interest rate futures portion of debt-related derivatives qualifying as cash flow hedge for EUR 2.5 million at December 31, 2018, compared with EUR 15.1 million at December 31, 2017.

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

13.2.3 TRADE AND OTHER PAYABLES

(in millions of euros)	December 31, 2018	December 31, 2017 restated [(a)]
Trade payables	3,527.2	3,405.7
Payables on fixed assets	271.7	335.6
Total	**3,798.9**	**3,741.3**

(a) Restatements due to the first-time application of IFRS 15 "Revenue from contracts with customers" and the finalization of the allocation of the purchase price of GE Water (see Note 1.2.4.).

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

13.2.4 OTHER FINANCIAL LIABILITIES

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Payables on acquisition of shares	6.9	7.6
Other financial liabilities [(a)]	40.3	35.5
Total	**47.2**	**43.1**

(a) EUR 30 million in 2018 and EUR 34.6 million in 2017 related to the expansion of an Australian landfill.

13.3 Net debt

13.3.1 ANALYSIS BY TYPE OF DEBT

	December 31, 2018			December 31, 2017 restated		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	9,816.3	2,635.2	12,451.5	9,763.5	2,038.1	11,801.6
Impact of measurement at amortized cost [(a)]	(82.0)	123.6	41.6	(77.6)	131.6	54.0
Impact of fair value hedge [(b)]	68.9	3.3	72.2	74.7	-	74.7
Borrowings and debts	**9,803.2**	**2,762.1**	**12,565.3**	**9,760.6**	**2,169.7**	**11,930.3**
Debt-related derivatives under liabilities [(c)]	3.6	17.6	21.2	5.7	11.3	17.0
Gross debt	**9,806.8**	**2,779.7**	**12,586.5**	**9,766.3**	**2,181.0**	**11,947.3**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(29.2)	(29.2)	-	(56.9)	(56.9)
Cash and cash equivalents	-	(3,424.1)	(3,424.1)	-	(3,221.3)	(3,221.3)
Debt-related derivatives under assets [(c)]	(111.4)	(67.9)	(179.3)	(136.0)	(58.3)	(194.3)
Net cash	**(111.4)**	**(3,521.2)**	**(3,632.6)**	**(136.0)**	**(3,336.5)**	**(3,472.5)**
Net debt	**9,695.4**	**(741.5)**	**8,953.9**	**9,630.3**	**(1,155.5)**	**8,474.8**
Outstanding borrowings	9,816.3	2,635.2	12,451.5	9,763.5	2,038.1	11,801.6
Financial assets measured at fair value through income excluding financial derivative instruments	-	(29.2)	(29.2)	-	(56.9)	(56.9)
Cash and cash equivalents	-	(3,424.1)	(3,424.1)	-	(3,221.3)	(3,221.3)
Net debt excluding amortized cost and impact of derivative financial instruments	**9,816.3**	**(818.1)**	**8,998.2**	**9,763.5**	**(1,240.1)**	**8,523.4**

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

The increase in the current portion of outstanding financial debt at December 31, 2018 is mainly due to the reclassification of the EUR 800 million bond issue issued by SUEZ maturing in April 2019.

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

13.3.2 ISSUE OF UNDATED DEEPLY SUBORDINATED NOTES

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

13.3.3 BOND AND COMMERCIAL PAPER ISSUES

On September 17, 2018, SUEZ issued a EUR 500 million bond issue with a 1.625% coupon maturing on September 17, 2030.

SUEZ has a commercial paper program. At December 31, 2018, the outstanding notes totaled EUR 641.8 million.

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

At December 31, 2018, outstanding commercial paper was entirely covered by confirmed available for more than one-year credit lines.

13.3.4 SECURITIZATION OF RECEIVABLES

Context

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

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

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

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

The main characteristics of the program are 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. As at December 31, 2018, this security deposit had not yet been formed;

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

h) issue of a guarantee for the risk of modification of tax rules;

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

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

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favorable than those attributable to the Group, and the granting of the liquidation profit.

Accounting treatment

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

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

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

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

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

Figures as of December 31, 2018

(in millions of euros)		
Total of receivables sold over the period	2 440,4	
Gain / (loss) arising from sale over the period	(17,3)	*(b)*
Remuneration for CC1	1,8	*(c)*
Remuneration of services for follow-up and recovery of receivables transferred over the period	10,7	*(d)*
Outstanding receivables transferred as of December 31, 2018	514,9	*(a)*
Book value of CC1 as of December 31, 2018	97,0	*(e)*
Fair value of CC1	97,0	
Book value of CC2	*	
Residual maturity of CC1	38	months
Impact of sales of derecognized receivables in the sense of IFRS 9 on net debt	**413,1**	***(a) + (b) + (c) + (d) - (e)***

** No security deposit known as "CC2" had been made as of December 31, 2018; payment of this deposit is subject to the conditions described above.*

13.3.5 CHANGE IN NET DEBT

Net debt increased by EUR 479.1 million during the year 2018 as a result of:

- the payment of cash dividends to shareholders of SUEZ amounting to EUR 401.9 million;
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 231.6 million;
- the payment of EUR 78.8 million in exit fees on GEW defined benefit pension plans in the United Kingdom and in the Netherlands that were closed as a result of SUEZ's acquisition of GEW;
- exchange rate fluctuations that generated a EUR 103.1 million increase in net financial debt, mainly due to the appreciation of the US dollar against the euro;
- excess cash generated by the Group's activities leading to a decrease in net debt of EUR 445.2 million.

13.3.6 DEBT/EQUITY RATIO

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Net debt	8,953.9	8,474.8
Total equity	8,992.5	9,021.8
Debt/equity ratio	**99.6%**	**93.9%**

13.4 Fair value of financial instruments by level

13.4.1 FINANCIAL ASSETS

Equity instruments at fair value

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 22.2 million at December 31, 2018. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 110.8 million at December 31, 2018 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

At December 31, 2018, the change in Level 3 equity instruments at fair value breaks down as follows:

(in millions of euros)	Available for sale securities	Equity instruments at JV through OCI	Equity instruments at JV through income
At December 31, 2017	**103.5**		
IFRS 9 Restatement	(103.5)	94.3	9.2
At January 1, 2018		**94.3**	**9.2**
Acquisitions		31.6	-
Net book value of disposals		(1.5)	(1.1)
Changes in fair value posted to equity as other comprehensive income		(2.0)	-
Changes in fair value posted to income statement		-	(1.7)
Changes in scope, exchange rates and other		(17.4)	(0.6)
At December 30, 2018		**105.0**	**5.8**

The net value of unlisted securities is not of a significant uniform amount that would have to be presented separately.

Loans and receivables carried at amortized cost (excluding trade and other receivables)

Loans and receivables carried at amortized cost (excluding trade and other receivables), amounting to EUR 720.4 million at December 31, 2018, may contain elements that contribute to a fair value hedging relationship. At December 31, 2018, no hedge was put in place.

Derivative financial instruments

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest r ate and exchange rate swaps, interest rate options and forward currency sales and purchases. It is recognized at its fair value at December 31, 2018 for EUR 216.6 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

Financial assets measured at fair value through income

Financial assets measured at fair value through income amounting to EUR 29.2 million at December 31, 2018 are considered Level 2. In fact, their fair value is determined based off from observable data.

13.4.2 Financial liabilities

The fair value of financial liabilities and financial instruments posted to liabilities are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.5.9.2):

	December 31, 2018				December 31, 2017 restated			
(in millions of euros)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**13 503.7**	**7 895.6**	**5 608.1**		**12 864.3**	**7 716.4**	**5 147.9**	
Derivative financial instruments	**56.7**		**56.7**		**64.7**		**64.7**	
Debt-related derivatives	21.2		21.2		17.0		17.0	
Derivatives hedging commodities	7.5		7.5		3.9		3.9	
Derivatives hedging other items	28.0		28.0		43.8		43.8	
Total	**13 560.4**	**7 895.6**	**5 664.8**	**-**	**12 929.0**	**7 716.4**	**5 212.6**	**-**

Bonds and borrowings

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

Derivative financial instruments

See Note 13.4.1 for details on fair value level.

