# Interim Financial Report 2021

# Contents

# 1 Message from the Chief Executive Officer

I am extremely proud of the results of our SUEZ 2030 plan, initiated only two years ago. In a context made more complex by the pandemic, SUEZ's transformation has quickly borne fruit and results are accelerating in the first half of 2021. Our performance is improving very strongly at all levels, showing a clear acceleration compared to 2019 and a strong rebound compared to 2020. The Group therefore confirms all of its objectives for 2021.

These excellent results were only possible as a result of the dedication and determination of our teams, and I thank them for their unwavering commitment.

Revenue is growing for all business segments. The EBIT margin, up significantly to 9.2%, reflects the Group's selective approach and its expansion in higher value-added activities. Simplifying our processes has also improved our cash generation: we recorded recurring free cash flow of EUR 484 million at 30 June. Finally, the completion of several disposals also contributed to a significant reduction in the Group's debt, to 2.7 times EBITDA over 12 months. At the same time, SUEZ has continued to invest in innovation and R&D as well as in several strategic acquisitions to expand our ability to offer differentiating solutions.

In addition to the development and performance objectives, my roadmap focuses on the implementation of the agreement concluded with Veolia, particularly in its human resources dimension.

This agreement will give rise to a "new SUEZ": one that is both agile and robust, with a strong French base and significant resources to fuel international growth. Driven by our culture of innovation, our Group will continue to contribute to the preservation and restoration of the environment.

Bertrand Camus
Chief Executive Officer
SUEZ

# 2 Key figures for the first half of 2021

The table below shows extracts of the income statements and statements of financial position from the condensed consolidated financial statements for the periods ending June 30, 2021 and June 30, 2020.

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

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Revenues | 8,711.3 | 8,166.6 |
| EBITDA [a] | 1,600.7 | 1,196.4 |
| Net income Group share | 298.3 | (538.2) |
| Net debt | 8,624.8<br>*at June 30, 2021* | 9,610.9<br>*at December 31, 2020* |

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

# 3 Key events of the first half of 2021

# 3.1 Highlights and key contracts

## January 2021

### FINALIZATION OF THE ACQUISITION OF THE LANXESS REVERSE OSMOSIS MEMBRANE PORTFOLIO

Announced in July 2020, this transaction extends the services available from the Water Technologies & Solutions division, allowing SUEZ to integrate reverse osmosis technology into its solutions. With this acquisition, the Group also expands its service portfolio and its production capacity. Growth capacity is improved, allowing the Company to continually improve the support it offers its customers in water treatment.

The acquisition of the LANXESS reverse osmosis product line includes the reverse osmosis membranes and the production plant in Bitterfeld, Germany.

### FORMATION OF CARBONWORKS, A JOINT VENTURE WITH FERMENTALG

Held equally by SUEZ and Fermentalg, a major French player in research and bio-industrial use of microalgae, the goal of Carbonworks is to accelerate the industrialization and marketing of solutions to capture and recover $CO_2$ in bioproducts.

By developing a new industrial photo-bioreactor standard, the joint venture will in time be able to capture several thousand tons of $CO_2$ at the source of the emissions and produce equivalent quantities of algae biomass intended primarily for the agricultural biocontrol and human and animal nutrition markets.

### ACQUISITION OF THE WATER AND WASTEWATER NETWORKS FROM THE HERITAGE HILLS WATER AND SEWAGE WORKS CORPORATION IN THE UNITED STATES

With this EUR 7.3 million acquisition, SUEZ now serves more than 500,000 people. The water networks held and operated by the Group extend over five counties in New York, including 200,000 people in Westchester. They include five wells, one treatment plant and two storage tanks. The wastewater system includes one water treatment plant and two pumping stations.

### ACQUISITION OF NON-CONTROLLING INTERESTS IN THE GROUP'S OPERATIONS IN CHINA

SUEZ signed an agreement with its longstanding partner NWS Holdings Limited (NWS) to acquire equity interests of NWS in all the shared business activities of the two Groups in China. With this transaction, the Group boosts further its leadership position in environmental services in Asia, where its expertise and technology allow it to win high value-added contracts.

The EUR 693 million transaction will in time allow SUEZ to hold 100% of the two companies SUEZ NWS and Suyu.

SUEZ NWS holds all the water and waste activities of the Group in mainland China, Macau, Hong Kong and Taiwan in a single entity.

Through Derun Environment, a joint venture formed with Chongqing Water Assets, Suyu holds equity interests in Chongqing Water Group and Chongqing Sanfeng.

### ACQUISITION OF NON-CONTROLLING INTERESTS IN THE WATER MANAGEMENT JOINT VENTURE IN THE CANARY ISLANDS

SUEZ expanded its presence in Spain through the acquisition of the Itochu Group's 33.4% minority stake in Canaragua, the leading water services operator in the Canary Islands.

The EUR 37 million acquisition positions Canaragua as an essential player in the transformation of the Canary Islands, promoting a model of long-term sustainable economic growth capable of meeting the current and future challenges of the islands.

### TWO SMART MANAGEMENT CONTRACTS WON FOR DRINKING WATER SYSTEMS IN SAO PAULO

These two five-year performance contracts won by the Group aim to significantly reduce losses in the water networks of the city of São Paulo. SUEZ, supported by its local partners, undertakes to reduce the volume of water lost during distribution, thus saving around 4,000,000 cubic meters of water every year.

## February 2021

### FORMATION OF A JOINT VENTURE WITH SIPPEREC TO DEVELOP THE FIRST GREEN HYDROGEN PRODUCTION SOLUTION ON AN ENERGY-FROM-WASTE PLANT IN FRANCE

SUEZ is innovating by forming a joint venture with a subsidiary of SIPPEREC, to develop a green hydrogen production and distribution plant on an Energy-from-Waste (EfW) unit in Créteil, near Paris.

The hydrogen station project on the Créteil EfW will transform the electricity produced from the combustion of household waste into hydrogen using an electrolysis process. This innovation will provide a decarbonized energy solution to all green mobility players in the regions.

### OPERATING AND MAINTENANCE CONTRACT FOR ONE OF THE LARGEST WASTEWATER TREATMENT PLANTS IN AFRICA

In Cairo in Egypt, SUEZ and its partner Arab Contractors won a four-year contract, providing total revenues of EUR 40 million (including EUR 28 million for SUEZ), to operate and maintain the Gabal El Asfar wastewater treatment plant.

The two treatment lines of the facility will treat the wastewater of around five million residents of the city of Cairo. SUEZ will also complete optimization work to bring the facility's energy self-sufficiency from 55% to more than 65% with electricity produced from the biogas generated by the treatment of sewage sludge.

### 74% OF SUEZ'S 2020 REVENUES QUALIFIED AS "SUSTAINABLE" UNDER THE EU TAXONOMY FRAMEWORK

SUEZ announced, one year ahead of the European obligation, that 74% of its 2020 revenues qualifies under the EU taxonomy framework for sustainable activities.

This high percentage of revenues highlights the coherence between the Group's strategy, which is focused on the preservation of natural capital and the fight against climate change, and the objectives toward which the European Commission intends to direct the investments necessary to achieve the goals of the Paris Agreement and carbon neutrality.

### MAJOR INDUSTRIAL CONTRACT FOR NATURAL WATER TREATMENT IN OMAN

SUEZ won a design, build, own, operate and maintain contract with Petroleum Development Oman, the state-owned leading oil and gas company in the Sultanate of Oman.

This 20-year contract, representing total revenues of EUR 120 million, aims to implement new techniques to treat and dispose produced water, which is the oily wastewater generated during the extraction and recovery of oil.

## March 2021

### SUCCESS OF THE SHARING 2021 EMPLOYEE SHAREHOLDING PLAN

The Group's fifth employee shareholding plan, offered to employees in France, recorded a record subscription rate of around 53%, with more than 15,000 employees subscribing to the plan. This success demonstrates the commitment of SUEZ employees working toward a shared objective to create value.

After the capital increase tied to the plan, the employees became one of the leading shareholders of the SUEZ Group with 5.6% of the capital.