13.5 Offsetting of derivative assets and liabilities

At December 31, 2018, as at December 31, 2017, the Group does not offset financial assets and liabilities in its statement of financial position. Moreover, SUEZ has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These master netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

	December 31, 2018				December 31, 2017 restated			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross amount [(a)]	215.9	(49.2)	0.7	(7.5)	238.6	(60.8)	0.4	(3.9)
Amount after offsetting	**168.4**	**(1.7)**	**0.8**	**(7.5)**	**215.1**	**(37.3)**	**0.4**	**(3.9)**

(a) Gross amounts of recorded assets and liabilities

Note 14 Management of risks arising from financial instruments

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

14.1 Market risks

14.1.1 COMMODITY MARKET RISKS

14.1.1.1 Hedging operations

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

14.1.1.2 Fair value of derivative instruments linked to commodities

The fair value of derivative instruments linked to commodities at December 31, 2018 and 2017 is presented in the table below:

	December 31, 2018				December 31, 2017 restated			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	0.7	-	7.5	-	0.4	-	3.9	-
Total	**0.7**	**-**	**7.5**	**-**	**0.4**	**-**	**3.9**	**-**

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

	December 31, 2018				December 31, 2017 restated			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Oil	**0.7**	**-**	**-**	**-**	**0.4**	**-**		
Swaps	0.7	-	-	-	0.4	-		
Electricity		**-**	**7.5**	**-**		**-**	**3.9**	
Swaps		-	7.5	-		-	3.9	
Total	**0.7**	**-**	**7.5**	**-**	**0.4**	**-**	**3.9**	

14.1.2 CURRENCY RISK

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

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

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

14.1.2.1 Analysis of financial instruments by currency

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

Outstanding borrowings

	December 31, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	77%	51%	75%	52%
USD zone	7%	22%	7%	22%
GBP zone	2%	4%	3%	4%
CLP (Chilean peso)	10%	10%	11%	11%
HKD (Hong-Kong dollar)	1%	6%	1%	6%
Other currencies	3%	7%	3%	5%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	80%	43%	77%	44%
USD zone	8%	29%	7%	27%
GBP zone	3%	5%	3%	5%
CLP (Chilean peso)	12%	12%	14%	14%
HKD (Hong-Kong dollar)	0%	8%	1%	8%
Other currencies	-3%	3%	-2%	2%
Total	**100%**	**100%**	**100%**	**100%**

14.1.2.2 Analysis of currency risk sensitivity

The sensitivity analysis was based on the financial net debt position (including derivative financial instruments), and derivatives designated as net investment hedges at the reporting date. As at December 31, 2018, there was no instrument qualified as a net investment hedge.

Regarding **currency risk**, the sensitivity calculation consists in evaluating the impact in the consolidated financial statements of a plus or minus 10% change in foreign exchange rates compared to closing rates.

Impact on income after the impact of foreign exchange derivatives

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional currency of the companies carrying the liabilities on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/-10% change of foreign currencies against euro would generate a gain or a loss of EUR 1 million.

Impact on equity after taking into account foreign exchange derivatives

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

14.1.3 INTEREST RATE RISK

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

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

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

In 2014 and 2015, in order to protect the refinancing of part of its debt, the Group set up nine-year interest rate hedges with deferred departures in 2018. As at December 31, 2018, none of these interest rate hedges were yet active. They were decided and backed by the bond issue carried out on September 17, 2018.

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

The Group cost of debt is sensitive to changes in interest rates on all floating-rate debt. The cost of debt is also affected by changes in market value of derivative instruments not classified as hedges under IFRS 9.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euro, US dollar, pound sterling, Chilean peso and Hong-Kong dollar, which represented 97% of net debt as of December 31, 2018.

14.1.3.1 Financial instruments by rate type

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

Outstanding borrowings

	December 31, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	17%	33%	16%	30%
Fixed rate	74%	58%	75%	61%
Fixed rate indexed to inflation	9%	9%	9%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2018		December 31, 2017 restated	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-17%	6%	-17%	2%
Fixed rate	105%	82%	105%	86%
Fixed rate indexed to inflation	12%	12%	12%	12%
TOTAL	**100%**	**100%**	**100%**	**100%**

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

14.1.3.2 Analysis of interest rate risk sensitivity

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

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

Impact on income after taking into account interest rate derivatives:
(See Note 1.5.9.3)

A plus or minus 1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt, inflation-linked debt included, and the floating-rate component of derivatives would have a negative or positive impact of EUR 7.3 million on net interest expense.

A 1% increase in all interest rates (uniform for all currencies) would generate a loss of EUR 0.9 million in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would a contrario generate a gain of EUR 0.9 million.

Impact on equity after taking into account interest rate derivatives

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of EUR 3.4 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of EUR 3.2 million.

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

14.1.4 CURRENCY AND INTEREST RATE RISK HEDGES

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

Foreign currency derivatives

	December 31, 2018		December 31, 2017 restated	
(in millions of euros)	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	(3.8)	359.4	(0.2)	391.8
Cash-flow hedges	0.1	6.9	(0.3)	11.7
Net investment hedges	-	-	0.3	34.9
Derivative instruments not qualifying for hedge accounting	52.3	3,758.2	70.5	3,425.4
Total	**48.6**	**4,124.5**	**70.3**	**3,863.8**

Interest rate derivatives

	December 31, 2018		December 31, 2017 restated	
(in millions of euros)	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	107.4	2,100.0	106.6	1,700.0
Cash-flow hedges	-	7.1	(12.2)	55.5
Derivative instruments not qualifying for hedge accounting	(2.4)	161.6	(3.1)	143.7
Total	**105.0**	**2,268.7**	**91.3**	**1,899.2**

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

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

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

Interest rate derivatives not designated as hedges consist of structured instruments, which because of their type and because they do not meet the effectiveness criteria defined in IFRS 9, cannot be qualified as hedges for accounting purposes.

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

Fair-value hedges

As of December 31, 2018, the net impact of fair value hedges recognized in the income statement, including compensation payments and redemption premium was EUR 1.2 million.

Cash flow hedges

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

At December 31, 2018

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

At December 31, 2017 restated

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Fair value of derivatives by maturity date	**(12.6)**	(0.5)	(0.1)	(0.3)	(2.8)	-	(8.9)

The unrealized gains and losses directly recognized in shareholders' equity, Group share in 2018 amounted to EUR 21.8 million (including impacts on associates).

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

14.2 Counterparty risk

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

14.2.1 OPERATING ACTIVITIES

Trade and other receivables

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

Trade and other receivables	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
(in millions of euros)	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2018	316.3	61.8	110.5	488.6	473.1	3,978.4	**4,940.1**
At December 31, 2017 restated	290.6	49.7	73.9	414.2	397.7	4,211.0	**5,022.9**

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

The ageing of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group companies do business (private companies, individuals or public authorities). In accordance with the terms of IFRS 9, since January 1, 2018, the entities of the SUEZ group have set up non-recovery risk matrices for their trade receivables by homogeneous category of customers, adapted to their local realities, with regard to the default rates observed in the recent past on receivables with a similar credit risk profile. They update the matrices at least once a year and use them to calculate depreciation based on the expected default rates on each of the homogeneous categories of customers (see Note 1.5.9.1).

Other assets

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

14.2.2 FINANCIAL ACTIVITIES

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the carrying amount of financial assets excluding equity instrument and the fair value of derivatives on the assets side of the statement of financial position (*i.e.* EUR 8,974.3 million at December 31, 2018, and EUR 9.085,5 million at December 31, 2017 restated).

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

At December 31, 2017 restated and before the application of IFRS 9, the gross maturity of past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables)	Past-due non impaired assets at closing date				Impaired assets [(a)]	Non-impaired and not past-due assets	
(in millions of euros)	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2017 restated	-	-	0.2	0.2	97.7	858.9	**956.8**

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment EUR 97.7 million and to amortized cost -EUR 0.6 million.

At December 31, 2018, following the application of IFRS 9 and in accordance with the method detailed in Note 1.5.9.1, the counterparty risk of gross maturity and impairment of past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables)

(in millions of euros)	Not unpaid/no overdue more than 60 days	Unpaid/overdue 60 days to 180 days	Overdues of more than 180 days	December 31, 2018
Loans, deposits and guarantees - gross	795.6	36.6	12.4	**844.6**
Loans, deposits and guarantees - impairment	(118.4)	(0.6)	(3.6)	**(122.6)**

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to amortized cost -EUR 1.6 million.

Changes in impairment losses and amortized costs is presented in Note 13.1.2, "Loans and receivables at amortized cost".

14.2.2.2 Counterparty risk arising from investment activities

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

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

At December 31, 2018, "Cash and cash equivalents" and derivatives assets were the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

Counterparty risk arising from investing activities	December 31, 2018				December 31, 2017 restated			
	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]	Total	Investment Grade [(a)]	Unrated [(b)]	Non Investment Grade [(b)]
% of exposure	3,590.4	91%	7%	2%	3,236.6	94%	5%	1%

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

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

14.3 Liquidity risk

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

14.3.1 AVAILABLE CASY

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

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

As of December 31, 2018, the Group's total net cash stood at EUR 3,632.6 million, consisting of cash and cash equivalents of EUR 3,424.1 million, financial assets at fair value through income of EUR 29.2 million, and debt-related derivatives recorded as assets of EUR 179.3 million euros. Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2018, the Group specifically had EUR 2,609.8 million in confirmed credit facilities, including EUR 319.1 million already drawn; unused credit facilities therefore totaled EUR 2,290.7 million, EUR 227.0 million of which will be maturing in 2019.