### CREATION OF A LEADER IN DIGITAL WATER WITH SCHNEIDER ELECTRIC

SUEZ and Schneider Electric announced they are combining their areas of expertise to create a leader in digital water to develop and market a joint offering of innovative digital solutions for the management of the water cycle.

This joint venture will support municipal water operators as well as industrial players in the acceleration of their digital transformations, by providing them with a unique range of software solutions for planning, operation, maintenance, and optimization of water treatment infrastructure.

### NEW CONTRACTS WITH INDUSTRIAL CUSTOMERS ABROAD

In Brazil, SUEZ won a contract with MODEC to supply a system to eliminate the sulfates present in seawater. The contract includes the supply of equipment as well as engineering, project management, purchasing and construction supervision services.

In Russia, SUEZ signed a contract for a large wastewater treatment project and has been awarded an associated 10-year service agreement for a new polymer production plant built by Irkutsk Oil Company, an independent oil producer.

### SUEZ WINS THREE WASTE MANAGEMENT CONTRACTS IN FRANCE

In Neuilly-sur-Seine, the council renewed its confidence in SUEZ by awarding the contract to collect household waste for 63,000 residents for a period of seven years.

In the Paris region, SUEZ will operate the new sorting center for selective waste collections in the Paris XVII district for five years. This new-generation site, equipped with leading-edge technologies will sort the recyclable waste of 900,000 Ile-de-France residents.

In the Grand Est region (northeastern France), SUEZ won the contract to collect household waste for 200,000 residents of the urban community of Grand Rheims for a period of seven years.

### CONTRACT FOR THE FIRST SEA WATER DESALINATION PLANT IN JAFFNA, SRI LANKA

SUEZ won a new contract to design, build and operate the first-ever desalination plant through sea water reverse osmosis in Jaffna, Sri Lanka.

The plant will supply drinking water to 300,000 residents of the city of Jaffna and surrounding urban and rural areas.

This contract represents total revenues of EUR 60 million. The facility will be designed-built over a period of two and a half years, and thereafter operated by SUEZ for seven years.

## April 2021

### AGREEMENT WITH VEOLIA ALLOWING THE MERGER OF THE TWO GROUPS

Veolia and SUEZ announced that, on April 11, their respective Boards of Directors had reached an agreement in principle on the main terms and conditions of the merger of the two Groups.

In particular, the two Groups agreed on a price of EUR 20.50 per SUEZ share (cum dividend), the constitution of a "new SUEZ" composed of assets that form a consistent and permanent entity at the industrial and social level, and social commitments for all employees of SUEZ.

### CONTRACT IN TURIN, ITALY, TO MODERNIZE AND EXTEND THE DRINKING WATER PRODUCTION PLANT ON THE PO RIVER

The five-year contract, representing total revenues of EUR 85 million, covers the construction of new treatment lines which will enable a significant increase in the drinking water supply capacity.

The city of Turin and its residents will enjoy one of the most efficient and modern water treatment plants in the country.

## May 2021

### FINALIZATION OF DISPOSAL AND ACQUISITION TRANSACTIONS

SUEZ finalized the sale to PreZero, the environmental division of the Schwarz Group, of its waste recycling and recovery business activities [1] in four countries in continental Europe: the Netherlands, Luxembourg, Germany and Poland. This disposal had been announced in September 2020.

The sale to Veolia of OSIS, a business specializing in several areas of wastewater services, and the acquisition of the non-controlling interests of Suyu were also finalized during the month.

### CONTRACT RENEWAL IN EAST PROVIDENCE IN THE UNITED STATES

The city council of East Providence, in the state of Rhode Island in the United States, has renewed its confidence in the SUEZ Group with the signature of a new agreement for the management of the Riverside wastewater treatment plant.

This ten-year contract, representing total revenues of around EUR 40 million will allow SUEZ to continue to provide services to the 50,000 residents of East Providence and Barrington in the state of Rhode Island.