87% of total credit lines and 88% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

As of December 31, 2018, bank funding accounted for 7.0% of the outstanding borrowings (excluding bank overdrafts and liability current accounts as those elements do not correspond to sustainable financial resources). Funding from capital markets (bond issues for 84.8% and commercial paper for 5.5%) represented 90.3% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

Available cash, composed of cash and cash equivalents (EUR 3,424.1 million) and financial assets measured at fair value through income (EUR 29.2 million), net of bank overdrafts and liability current accounts (EUR 928.8 million), amounted to EUR 2,524.5 million at December 31, 2018 versus EUR 2,290.4 million at December 31, 2017 restated.

14.3.2 UNDISCOUNTED CONTRACTUAL PAYMENTS

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

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

At December 31, 2018

(in millions of euros)	Total	2019	2020	2021	2022	2023	Beyond 5 years
Bond issues	9 766,4	844,5	465,2	1 030,7	840,7	575,9	6 009,4
Commercial paper	641,8	641,8					
Draw downs on credit facilities	319,1	31,1				278,0	10,0
Borrowings under finance leases	87,2	33,8	13,2	6,0	5,5	5,1	23,6
Other bank borrowings	484,4	75,6	73,2	50,7	23,7	135,4	125,8
Other borrowings	223,8	79,6	5,9	76,7	5,6	6,1	49,9
Overdrafts and current accounts	928,8	928,8					
Outstanding borrowings	**12 451,5**	**2 635,2**	**557,5**	**1 164,1**	**875,5**	**1 000,5**	**6 218,7**
Financial assets measured at fair value through income	(29,2)	(29,2)	-	-	-	-	-
Cash and cash equivalents	(3 424,1)	(3 424,1)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	**8 998,2**	**(818,1)**	**557,5**	**1 164,1**	**875,5**	**1 000,5**	**6 218,7**

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

At December 31, 2018

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

At December 31, 2017 restated

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,384.5**	319.3	309.9	247.6	238.8	198.9	1,070.0

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

At December 31, 2018

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

At December 31, 2017 restated

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
Derivatives (excluding commodities)	**(155.5)**	(77.3)	(37.9)	(21.7)	(21.8)	(10.5)	13.7

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

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

(in millions of euros)	Total	2018	2019	2020	2021	2022	Beyond 5 years
At December 31, 2017 restated	**2,614.4**	176.2	150.4	165.9	1,595.1	480.0	46.8

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

As of December 31, 2018, no counterparty represented more than 5% of confirmed unused credit facilities.

14.4 Equity risk

As of December 31, 2018, equity instruments at fair value held by the Group amounted to EUR 133 million (see Note 13.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around EUR 2.2 million on Group shareholders' equity.

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

Note 15 Shareholders' equity

15.1 Share capital

	Number of shares			Value (in millions of euros)		
(in millions of euros)	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 2016	**564,401,246**	**1,914,796**	**562,486,450**	**2,257.6**	**4,632.3**	**28.6**
Purchase and disposal of treasury shares		3,153,117	(3,153,117)			48.4
Delivery of shares from the 2013 Worldwide Bonus Share Allocation Plan	1,176,328		1,176,328	4.7	(4.7)	
Allocation to the legal reserve					(0.5)	
Delivery of 2013 performance share plan	338,621		338,621	1.3	(1.3)	
Allocation to the legal reserve					(0.1)	
Capital increase reserved for employees, net of expenses (Sharing 2017)	9,978,030		9,978,030	39.9	78.0	
Legal reserve appropriation (Sharing 2017)					(4.0)	
Financing of the acquisition of GE Water	47,468,354		47,468,354	189.9	555.7	
Allocation to the legal reserve					(19.0)	
At December 31, 2017 restated	**623,362,579**	**5,067,913**	**618,294,666**	**2,493.4**	**5,236.4**	**77.0**
Purchase and disposal of treasury shares		(1,532,963)	1,532,963			(25.2)
Capital decrease following the completion of the implementation of the employee shareholding plan net of expenses (Sharing 2017)	(2,000,000)		(2,000,000)	(8.0)	(21.2)	
Allocation to the legal reserve					(0.8)	
At December 31, 2018	**621,362,579**	**3,534,950**	**617,827,629**	**2,485.4**	**5,214.4**	**51.8**

15.2 Treasury shares

The tacitly renewable liquidity contract managed by Rothschild & Cie Banque amounts EUR 32.6 million. The aim of this contract is to reduce the volatility of the SUEZ's share price. This contract complies with the professional ethics charter drawn up by the *Association Française des Marchés Financiers* (French Financial Markets Association) and approved by the AMF.

As of December 31, 2018, treasury shares amount to 3,534,950 against 5,067,913 as of December 31, 2017 of which 3,267,450 treasury shares acquired under employee share allocation plans and 267,500 under the liquidity contract.

15.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (EUR 5,733 million as of December 31, 2018), incorporate the SUEZ legal reserve. In accordance with French law, SUEZ's legal reserve represents 10% of the share capital. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

15.4 Dividend distribution

As for the 2016 and 2017 financial years, it will be proposed to the SUEZ General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018 to pay a dividend of EUR 0.65 per share, representing a total amount of EUR 403.9 million in cash based on the total number of shares at December 31, 2018.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2019. This dividend is not recognized as liabilities in the financial statements at December 31, 2018 as these financial statements are presented before net income allocation.

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

(in millions of euros)	December 31, 2018	Change	December 31, 2017 restated
Available-for-sale securities [a]	-	2,7	(2,7)
Net investment hedges	(158,8)	0,4	(159,2)
Cash-flow hedges (excluding commodities)	6,7	11,3	(4,6)
Commodity cash-flow hedges	(6,6)	(3,5)	(3,1)
Deferred tax on available-for-sale securities and hedges	10,4	(0,5)	10,9
Share of associates on reclassifiable items, net of tax	(28,5)	0,8	(29,3)
Share of joint ventures on reclassifiable items, net of tax	(60,3)	9,1	(69,4)
Translation adjustments	1,6	27,8	(26,2)
Total reclassifiable items	**(235,5)**	**48,1**	**(283,6)**
Actuarial gains and losses	(395,9)	1,8	(397,7)
Deferred tax on actuarial gains and losses	65,9	(32,8)	98,7
Equity instrument [a]	(123,6)	(123,6)	-
Deferred tax on equity instrument	0,2	0,2	-
Share of associates on non reclassifiable items, net of tax	(2,0)	2,9	(4,9)
Total non reclassifiable items	**(455,4)**	**(151,5)**	**(303,9)**
Total	**(690,9)**	**(103,4)**	**(587,5)**

(a) IFRS 9 replaces IAS 39 as from January 1, 2018. Available-for-sale financial assets as specified in IAS 39 at December 31, 2017 have been reclassified and measured in accordance with the principles of IFRS 9 detailed in Note 1.2.4.4. Only equity instruments measured through other comprehensive income that are not reclassifiable remain in this presentation.

The items in the above table are reclassifiable to profit or loss in future periods, with the exception of actuarial gains and losses and related deferred taxes and, since January 1, 2018 with the changes in equity instruments recognised in other comprehensive income.

15.6 Undated deeply subordinated notes

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

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

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

There were no new issues during 2018.

The Group's outstanding hybrid bonds amounted to EUR 1.6 billion as at December 31, 2018.

15.7 Equity management

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

Note 16 Non-controlling interests

The “non-controlling interests” account amounts to EUR 2,600.8 million at December 31, 2018 and primarily includes the contributions of Agbar for EUR 1,015.0 million, SWTS for EUR 702.3 million and entities within SUEZ NWS in China and Hong Kong (42%) for EUR 585.5 million.

Agbar, SWTS and SUEZ NWS contributions respectively amounted to EUR 1,063.1 million, EUR 713.8 million and EUR 424.4 million out of a total of EUR 2,511.4 million at December 31, 2017 restated.

➢ Aguas Andinas

At December 31, 2018 the Agbar group contribution includes EUR 760.7 million coming from the operational company Aguas Andinas listed on Santiago de Chile (Chile) stock exchange. This company is fully consolidated within SUEZ Group on the basis of a 25.1% interest rate through the following companies:

- ► IAM company, also listed on Santiago de Chile stock exchange, fully consolidates Aguas Andinas on the basis of a 50.1% interest rate (compared to 56.6% in 2017 before the sale of a 6.5% stake on the market in August 2018);
- ►The Agbar group fully consolidates the IAM holding company with a 50.1% interest rate;
- ► Finally, SUEZ fully consolidates Agbar group with a 100% interest rate.

Summarized financial information of Aguas Andinas (at 100%) is presented below. At the date of publication of the Group's consolidated financial statements, the consolidated financial statements of the Aguas Andinas Group as at December 31, 2018 had not yet been published. The condensed statement of financial position as at September 30, 2018 is based on the most recent published (unaudited) data.