## June 2021

### ACQUISITIONS OF INFLOWMATIX AND ARIA TECHNOLOGIES

SUEZ announced the acquisition of Inflowmatix, the leader in the acquisition and analysis of high-frequency pressure data. This transaction will enrich the Group's range of digital solutions with a unique offering to ensure the operating performance and resilience of water distribution networks.

SUEZ also announced the acquisition of ARIA Technologies, the European leader in digital modeling of air quality and climate change, thus strengthening the Group's platform of solutions for monitoring and treatment of atmospheric pollutants, odors and greenhouse gases.

### CONTRACT FOR THE REMEDIATION OF THE SANTA GIULIA DISTRICT IN MILAN, ITALY

This contract, representing total revenues of over EUR 80 million, is one of the largest urban redevelopment projects in Europe.

For three and a half years, the SUEZ teams will work with SEMP to ensure the total remediation of the area in what will be the first step in a major urban redevelopment project.

### RECOMMENDATION OF THE SUEZ BOARD OF DIRECTORS ON THE INCREASED TENDER OFFER FROM VEOLIA

As stipulated by the agreement in principle of April 11, Veolia raised the price of its takeover bid to EUR 20.50 per SUEZ share (cum dividend). This follows the approval on June 29, 2021 by the SUEZ and Veolia Boards of Directors of the binding offer submitted by a consortium of long-term investors to acquire the "new SUEZ".

The SUEZ Board of Directors, after reading the fairness opinion of the independent expert (Finexsi), which reaches the conclusion that the financial terms of the bid are fair and that the sale price of the "new SUEZ" is in line with the price of the takeover bid, recommends that its shareholders tender their shares in the Veolia public offer.

## July 2021

### OPERATING AND MAINTENANCE CONTRACT IN MASSACHUSETTS, THE UNITED STATES

Since July 1, SUEZ has operated and maintained the wastewater treatment plant in Lynn, Massachusetts. Under this 20-year contract, representing revenues of EUR 137 million, SUEZ will serve more than 140,000 residents of Lynn and nearby communities.

SUEZ provides water and wastewater services to approximately 450,000 residents in 15 communities throughout Massachusetts.

### CONTRACT TO MANAGE THE PUBLIC DRINKING WATER AND WASTEWATER SERVICES IN BRIVE, FRANCE

The metropolitan area of Bassin de Brive has entrusted SUEZ with the management of its public drinking water and wastewater services for a period of seven years, representing total revenues of nearly EUR 80 million.

In a water conservation approach that is unique in France, SUEZ will mobilize all its expertise and innovative technologies to reduce the amount of water drawn from the supply and support the sustainable development ambitions of the metropolitan area.

(1) Excluding plastic recycling and hazardous waste treatment activities.

# 3.2 SUEZ-Veolia merger

On August 30, 2020, Veolia Environnement announced (i) that it had submitted a firm offer to ENGIE for 29.9% of the shares of the Company at a price of EUR 15.50 per share and (ii) its intention, if ENGIE accepted the offer, to launch a takeover bid to acquire the balance of the Company's shares. On October 5, 2020, the ENGIE Board of Directors accepted Veolia's improved offer and Veolia and ENGIE signed a stock purchase contract under the terms of which Veolia acquired 187,800,000 SUEZ shares from ENGIE, representing around 29.9% of SUEZ capital and voting rights, at a price of EUR 18 per share (cum dividend). On the same day, Veolia confirmed its intention to file the takeover bid at a price of EUR 18 per share (cum dividend), as a result of which the AMF noted the launch of the pre-offer period [(1)].

The proposed offer, then formulated at the price of EUR 18 per share (cum dividend), and the draft of the corresponding offering circular, were filed by Veolia with the AMF on February 8, 2021 [(2)].

On April 12, 2021, Veolia and SUEZ announced that they had reached an agreement in principle that set out the general principles of a comprehensive and amicable solution for a merger between the two Groups. The agreement in principle defined the principal terms and conditions of the merger between Veolia and SUEZ, and stipulated in particular:

(i) the increase in the price of the proposed offer from EUR 18 per share (cum dividend) to EUR 20.50 per share (cum dividend);

(ii) the confirmation of Veolia's social commitments for a period of four years from the closing date of the offer;

(iii) the recommendation of the offer by the SUEZ Board of Directors, subject to a fairness opinion as required by current regulations;

(iv) the creation of a "new SUEZ," composed of assets forming a coherent and lasting entity on industrial and social levels, that would have revenues of nearly EUR 7 billion and would offer real potential for growth;

(v) the full cooperation of SUEZ, Veolia and the consortium to acquire the "new SUEZ" in order to obtain the necessary authorizations;

(vi) the deactivation of the Dutch foundation by SUEZ, the cancellation of the asset disposals agreements signed with Cleanaway in Australia, and the withdrawal of SUEZ and Veolia from current legal proceedings; and

(vii) the signing of the final agreements reflecting said agreement in principle no later than May 14, 2021.

On May 14, 2021, Veolia and SUEZ signed a merger agreement and then a Memorandum of Understanding with Meridiam, Caisse des Dépôts et Consignations, CNP Assurances and Global Infrastructure Partners (the **"Consortium"**). Prior to the signing, the merger agreement and the Memorandum of Understanding were approved by the Boards of Directors of Veolia and SUEZ. The SUEZ Board also viewed the proposed merger between the two Groups favorably.

The merger agreement entered into by Veolia and SUEZ details the terms and conditions of the implementation of the offer and establishes the general principles for the creation of the "new SUEZ" *via* the sale by SUEZ to the Consortium of its Water and Waste activities (excluding hazardous waste) in France and of certain international operations (the **"Perimeter Divestment"**).

The merger agreement includes:

(i) the terms and conditions of the offer;

(ii) Veolia's undertaking to raise the price of the proposed offer from EUR 18 per share (cum dividend) to EUR 20.50 per share (cum dividend), and to file the corresponding draft amended offering circular subject to, and concurrently with, the notice of the return of a reasoned opinion favorable to the offer by the SUEZ Board of Directors;

(iii) the SUEZ undertaking to call a meeting of its Board of Directors to render a reasoned opinion on the offer, subject to its fiduciary duties, the opinion of the SUEZ Group works council and the positive conclusion of the independent expert on the fairness of the financial terms of the offer;

(iv) the confirmation of Veolia's social commitments for a period of four years from the first settlement date of the offer;

(v) the undertaking of Veolia and SUEZ to cooperate fully in order to obtain all regulatory authorizations necessary for the offer and for the merger more generally, including obtaining the authorization with respect to the control of concentrations by the European Commission;

(vi) the guidelines and the draft Memorandum of Understanding in accordance with which the "new SUEZ" perimeter divestment must be prepared and implemented;

(vii) the undertaking of Veolia and SUEZ to cooperate fully in order to prepare and complete the Perimeter Divestment of the "new SUEZ";

(viii) the conditions for deactivation of the Dutch foundation by SUEZ, and the waiver by Veolia and SUEZ of current legal proceedings;

(ix) the usual exclusivity commitment from SUEZ to the benefit of Veolia; and

(x) the usual commitment made by SUEZ for managing in the normal course of business.

The merger agreement will end on the settlement date of the offer or, if it is later, on the date of full completion of the Perimeter Divestment of the "new SUEZ," unless early termination is decided by mutual agreement of the parties or unilaterally in certain cases set forth in the agreement.

The purpose of the Memorandum of Understanding signed by Veolia, SUEZ and the Consortium is to frame the negotiations of the final agreements and to organize the procedures to inform and consult the relevant staff representative bodies of the SUEZ Group in the context of the Perimeter Divestment.

(1) AMF Notice No. 220C4093 of October 6, 2020 available on the AMF website (www.amf-france.org).
(2) AMF Notice No. 221C0312 of February 8, 2021 available on the AMF website (www.amf-france.org).