Summarized Statement of financial position (at 100%)

(in millions of euros)	**September 30, 2018**	**December 31, 2017**
Non-current assets	2,220.5	2,232.7
Current assets	205.8	204.3
of which Cash and cash equivalents	*44.1*	*25.5*
Total assets	**2,426.3**	**2,437.0**
Shareholders' equity, Group share	849.7	871.6
Non-controlling interests	64.1	68.7
Total shareholders' equity	**913.8**	**940.3**
Non-current liabilities	1,272.0	1,175.1
Current liabilities	240.5	321.6
Total shareholders' equity and liabilities	**2,426.3**	**2,437.0**
Closing exchange rate CLP / EUR	763.2	737.3

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

(in millions of euros)	September 30, 2018	September 30, 2017
Revenues	520.8	514.8
Operating profit /(loss)	227.6	224.3
Net income - Group share	135.4	139.4
Net income - non-controlling interests	2.7	3.7
Net income	**138.1**	**143.1**
Other comprehensive income (OCI)	-	-
Comprehensive income	**138.1**	**143.1**
Average exchange rate CLP / EUR	750.2	727.7

Dividends (100%)

(in millions of euros)	Dividends related to 2017	Dividends related to 2016
Dividends paid by Aguas Andinas	184.1	186.0

Note 17 Provisions

(in millions of euros)	December 31, 2017 restated (a)	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments (b)	Translation adjustments	Other	December 31, 2018
Post-employment benefit obligations and other long-term benefits	793,1	55,5	(92,7) -		4,6	19,5	4,2	20,9	805,1
Sector-related risks	83,6	1,1	(5,1)	(4,4)	(0,2)	-	-	(14,2)	60,8
Warranties	25,3	13,8	(13,3)	-	-	-	0,2	(4,1)	21,9
Tax risks, other disputes and claims	90,2	16,3	(23,2)	(0,4)	-	-	(0,5)	(2,5)	79,9
Site restoration	543,3	54,3	(78,2)	(0,2)	-	19,7	(3,5)	-	535,4
Restructuring costs	104,3	71,7	(125,3)	(3,7)	(1,6)	-	-	3,7	49,1
Other contingencies	522,0	130,5	(127,4)	(14,2)	(6,0)	3,8	(2,5)	(54,7)	451,5
Total provisions	**2 161,8**	**343,2**	**(465,2)**	**(22,9)**	**(3,2)**	**43,0**	**(2,1)**	**(50,9)**	**2 003,7**

(a) Provisions at December 31, 2017 have been restated to take into account the provisioning of contingent liabilities as part of the finalization of the purchase price allocation of GE Water (see Note 2).

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

Total provisions decreased by -EUR 158.1 million over the period. This change is mainly due to:

- The net reversal in provisions for restructuring of -EUR 55.2 million following the departures recorded as part of the restructuring plans in France and Spain decided in 2017;
- a reversal for surplus provisions of -EUR 22.9 million, mainly due to provision for warranty reversal and costs contract adjustments in Spain;
- the decrease of provision for risks in investments, of -EUR 22.1 million, classified in sector-related risks;
- the increase of +EUR 43 million corresponding to unwinding discount adjustments mainly related to provisions for site restoration and to provisions for post-employment benefit obligations and other long-term benefits, as well as provisions for onerous contracts, classified as provisions for other contingencies;
- Finally, the translation adjustments of -EUR 2.1 million, which are primarily generated by the American and Australian subsidiaries.

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

(in millions of euros)	(Reversals) / net allowances
Income from operating activities	(141.6)
Other financial income and expenses	43.0
Income tax expense	(3.3)
Total	**(101.9)**

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

17.1 Post-employment benefits and other long-term benefits

Changes for this items are presented in Note 18.

17.2 Sector-related risks

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

17.3 Tax risks, other disputes and claims

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

17.4 Site restoration

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

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

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

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

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

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

17.5 Other contingencies

"Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related litigations and for various business risks. Those provisions include a provision corresponding to the fair value measurement of onerous contracts for an amount of EUR 76.8 million at December 31, 2018 versus EUR 87.5 million at December 31, 2017, following the acquisition of WSN by SUEZ R&R Australia in 2010.

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

18.1 Description of the main pension plans and related benefits

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

18.1.1 MAIN PENSION PLANS

In France, employees have defined-contribution retirement plans, such as the basic social security benefits, and supplementary pension schemes. Some employees also have optional retirement plans, some of which are defined-benefit plans through which the employer agrees to pay its employees, or a category of its employees, retirement benefits based on a contractually agreed amount. Thus, the so-called "1991" and "1998" defined-benefit plans at SUEZ, SUEZ Groupe, SUEZ Eau France apply to those companies' senior executives.

At December 31, 2018, the Projected Benefit Obligation (PBO) for this senior executives' plan was EUR 100.0 million, *versus* EUR 103.4 million at December 31, 2017. The duration of the actuarial liability for the senior executives' plans is 22 years. It should be noted that these plans are partially funded (29% of gross debt at December 31, 2018).

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

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

In the United States, there are two defined benefit plans: the United Water Resources Inc. Retirement Plan, closed to new employees since January 2010, and the United Water Environmental Services Pension Plan for employees of the unregulated business sector. The latter was closed to non-unionized employees in December 2010. In addition, key executives have a specific retirement plan (SERP). At December 31, 2018, the PBO for the SUEZ Water Inc. defined-benefit pension plans was EUR 422.2 million, *versus* EUR 420.8 million at December 31, 2017. The duration of the actuarial liability for the SUEZ Water Inc. plans is 13 years. It should be noted that these plans are funded up to 75% at December 31, 2018.

In addition, SUEZ Water Inc. commits to support a portion of healthcare costs of retirees. The corresponding actuarial liability amounted to EUR 88.7 million against EUR 94.8 million at 31 December 2017.

The former GE Water entities joined SUEZ by bringing two defined benefit plans in Canada and in the United States: the Pension Plan for Employees of GE Water & Process Technologies Canada and the Ionics, Incorporated Retirement Plan. In addition, key executives have a specific retirement plan (Ionics, Incorporated Supplemental Executive Retirement Plan). At December 31, 2018, the PBO for the Suez Water Technologies & Solutions defined-benefit pension plans was EUR 175.1 million. The duration of the actuarial liability for the SUEZ Water Technologies & Solutions Water plans is 14 years. These plans are funded up to 69% at December 31, 2018.

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

In the United Kingdom, SUEZ R&R UK has several defined-benefit retirement plans, are closed to new hires, except for the Sita Final Salary Pension Scheme. SUEZ R&R UK, as part of its expansion, has acquired various entities throughout the United Kingdom. These entities were most often public companies prior to their acquisition, so their staff was affiliated with the Local Government Pension Schemes (LGPS), which Sita UK must maintain. At December 31, 2018, the PBO for the SUEZ R&R UK retirement plans was EUR 128.7 million, *versus* EUR 141.3 million at December 31, 2017. The duration of the actuarial liability for the SUEZ R&R UK plans is 18 years. It should be noted that these plans are funded up to 93% at December 31, 2018.

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

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

18.1.2 MULTI-EMPLOYER PENSION PLANS

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

Total contributions of EUR 1.7 million are expected in 2019.

18.1.3 OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS AND LONG-TERM BENEFITS

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

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

18.2 Defined benefit plans

18.2.1 AMOUNTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF COMPREHENSIVE INCOME

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

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

(in millions of euros)	Asset	Liability	Total
Balance at December 31, 2016	**4.3**	**(801.1)**	**(796.8)**
Translation gains and losses	0.6	28.9	29.5
Actuarial gains and losses [(a)]	1.0	7.0	8.0
Changes in scope of consolidation and other	-	(55.2)	(55.2)
Expense of the period [(b)]	(0.1)	(22.3)	(22.4)
Contributions	0.1	49.5	49.6
Balance at December 31, 2017 restated	**5.9**	**(793.2)**	**(787.3)**
Translation gains and losses	-	(4.3)	(4.3)
Actuarial gains and losses [(a)]	1.9	5.9	7.8
Changes in scope of consolidation and other	-	(35.3)	(35.3)
Expense of the period [(b)]	(0.9)	(51.3)	(52.2)
Contributions	0.6	73.1	73.7
Balance at December 31, 2018	**7.5**	**(805.1)**	**(797.7)**

(a) Actuarial gains and losses on employee benefits.

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

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

The expense for 2018 amounted to -EUR 52.2 million versus an expense of -EUR 22.4 million in 2017. The main components of this expense in 2018 are explained in section 18.2.3.

Accumulated actuarial gains and losses recognized in equity amounted -EUR 406.3 million at December 31, 2018, against -EUR 415.9 million at December 31, 2017. They are shown below, excluding translation gains and losses which are presented separately in the statement of comprehensive income.

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Opening balance	**(415.9)**	**(423.7)**
Actuarial gains and (losses) generated during the year [(a)]	7.8	8.0
Equity-accounted companies and other	1.8	(0.2)
Closing balance	**(406.3)**	**(415.9)**

(a) *On employee benefits.*

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

18.2.2 CHANGE IN THE AMOUNT OF OBLIGATIONS AND PLAN ASSETS

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

(in millions of euros)		December 31, 2018 Pension benefit obligations [(a)]	December 31, 2018 Other post-employment benefits [(b)]	December 31, 2018 Other long term benefits [(c)]	December 31, 2018 Total	December 31, 2017 restated Pension benefit obligations [(a)]	December 31, 2017 restated Other post-employment benefits [(b)]	December 31, 2017 restated Other long term benefits [(c)]	December 31, 2017 restated Total
Change in projected benefit obligation									
Projected benefit obligation at the beginning of the period		**(1,326.3)**	**(249.3)**	**(14.4)**	**(1,590.0)**	**(1,209.3)**	**(262.2)**	**(23.2)**	**(1,494.7)**
Service Cost		(48.7)	(5.8)	(1.4)	(55.9)	(34.2)	(6.2)	(1.8)	(42.2)
Interest cost		(34.1)	(7.2)	(0.2)	(41.5)	(29.6)	(7.5)	(0.2)	(37.3)
Contributions paid		(1.5)	-	-	(1.5)	(1.5)	-	-	(1.5)
Amendments		(3.3)	0.9	(1.7)	(4.1)	(0.6)	4.1	(1.2)	2.3
Acquisitions/Disposals of subsidiaries		(0.5)	-	0.3	(0.2)	(170.3)	(0.6)	-	(170.9)
Curtailments/settlements		26.6	2.5	0.5	29.6	20.3	4.9	1.6	26.8
Special terminations		-	-	-	-	0.3	(0.3)	-	-
Financial actuarial gains and losses		36.5	2.7	0.3	39.5	(5.8)	(5.4)	0.5	(10.7)
Demographic actuarial gains and losses		(10.6)	10.2	1.8	1.4	(4.0)	(0.7)	8.5	3.8
Benefits paid		50.0	8.9	1.2	60.1	38.3	8.8	0.7	47.8
Other		(47.2)	(5.6)	(2.8)	(55.6)	70.1	15.8	0.7	86.6
Projected benefit obligation at the end of period	**A**	**(1,359.1)**	**(242.7)**	**(16.4)**	**(1,618.2)**	**(1,326.3)**	**(249.3)**	**(14.4)**	**(1,590.0)**
Change in fair value of plan assets									
Fair value of plan assets at the beginning of the period		**728.1**	**74.6**	**-**	**802.7**	**618.0**	**79.9**	**-**	**697.9**
Expected return on plan assets		19.2	2.8		22.0	17.8	3.1		20.9
Contributions received		64.2	5.4		69.6	44.1	5.2		49.3
Acquisitions/Disposals of subsidiaries		-	-		-	115.4	-		115.4
Curtailments/settlements		(4.3)	-		(4.3)	(1.9)	-		(1.9)
Actuarial gains and losses		(26.4)	(4.5)		(30.9)	18.6	5.3		23.9
Benefits paid		(45.6)	(8.9)		(54.5)	(37.2)	(8.8)		(46.0)
Other		12.3	3.6		15.9	(46.7)	(10.1)		(56.8)
Fair value of plan assets at the end of period	**B**	**747.5**	**73.0**	**-**	**820.5**	**728.1**	**74.6**	**-**	**802.7**
Funded status	**A+B**	**(611.6)**	**(169.7)**	**(16.4)**	**(797.7)**	**(598.2)**	**(174.7)**	**(14.4)**	**(787.3)**
Net benefit obligation		**(611.6)**	**(169.7)**	**(16.4)**	**(797.7)**	**(598.2)**	**(174.7)**	**(14.4)**	**(787.3)**
TOTAL LIABILITIES		**(619.0)**	**(169.7)**	**(16.4)**	**(805.1)**	**(604.1)**	**(174.7)**	**(14.4)**	**(793.2)**
TOTAL ASSETS		**7.5**	**-**	**-**	**7.5**	**5.9**	**-**	**-**	**5.9**

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

In 2018, the increase of the net liability is explained by the rise of the expense which amounts -EUR 52 million and the increase of the contributions paid by the entities of the Group of around EUR 69 million.

In 2017, the decrease of the net liability was mainly attributable to contributions paid by entities of the Group of around -EUR 48 million and a foreign exchange effect of about -EUR 30 million. These were partially offset by the integration of GE Water which increased the commitment for about EUR 59 million.

18.2.3 COMPONENTS OF COST FOR THE PERIOD

The net cost recognized in respect of pensions and other defined benefit obligations in 2018 and 2017 breaks down as follows:

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Current service cost	(55.9)	(42.2)
Net interest expense on the net defined benefit liability	(19.5)	(16.4)
Actuarial gains or losses	2.1	9.0
Past service cost	(4.1)	2.3
Gains or losses on pension plan curtailments, terminations and settlements	25.3	24.9
Special terminations	-	-
Total	**(52.2)**	**(22.4)**
Of which recognized in current operating income	(32.7)	(6.0)
Of which recognized in financial income/(loss)	(19.5)	(16.4)

18.2.4 FUNDING POLICY AND STRATEGY

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

These strategies have a twofold objective:

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

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

The funding of these obligations breaks down as follows:

(in millions of euros)	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past service	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(1,174.5)	778.7	-	-	(395.8)
Overfunded plans	(18.1)	24.0	-	-	5.9
Unfunded plans	(397.4)	-	-	-	(397.4)
Total December 31, 2017 restated	**(1,590.0)**	**802.7**	**-**	**-**	**(787.3)**
Underfunded plans	(1,141.0)	784.4	-	-	(356.6)
Overfunded plans	(28.7)	36.1	-	-	7.4
Unfunded plans	(448.5)	-	-	-	(448.5)
Total December 31, 2018	**(1,618.2)**	**820.5**	**-**	**-**	**(797.6)**

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

	2018	2017
Securities	32%	36%
Bonds	39%	35%
Real Estate	3%	2%
Other (including money market securities)	26%	27%
Total	**100%**	**100%**

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

	Europe	North America	Asia Oceania	Other
Securities	20%	42%	2%	18%
Bonds	66%	38%	85%	0%
Real Estate	2%	4%	0%	0%
Other (including money market securities)	12%	16%	13%	82%
Total	**100%**	**100%**	**100%**	**100%**

18.2.5 ACTUARIAL ASSUMPTIONS

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

The weighted rates are presented below:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	2.8%	2.6%	3.2%	3.1%	2.1%	1.4%	2.9%	2.7%
Estimated future increase in salaries	2.7%	2.6%	2.4%	2.4%	2.2%	1.5%	2.7%	2.6%
Inflation Rate	2.1%	2.0%	2.2%	2.2%	1.9%	1.8%	2.1%	2.0%
Average remaining working lives of participating employees	13 years	17 years	14 years	15 years	14 years	15 years	13 years	17 years

Discount and salary increase rates are shown including inflation.

18.2.5.1 DISCOUNT RATE AND INFLATION

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

As for December 31, 2017, the 2018 rates were determined for each currency area (euro, US dollar and pound sterling) from data on AA bond yields (according to Bloomberg and iBoxx) extrapolated to long-term maturities based on the performance of government bonds. A discount rate curve has been used per currency area and has been applied to debt and to the components of the current cost (Service Cost and Net Interest).

According to estimates made by the Group, a change of plus or minus 1% of the discount rate would result in a change in actuarial liabilities of approximately 15%.

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

18.2.6 GEOGRAPHICAL BREAKDOWN OF OBLIGATIONS

In 2018, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

(in millions of euros)	Euro Zone		United Kingdom		United States		Rest of the World	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status [(a)]	(394.5)	(104.6)	(9.3)	0.0	(114.9)	(17.7)	(92.9)	(63.8)
Discount rate	1.6%	1.5%	2.7%	0.0%	4.3%	4.3%	3.3%	3.8%
Estimated future increase in salaries	1.8%	1.3%	4.1%	0.0%	3.3%	4.7%	3.4%	2.9%
Inflation Rate	1.8%	1.8%	3.1%	0.0%	2.3%	2.5%	1.8%	2.3%
Average remaining working lives of participating employees	17 years	4 years	18 years	0	13 years	7 years	6 years	0

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

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

18.2.7 PAYMENTS DUE IN 2019

The Group expects to contribute to defined benefit plans in 2019 and to pay benefits for a total approximate amount of EUR 52.1 million.

18.3 Defined contribution plans

In 2018, the Group SUEZ recorded a EUR 51.6 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

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Note 19 Finance lease

The net book value of property, plant and equipment assets under finance lease is broken down according to their nature and presented in property, plant and equipment assets.

At December 31, 2018, the main finance leases entered into by the Group concern SUEZ RV Energie's for incineration plants in France.

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

	Future minimum lease payments at December 31, 2018		Future minimum lease payments at December 31, 2017 restated	
(in millions of euros)	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	36.3	35.3	76.6	76.0
During years 2 to 5 inclusive	37.6	32.5	66.5	59.8
Beyond year 5	29.8	19.7	20.3	13.9
Total future minimum lease payments [(a)]	**103.7**	**87.5**	**163.4**	**149.7**

(a) Including amortized cost

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

(in millions of euros)	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease [(a)]	87.5	35.3	32.5	19.7
Impact of discounting future repayments of principal and interest	16.2	1.0	5.1	10.1
Undiscounted future minimum lease payments	**103.7**	**36.3**	**37.6**	**29.8**

(a) Including amortized cost

Note 20 Operating lease

20.1 Information on operating leases - SUEZ lessee

The Group's operating leases relate in particular to real estate, vehicle fleets, construction machinery and office and IT equipment.