Pursuant to the provisions of the Memorandum of Understanding, on June 27, 2021, the Consortium submitted to SUEZ and Veolia a firm and final offer under the terms of which the Perimeter Divestment of the "new SUEZ" would be made to a newly formed company held by Meridiam and Global Infrastructure Partners (40% each), Caisse des Dépôts et Consignations (12%) and CNP Assurances (8%). The Perimeter Divestment of the "new SUEZ" would include (i) the Water and Waste activities (with the exception of hazardous waste) of SUEZ in France; (ii) the Smart & Environmental Solutions global business unit of SUEZ (with the exception of SES Spain, SES Aguas Andinas and a portion of SES Colombia); (iii) SUEZ's Municipal Water activities in Italy and the stake in ACEA; (iv) the SUEZ Municipal Water activities in the Czech Republic; (v) the Municipal Water and Waste activities (with the exception of hazardous waste) of SUEZ in Africa as well as the stake in Lydec; (vi) the Municipal Water activities in India, Bangladesh and Sri Lanka; (vii) the Municipal Water, Industrial Water and infrastructure design and construction of SUEZ in China, as well as all the business activities of the Suyu group and two industrial energy recovery plants in Shanghai and Suzhou; (viii) SUEZ's Municipal Water activities in Australia; and (ix) SUEZ's activities in Uzbekistan, Azerbaijan, Turkmenistan and Kazakhstan.

The Consortium's offer values the enterprise value of the Perimeter Divestment at EUR 10.4 billion (taking liabilities related to IFRS 16 into account). This valuation includes a potential earn-out of EUR 300 million to be paid at the end of fiscal year 2021, determined on the basis of the level of EBITDA to be achieved by the divested perimeter at the end of fiscal year 2021. This offer values the Perimeter Divestment at EUR 9.1 billion in equity.

The completion of the Perimeter Divestment would, however, remains dependent on (i) certain reorganizations of the divested perimeter, (ii) the transfer to the Consortium of at least 90% of the revenues of the divested perimeter, and (iii) the settlement of the offer. As result, the sale would not be completed if one of these conditions precedent is not met.

Following the submission of the Consortium's firm and final offer, the Consortium Acquisition vehicle, SUEZ and Veolia signed a Put Option Agreement under the terms of which the Consortium's acquisition vehicle granted an option to purchase the Perimeter Divestment of the "new SUEZ," which may be exercised by SUEZ as soon as the information and consultation procedures with the relevant staff representative bodies of the SUEZ Group are finalized.

Attached to the Put Option Agreement is a draft Share and Asset Purchase Agreement (SAPA) that is to be signed by SUEZ, Veolia and the Consortium's acquisition vehicle in the event the option is exercised, and which sets out the terms and conditions for the transfer of shares, assets and liabilities held by certain entities of the SUEZ Group to the Consortium's acquisition vehicle in order to form the "new SUEZ."

The SAPA includes:

(i) a detailed description of the activities included in the Perimeter Divestment of the "new SUEZ";

(ii) a detailed description of the steps in the reorganization to be implemented prior to the completion of the Perimeter Divestment;

(iii) mechanisms to adjust the acquisition price, up or down, usually determined on the basis of financial statements established on the date of completion or related to possible changes in the divested perimeter between now and the date of completion, subject to offsetting mechanisms;

(iv) mechanisms for implementation of economically and industrially equivalent solutions in the event certain assets to be transferred to the Consortium's acquisition vehicle cannot be transferred;

(v) the conditions precedent cited above;

(vi) the possibility of completing the Perimeter Divestment of the "new SUEZ" in several phases (staggered closing);

(vii) the social commitments made by the Consortium's acquisition vehicle.

The Consortium's offer also stipulates that employee shareholding will be raised to 10% of the capital within seven years from the completion of the Perimeter Divestment.

On June 29, 2021, after reading the opinion of the SUEZ Group works council on the offer dated June 21, 2021 and the report of the independent expert (Finexsi) on the financial terms of the offer dated June 29, 2021, the SUEZ Board of Directors decided that the offer was in the interest of SUEZ, its shareholders and its employees, and recommended that shareholders tender their SUEZ shares to the offer. The report of the independent expert concluded that the offer price is fair from a financial standpoint for SUEZ shareholders.