The expenses recorded for operating leases in 2018 and 2017 are broken down as follows:

(in millions of euros)	**December 31, 2018**	**December 31, 2017 restated**
Minimum lease payments	(474.7)	(425.9)
Contingent lease payments	(4.1)	(5.4)
Sub-letting income	-	0.5
Sub-letting expenses	(1.5)	(3.6)
Other operating lease expenses	(27.6)	(28.8)
Total	**(507.9)**	**(463.2)**

The future minimum lease payments under non-cancellable operating leases can be analyzed as follows:

(in millions of euros)	**December 31, 2018**	**December 31, 2017 restated**
During year 1	268.1	252.5
During years 2 to 5 inclusive	698.5	638.2
Beyond year 5	372.3	483.4
TOTAL	**1,338.9**	**1,374.1**

20.2 Information on operating leases - SUEZ lessor

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

In 2017, comparable data are not available.

Rental income for the 2018 financial year breaks down as follows:

(in millions of euros)	**December 31, 2018**
Minimum lease payments	83.3
Contingent lease payments	-

The future minimum payments receivable under non-cancellable operating leases are as follows:

(in millions of euros)	**December 31, 2018**
During year 1	38.7
During years 2 to 5 inclusive	108.9
Beyond year 5	113.3
TOTAL	**260.9**

Note 21 Share-based payments or cash-based payments

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

(in millions of euros)	Note	(Expense) for the period 2018	2017
Stock-option plans	21.1	-	-
Performance share plans	21.2	(0.9)	(0.1)
Worldwide financial incentive scheme	21.3	-	(0.1)
Employees share issues [(a)]	21.4	(2.4)	(1.2)
Long-term incentive plan [(b)]	21.5	(3.7)	5.0
TOTAL		**(6.9)**	**3.6**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9). Before hedging by warrants, the 2018 impact related to capital increases reserved for employees amounts to -EUR 0.6 million. In 2017 the impact was an expense of -EUR 2.7 million.

(b) The positive impact in 2017 was explained by the reversal of provision following 2014 plan delivery. The expenses related to the amount paid to the beneficiaries are booked in personnel costs (short term benefits). In 2018, this reversal of the provision following the delivery of the 2015 plan represents EUR 11.3 million.

21.1 Stock option plans

21.1.1 ARRANGMENTS AND GRANTS

Since 2010, no more stock options are granted. The plan issued in December 2010 expired on December 15, 2018. Arrangements relating to this plan are described in 2010 SUEZ Reference Document.

21.1.2 HISTORY OF CURRENT PLANS IN FORCE

SUEZ stock option plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2017	Exercised	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2018	Expiration date	Residual life
16/12/2010	26/05/2009	16/12/2014	14.20	635,738	400		635,338	-	15/12/2018	-
TOTAL				**635,738**	**400**	**-**	**635,338**	**-**		

The average share price for SUEZ in 2018 was EUR 12.19.

In 2018, as for 2017, no expense has been recorded in relation to the SUEZ stock option plans.

21.2 Performance share plans

21.2.1 ARRANGMENTS AND GRANTS

At its meeting of July 25, 2018, the Board of Directors, pursuant to the authorization of the General Meeting of May 17, 2018, granted two share-based compensation plans to certain of its employees in France and abroad:

- A free performance share allocation plan for France,
- A free allocation of performance units plan abroad.

At the end of the vesting period and subject to the conditions of these plans and the level of achievement of the performance conditions, the beneficiaries of the "Performance Shares" plan will receive SUEZ ordinary shares. With regard to the "Performance Units" plan, each vested Unit entitles the beneficiaries to receive in cash a gross amount equal to the average closing price of the SUEZ share over the 10 trading days preceding the vesting date.
The payment of remuneration is subject to the presence of the beneficiary in the company between the grant date and the vesting date.

The table below summarizes the main features of these two deferred compensation plans:

Specifications		Performance shares	Performance units
Number of beneficiaries	*Beneficiaries A*	324	235
	Beneficiaries B	479	536
Number of instruments granted	*Beneficiaries A*	581 585	365 855
	Beneficiaries B	138 200	152 000
Date of allocation		07/25/2018	
Date of acquisition		09/30/2021	10/31/2021

21.2.2 INTERNAL PERFORMANCE CONDITIONS

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

Based on the lists of beneficiaries, beneficiaries A and beneficiaries B, the performance conditions are as follows:

- Beneficiaries A (559 beneficiaries):
    - Members of the Executive Committee: two performance conditions apply cumulatively to 100% of total compensation:
        - Cumulative EBIT level for the period from January 1, 2018 to December 31, 2020;
        - Evolution of SUEZ's Total Shareholder Return over the period from January 1, 2018 to December 31, 2020 compared to the evolution of the Total Shareholder Return of the Euro Stoxx Utilities Index over the same period.
    - Top Executives:
        - A first performance condition (cumulative EBIT level over the period from 1 January 2018 to December 31, 2020) applies to 100% of the total remuneration that may be paid;
        - A second performance condition (Evolution of SUEZ's Total Shareholder Return over the period from January 1, 2018 to December 31, 2020 compared to the evolution of the Total Shareholder Return of the Euro Stoxx Utilities Index over the same period), which is cumulative with the first condition, applies to 50% of the total remuneration that may be paid.
    - Other beneficiaries: a performance condition (cumulative EBIT level for the period from January 1, 2018 to December 31, 2020) applies to 100% of the total remuneration that may be paid.

Finally, for all beneficiaries A, the amount of the payment as resulting from the application of the performance conditions may be increased or decreased by 10% depending on the level of the gender parity index in the management (GPI) at 31 December 2020.

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

► Beneficiaries B (1,015 beneficiaries): a performance condition linked to the cumulative EBIT level over the period from January 1, 2018 to December 31, 2020 applies to 100% of the total remuneration that may be paid.

The EBIT level is calculated for all beneficiaries, excluding the material impacts of any changes in accounting and tax standards.

21.2.3 RETAINED ASSUMPTIONS

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

Assumptions	Performance shares	Performance units
Date of allocation	07/25/2018	07/25/2018
Underlying share price on the allocation date	11,86 €	11,86 €
Suez volatility	21.87%	18.05%
Euro volatility STOXX Utilities	16.40%	14.26%
Anticipated dividends from Suez	0,65 €	0,65 €
Anticipated dividends from Euro STOXX Utilities	11,46 €	13,85 €
Risk-free rate	1 year : -0,52% 2 years : -0,43% 3 years : -0,29% 4 years : -0,14%	1 year : -0,48% 2 years : -0,39% 3 years : -0,26% 4 years : -0,11%
Employee turnover rate	5% / year	5% / year
Probability of meeting internal performance conditions	100%	100%

The external performance condition was valued using the Monte Carlo method.

The fair value of the performance shares granted in this way results in a total expense of EUR 4.0 million and the fair value of the performance units in an expense of EUR 3.9 million over the term of the plans.

21.2.4 ACCOUNTING EXPENSES

	Number of shares granted	Outstanding number of shares at December 31, 2018	Weighted average fair value	(Expense) for the period 2018	(Expense) for the period 2017
March 2013		-		-	(0.1)
July 2018 - Performance shares plan	719,785	719,785	6.3 €	(0.5)	-
July 2018 - Performance units plan	517,855	517,855	8.8 €	(0.4)	-
TOTAL	**1,237,640**	**1,237,640**		**(0.9)**	**(0.1)**

The cost of the plans is spread over the vesting period with a corresponding charge to shareholders' equity.

21.3 Worldwide incentive scheme

The last global free share allocation plan, issued in January 2013, expired in January 2017. A charge of - EUR 0.1 million was booked in 2017 for this plan.

21.4 Employee share issues

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

			(Expense) for the period	
			2018	2017
SUEZ Sharing 2017 plan	Share issue and matching shares in France and SIP	December 2017		(2.5)
SUEZ Sharing 2017 plan	Matching shares - International	December 2017	(0.3)	-
SUEZ Sharing 2017 plan	*Share Appreciation Rights*	December 2017	(1.2)	1.8
SUEZ Sharing 2014 plan	Matching shares - International	July 2014	(0.2)	(0.2)
SUEZ Sharing 2014 plan	*Share Appreciation Rights*	July 2014	(0.6)	(0.3)
Total [(a)]			**(2.4)**	**(1.2)**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9). Before hedging by warrants, the expense of the year 2018 related to employee share issue amounts to -EUR 0.6 million. In 2017 the impact was -EUR 2.7 million.