In accordance with the terms of the merger agreement, Veolia therefore decided to raise the price of the proposed offer, as announced, from EUR 18 per share (cum dividend) to EUR 20.50 per share (cum dividend), informed the AMF of said price increase, and filed the corresponding draft amended offering circular. The proposed offer as raised and the draft amended offering circular were filed with the AMF on June 30, 2021 (1).

Readers are reminded that, following the detachment of the dividend of EUR 0.65 per share approved by the annual SUEZ shareholders' meeting on June 30, 2021, the price of EUR 20.50 per share (cum dividend) was automatically reduced by EUR 0.65 to EUR 19.85 per share (cum distribution rights).

On July 20, 2021, the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) approved the proposed takeover bid and granted visa no. 21-338 (2) to the draft offer document prepared by Veolia. Furthermore the AMF granted visa no. 21-339 to the draft response prepared by SUEZ.

(1) AMF Notice No. 221C1589 of June 30, 2021 (supplement to AMF Notice 221C0312 of February 8, 2021) available on the AMF website (www.amf-france.org).
(2) AMF Notice no. 221C1825 of July 20, 2021 available on the AMF website (www.amf-france.org).

# Interim Management Report

# Significant events in the first half of 2021

## MERGER AGREEMENT BETWEEN SUEZ AND VEOLIA

On April 12, 2021, Veolia and SUEZ announced that their respective Boards of Directors had reached an agreement in principle on April 11, 2021 on the main terms and conditions of the merger between the two groups.

On May 14, 2021, the Merger Agreement has been signed as well as a Memorandum of Understanding with Meridiam–GIP–Caisse des Dépôts and CNP Assurances for the acquisition of the "new SUEZ".

This agreement:

- enables Veolia to acquire the strategic assets needed to pursue its goal of building a global champion in ecological transformation, while guaranteeing a coherent and sustainable industrial and social footprint for the "new SUEZ";
- reiterates the social commitments made by Veolia;
- confirms that the acquisition price per share of the SUEZ Group will be raised to EUR 20.50 (cum dividend).

This revised Veolia offer has been approved by the SUEZ Board of Directors on June 29, 2021 after obtaining a fairness opinion from the independent expert (Finexsi) and the opinion of the Group works council. In parallel, the Consortium provided Veolia and SUEZ with a final binding put option to purchase the "new SUEZ" for an enterprise value of EUR 10.4 billion.

The activities comprising the scope of the future "new SUEZ" are mainly:

- municipal water and solid waste in France;
- water activities in Italy, in Czech Republic, Africa, Central Asia, India, China and Australia;
- the digital and environmental activities (SES) present worldwide.

## LAUNCH OF THE SHARING 2021 PLAN

In January 2021, SUEZ launched its fifth employee shareholding plan, called Sharing 2021. This plan is for employees of the Group's French entities.

15,263 employees subscribed to this plan, a subscription rate of nearly 53% among current employees and an increase of more than 60% over the subscription rate recorded in France in the previous four plans. The transaction was finalized on March 18, 2021, with the issuance of 10,976,645 new shares with a par value of EUR 4. After this operation, SUEZ employee shareholders held 5.6% of the capital, thus strengthening the position of the employees as the third shareholder of the Group.

## ACTIVITIES SOLD IN JUNE 2021

The business activities affected by these disposals, initiated in 2020 as part of the effort to align the business portfolio to the SUEZ 2030 strategy, were recognized in the Group's consolidated statement of financial position as of December 31, 2020, in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. As a consequence, depreciation of assets has been suspended until the date on which these disposals are completed. As at June 30, 2021, the impact of this suspension represents a positive effect on the current operating income of EUR 44.1 million.

### Sale of OSIS

On May 18, 2021, SUEZ has finalized the sale of OSIS, a multi-specialist in wastewater services, to Veolia for an enterprise value of EUR 298 million, representing approximately 13 times 2019 *pro forma* adjusted EBITDA, plus an earn-out of EUR 5 million.

This transaction was completed after consultation with employee representative bodies and following approval by the competition authorities on April 28, 2021.

With 2,500 employees in more than 130 local service centers, OSIS operates in a number of complementary business segments, including sanitation and liquid waste collection, industrial cleaning, and facility hygiene. In 2020, OSIS in France generated EUR 229.0 million in revenue and -EUR 0.5 million in EBITDA.