There was no capital increase reserved for employees in 2018. The only impacts on 2018 income statement related to the capital increase plans reserved for employees are the Share Appreciation Rights and the amortization of the international contribution of the Sharing 2017 and Sharing 2014 plans.

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

21.5 Long-term incentive plan

In 2018, the Group set up two three-year long-term incentive plans linked to the integration and performance of the SUEZ Water Technologies & Solutions (SWTS) Business Unit for a total allocation of EUR 18.6 million, covering 72 beneficiaries.

- Plan 1 (68 beneficiaries):

The performance conditions are based on financial indicators from SWTS' business plan and relate to indicators of organic revenue growth, EBITDA and operating cash flow. Payments are linked to the rate of achievement of performance conditions.

- Plan 2 (4 beneficiaries):

The performance conditions are based on financial indicators from WTS' business plan and relate to organic growth, EBITDA and operating cash flow indicators and qualitative indicators related to the integration of SWTS. Payments are based on the rate of achievement of performance conditions.

In addition, there are two SUEZ plans in progress as of December 31, 2018: the first was set up by the Board of Directors on February 28, 2017 and the second by the Board of Directors on February 23, 2016.
During the 2018 financial year, all outstanding long-term compensation plans generated a net expense of EUR 3.7 million (also taking into account the provisioning of social security contributions). This charge includes the reversal of the provision for the 2015 plan, paid in 2018, whose conditions were met between 46.8% and 54% depending on the category of beneficiaries. The actual expense of EUR 6.3 million was recognized in personnel expenses.

Note 22 Related-party transactions

The purpose of this note is to present material transactions between the Group and its related parties as defined by IAS 24.

Compensation for key executives is disclosed under Note 23 "Executive compensation". The main subsidiaries (fully consolidated companies) are listed under Note 26 "List of the main consolidated companies at December 31, 2018 and 2017".

Only material transactions are described below.

22.1 Transactions with ENGIE and related entities

(in millions of euros)	December 31, 2018	December 31, 2017 restated
Transactions with ENGIE		
Purchases/sales of goods and services	0.5	3.0
Non financial payables	7.1	7.4
Non financial receivables	0.2	0.3
Receivables carried at amortized cost [(a)]	14.0	14.8
Transactions with companies linked to ENGIE		
Purchases/sales of goods and services	12.8	2.7
Financial incomes	0.5	-
Non financial receivables	23.7	23.2
Non financial payables	0.4	0.7
Financial payables	0.8	-
Borrowings excluding financial instruments	0.7	0.7
Commodity derivatives (Liabilities)	(0.7)	(0.2)

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

22.2 Transactions with joint operations, joint ventures and associates

As at December 31, 2018, the net total amount of loans granted to joint ventures and associates entities was EUR 126 million. The main lines are:

- EUR 38 million with joint ventures in water business in Europe,
- EUR 48 million with associates in charge of the commissioning and operation of incinerators in the United Kingdom,
- Furthermore, EUR 13 million with a joint venture in Kuwait for the maintenance contract of a water treatment plant.

Note 23 Executive compensation

The Group's Management Committee is composed of eleven members at December 31, 2018. At December 31, 2017, there were nine members in the Management Committee.

Their compensation breaks down as follows:

(in millions of euros)	**December 31, 2018**	**December 31, 2017 restated**
Short-term benefits	9.3	8.6
Post-employment benefits [(a)]	1.6	1.3
Long Term Incentive Plans [(b)]	2.3	0.3
TOTAL	**13.2**	**10.2**

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

(b) Long Term Incentive Plans : included performance share plans set up in 2018.

Note 24 Legal and arbitration proceedings

Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (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 81.6 million as of December 31, 2018 (excluding litigation in Argentina).

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

Litigation in Argentina

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

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

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

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

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The 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. This appeal was rejected in December 2018 making ICSID'S decision final.

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

Note 25 Subsequent events

There is no subsequent event

Note 26 List of the main consolidated companies at December 31, 2018 and 2017

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

Names	Headquarters address	% interest December 2018	% interest December 2017	% control December 2018	% control December 2017	Consolidation methods (a) December 2018	Consolidation methods (a) December 2017
SUEZ	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
	WATER EUROPE						
SUEZ Eau France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
SUEZ Spain	Edificio D38 – PasseFC Zona Franca 08038 Barcelona – Espagne	100.0	100.0	100.0	100.0	FC	FC
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso 4, Santiago – Chile	25.1	28.4	50.1	50.1	FC	FC
	RECYCLING AND RECOVERY EUROPE						
SUEZ Recycling and Recovery Holdings UK Ltd	Grenfell road, Maidenhead, Berkshire SL6 1ES – United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SUEZ Recycling & Recovery Deutschland GmbH	Industriestrasse 161 D-50999 Köln – Germany	100.0	100.0	100.0	100.0	FC	FC
SUEZ Nederland Holding B.V.	EMster E.N. van Kleffensstraat 10, 6842 CV Arnhem – Netherlands	100.0	100.0	100.0	100.0	FC	FC
SUEZ R&V France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
SUEZ R&R Belgium N.V.	Avenue Charles-Quint 584 7 1082 Berchem, Sainte-Agathe – Belgium	100.0	100.0	100.0	100.0	FC	FC
SOCALUX	Lamesch SA ZI Wolser Nord BP 75 - L3201 Bettembourg, Luxembourg	100.0	100.0	100.0	100.0	FC	FC
SUEZ Recycling AB	Kungsgardsleden, 26271 Angelholm – Sweden	100.0	100.0	100.0	100.0	FC	FC
	INTERNATIONAL						
SUEZ Recycling & Recovery Pty Ltd	Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australia	100.0	100.0	100.0	100.0	FC	FC
ACEA Spa	p.le Ostiense, 2 - 00154 Roma - Italy	23.3	23.3	23.3	23.3	EM	EM
AQUASURE HOLDING Ltd	492 St Kilda Road - level 7 Melbourne, VIC 3004 – Australia	11.7	11.7	11.7	11.7	EM	EM
SUEZ Water Inc.	461 From Road Suite 400, Paramus 07652 New Jersey - United States of America	100.0	100.0	100.0	100.0	FC	FC
SUEZ North America Inc	461 From Road Suite 400, Paramus 07652 New Jersey - United States of America	100.0	100.0	100.0	100.0	FC	FC
SUEZ Water Advanced Solutions, LLC	1230 Peachtree Street NE, Suite 1100, Promenade II Building, Atlanta, GA 30309 - United States of America	100.0	100.0	100.0	100.0	FC	FC
The Macao Water Supply Company Limited	718 avenida do Conselheiro, Macao - China	49.3	49.3	58.0	58.0	FC	FC
Sita Waste Services Ltd.	Room 702, 7/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	58.0	58.0	58.0	58.0	FC	FC
SUEZ Polska sp. z o.o.	Zawodzie 5, 02-981 Warszawa - Poland	100.0	100.0	100.0	100.0	FC	FC
LYDEC	48, Boulevard Mohamed Diouri, Casablanca - Morocco	51.0	51.0	51.0	51.0	FC	FC
SUEZ International	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC

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

Names	Headquarters address	% interest December 2018	December 2017	% control December 2018	December 2017	Consolidation methods (a) December 2018	December 2017
	Water Technologies & Solutions - WTS						
SUEZ Treatment Solutions Inc	461 From Rd Ste 400 Paramus, NJ, 07652-3526 - United States of America	70.0	70.0	70.0	70.0	FC	FC
SUEZ Water Technologies & Solutions	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	70.0	70.0	70.0	70.0	FC	FC
	OTHER						
SUEZ Groupe	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
Safège	15, rue du Port, 92022 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC

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

Note 27 Fees of the Statutory Auditors and members of their networks

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

	Ernst & Young								MAZARS							
	2018				2017				2018				2017			
	Ernst & Young and Others		Network		Ernst & Young and Others		Network		Mazars SA		Network		Mazars SA		Network	
In thousands of euros	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Audit and limited review on the statutory and consolidated financial statements																
SUEZ SA	743	19%	-	-	736	18%	-	-	681	15%	-	-	611	14%	-	-
Fully consolidated subsidiaries and joint operations	2,573	68%	4,720	84%	2,426	61%	4,684	83%	3,669	79%	2,501	94%	3,332	74%	2,459	95%
Other services																
SUEZ SA	118	3%	-	-	184	5%	-	-	69	1%	90	3%	154	3%	88	4%
Fully consolidated subsidiaries and joint operations	381	10%	893	16%	662	17%	991	17%	227	5%	88	3%	377	9%	28	1%
TOTAL	**3,815**	**100%**	**5,613**	**100%**	**4,008**	**100%**	**5,675**	**100%**	**4,646**	**100%**	**2,679**	**100%**	**4,474**	**100%**	**2,575**	**100%**

Other services than account certification providing during the year to SUEZ SA and its controlled entities include primarily the review of GE Water purchase price allocation and verifications of CSR information.

MAZARS ERNST & YOUNG et Autres

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SUEZ

Year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

MAZARS
Tour Exaltis
61, Henri Regnault
92400 Courbevoie
S.A. à drectoire et conseil de surveillance
au capital de € 8.320.000
784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

SUEZ

Year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of SUEZ,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of SUEZ for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

- **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Emphasis of Matter

We draw attention to the matter described in Notes 1.2.4.1, 1.2.4.3 and 1.2.4.4 to the consolidated financial statements relating to the first-time application of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” standards starting January 1, 2018.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Purchase price allocation related to GE Water

Risk identified	Our response
On September 29, 2017, SUEZ finalized the acquisition of GE Water & Process Technologies (“GE Water”) from General Electric Company. The cash transaction included a final purchase price of M€ 2,886 In accordance with IFRS 3 revised, the purchase price allocation was completed within twelve months of the acquisition date; based on the estimations related to the determination of the fair value of acquired assets and liabilities, the residual Goodwill amounts to M€ 1,753 at the transaction date SUEZ engaged an independent advisor to assist in evaluating the main intangible assets and other assets and liabilities of the GE Water Group. The natures and amounts are described in Note 2.1 to the consolidated financial statements. We considered the price purchase allocation to be a key audit matter as this is a significant transaction which requires significant management estimations and judgements regarding the identification and the determination of the fair value of the acquired assets and assumed liabilities.	We got acquainted with the scope and the extent of the work performed by the SUEZ Group and its independent advisor to identify and determine the fair value of the acquired assets and assumed liabilities. Through the expertise of our valuation specialists, we conducted : ► an analysis of the methodology used by the Group to evaluate the main acquired assets and assumed liabilities of GE Water; ► an examination of the key judgments and assumptions, particularly in the valuation models of intangible assets in relation to the industry practices and the geographical area concerned; ► an analysis of the evidences supporting the existence and the estimation of the main possible assumed liabilities. Finally, we assessed the content of the disclosures in the notes to the consolidated financial statements regarding this purchase price allocation.

Valuation of goodwill

Risk identified	Our response
As at December 31, 2018, the amount of goodwill net value is M€ 5,223.8. As indicated in Note 1.5.4.1 to the consolidated financial statements, goodwill is not depreciated but goodwill impairment loss is tested every year, or more frequently when an indication of impairment loss is identified. The methods used to carry out these impairment tests are described in Notes 1.5.6 and 9 to the consolidated financial statements. Impairment tests require the use of assumptions and estimates whose completion is by nature uncertain, including: ► the projections of the operating cash flows; ► the terminal value determined by applying a long-term growth rate to after-tax cash flows; ► the discount rates based on the characteristics of the concerned operational entities. The recoverable amount of goodwill is sensible to the fluctuation of these assumptions and estimates. Consequently, we considered the valuation of goodwill as a key audit matter.	In this context, we performed the verification of the methods applied to carry out these impairment tests and we focused on the significant cash-generating units ("CGU") indicated in Note 9.2 to the consolidated financial statements. We reconciled the data used for impairment tests with the Medium-Term Plan (MTP) approved by the Board of Directors. We considered the following underlying assumptions: ► the projections of operating cash flows prepared over the duration of the MTP and related to operating conditions provided by the Management Committee, specifically the contracts duration carried by the entities of the CGU in question, changes in pricing regulations and future market outlooks; ► the terminal value for the period over the MTP, calculated by applying a long-term growth rate, comprised between 2% and 3%, depending on the activity, to normalized "free cash flow" in the final year of the projections. We involved in our audit team experts in valuation and performed the verification of discount rates, long-term growth rates and the discount cash flow method to calculate the projections of operating cash flows. . Furthermore, we obtained and considered the sensitivity of the analyses conducted by the Group's management, whose results are indicated in Note 9.4 to the consolidated financial statements.

Recoverability of deferred tax assets related to tax loss carry-forwards in the French tax consolidation group

Risk identified	Our response
As at December 31, 2018, the deferred tax assets related to tax loss carry-forwards in the statement of the financial position amount to M€ 266, including M€ 131 for the French tax consolidation group. As disclosed in Note 1.4.1.9 to the consolidated financial statements, deferred tax assets are carried on tax loss carry-forwards when it is probable that the future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. The likelihood of future taxable profits is estimated by taking into account the existence of temporary taxable differences from the same tax entity and is passed on to the same deadlines towards the tax authority as well as the estimates of future taxable profits.	Our audit approach consisted in analyzing the ability of the French tax consolidation group to use, within a reasonable timescale, the tax loss carry-forwards generated and recognized as deferred tax assets as at December 31, 2018, in particular with regard to the ability to make, on the tax consolidation group that originated these losses, sufficient future taxable profits. We thus preformed the verification of the methodology chosen by Management to estimate tax-loss carry-forwards that will be utilized by taxable profits. We analyzed the process of making future taxable profits by : ► considering the setting-up procedure of the MTP that served as a basis for the estimates;

The estimates of taxable profits and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term plan (MTP) and, if necessary, on the basis of additional forecasts.

The recoverability of deferred tax assets related to tax loss carry-forwards relies in particular on the ability of the French tax consolidation group to achieve these projections of future taxable profits.

We thus considered the valuation of these assets as a key audit matter by taking into consideration the inherent uncertainty of the recoverability of deferred tax assets, as at December 31, 2018, related to tax loss carry-forwards in the French tax consolidation group and the management's judgement in this respect.

The recoverability of capitalized losses relies in particular on the ability to achieve objectives set out in the budget for the following year and in the MTP for the next four years.

- comparing the taxable income projections with the actual taxable income for the year ended December 31, 2018;
- considering the MTP tax to assess the likelihood of the assumptions underlying the future taxable income forecasts in France;
- comparing the future tax rates applied with the rates applicable under French tax legislation.

We included in our audit team tax specialists who analyzed the tax projections.

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

Risk identified	Our response
As disclosed in Note 1.4.1.7 to the consolidated financial statements, revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that enable to estimate revenues. We considered measurement of revenues from water distribution, generated but not metered as a key audit matter given the inherent uncertainty relating to the process of evaluating volumes of water distributed but not metered at the reporting date and the evaluation of the corresponding sale price.	In the context of our audit: ► we got acquainted with the control environment along with the invoicing chain and processes allowing the reliability of estimates on water metered; ► we tested with our information systems experts the key automated controls used to estimate water metered, and we audited the functioning of the computing algorithm; ► we analyzed the reconciliation between estimated volumes made by SUEZ of water consumed and volumes of water distributed over the period; ► we verified the calculation of the price charged for these volumes in relation to contract terms; ► we analyzed the reconciliation made by the Group between estimated volumes and invoiced volumes retrospectively.

- **Construction contracts accounting**

Risk identified	Our response
As disclosed in Notes 1.4.1.8 and 1.5.13.3 to the consolidated financial statements, the Group carries out part of their business activities through construction contracts for which revenues and margin are accounted for using the percentage of completion method. For each project, this stage of completion is determined by bringing the costs incurred as at December 31, 2018 to the total estimated costs of the contract. This method aims at keeping the level of expenses incurred and recognize the margin based only on accounted revenues. The determination of revenues and margin relating to construction contracts depends on data at completion forecasted by operational and financial managers. These estimates are reviewed on a quarterly basis or more frequently in the event of any major development as the projects evolve. When the total contract costs may exceed total contract revenues, the expected loss at termination is recognized as an expense immediately. We considered the accounting of revenues relating to construction contracts as a key audit matter given the estimative nature of this process.	In the context of our work, the procedures set up in the significant subsidiaries in terms of contribution to revenues of construction contracts consisted of: ► testing key controls related to project management process; ► recomputing revenues using the percentage of completion method; ► performing the necessary reconciliations between management reporting data (revenues, costs and margin) and accounting records; ► performing the work program detailed below on a sample of contracts. We thus analyzed a sample of contracts selected on the basis of the following criteria : ► significant margin contribution for the year; ► significant fluctuation of data at termination during the period; ► contracts presenting specific significant risks (technical, contractual, geopolitical, etc.). For each of the contracts selected, our work consisted in:

- meeting with operational and financial managers of the considered contract (« *revue d'affaire* ») to take note of the operational situation of the project (examination of the significant events during the period, risks assessment, analysis of costs to be committed to complete the project);
- performing reconciliations between costs at termination analyzed during our « *revue d'affaire* » and costs at termination used for the calculation of the percentage of completion;
- comparing the amounts outlined in the contracts and/or contract amendments to revenues at termination used to determine the revenues to be recorded for the year ended December 31, 2018.

Specific Verifications

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

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

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of SUEZ by your Annual General Meeting held on July 15, 2008 for MAZARS and on December 21, 2007 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS and ERNST & YOUNG et Autres were in the eleventh year and twelfth year of total uninterrupted engagement, which is the eleventh year since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

■ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- ► Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

■ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 26, 2019

The Statutory Auditors
French original signed by

MAZARS

Achour Messas

ERNST & YOUNG et Autres

Dominique Muller

Jean-Pierre Letartre

Stéphane Pédron