### Sale of Recycling and Recovery activities in Northern Europe

On May 31, 2021, SUEZ announced the completion of the sale to PreZero, the environmental division of the Schwarz Group, of its Recycling and Recovery activities – excluding plastics recycling and hazardous waste treatment activities – in four continental European countries: the Netherlands, Luxembourg, Germany, and Poland. The transaction values the divested businesses at EUR 1,100 million (Enterprise Value). The closing of this transaction follows consultation with the employee representative bodies and the approval of the competition authorities on April 14, 2021.

In these four countries, the activities sold to PreZero cover the entire waste recycling and recovery value chain, from collection to sorting, including the processing and treatment of a wide variety of waste (wood, glass, paper, metal, etc.). The divested businesses operate a total of 125 sites and employ more than 6,700 employees. In 2020, these activities generated revenues of EUR 1,127.3 million and EBITDA of EUR 169.9 million.

## END OF THE SECURITIZATION PROGRAM

In light of the disposal of the Group's Recycling and Recovery business activities in Germany, the Netherlands, Luxembourg and Poland, on January 25, 2021, the Group terminated its securitization program which, in addition to the entities in the Netherlands and Germany which have been sold to the Schwarz Group during the first half of 2021, also included transferor entities from the Recycling and Recovery France and IWS scopes.

The various entities involved therefore bought back the receivables that they previously sold to a special purpose vehicle (SPV) called *Fond Commun de Titrisation* for an amount totaling EUR 290.5 million.

## ACQUISITION OF NON-CONTROLLING INTERESTS IN SUEZ NWS ET SUYU IN CHINA

On January 11, 2021, the Group announced that it had signed an agreement with its longstanding partner NWS Holding Limited (NWS) to acquire non-controlling equity interests of NWS in all the joint business activities of the two Groups in Greater China. These acquisitions expand SUEZ's presence in Greater China and simplify its business structure in the region. At the end of the operation, SUEZ will wholly own SUEZ NWS and Suyu.

These two transactions are valued at around EUR 693 million.

- On May 11, 2021, SUEZ announced the completion of the acquisition of NWS' (NWS Holdings Limited) 50% stake in Suyu through its subsidiary NWS Hong Kong Investment Limited (NWS HKI).

  Following the acquisition of the 50% stake in NWS, SUEZ now owns 100% of Suyu. The final amount of the transaction is totaling EUR 252 million;

- The acquisition of the non-controlling interests in NWS is still subject to the regulatory authorities' approval and normal conditions precedent.

## FINANCING TRANSACTIONS

### New bond issue

On March 9, 2021, SUEZ launched a EUR 750 million bond issue with zero coupon and a maturity date of June 9, 2026.

### Redemption of existing bond issue

On May 17, 2021, SUEZ paid for redemption EUR 596.6 million of a bond issued on May 17, 2011 with a fixed annual coupon of 4.078%.

# 4.1 Revenues and operational results

- The Group posted revenues of EUR 8,711.3 million, up +EUR 544.7 million compared with June 30, 2020. This increase breaks down as follows :
  - organic variation of +11.0% (+EUR 901.7 million), reflecting on the one hand the Group's strong commercial momentum and on the other hand a recovery from the first half of 2020, which was affected by very tight restrictions during the emergence of the pandemic. During the first half of the year, revenues grew by +5.9% in organic terms in the first quarter of 2021, and by +16.5% in the second quarter of 2021,
  - scope effect of -3.4% (-EUR 277.0 million), including in particular the effect of the disposals of OSIS and of the Recycling and Recovery activities in four continental European countries, finalized on May 18 and 31 respectively,
  - foreign exchange effects of -1.0% (-EUR 80.8 million), mainly due to the depreciation of the US dollar (-EUR 86 million), the Brazilian real (-EUR 10 million) and the Hong Kong dollar (-EUR 9 million) against the euro, partly offset by an appreciation of the Australian dollar (+EUR 38 million) and the Chilean peso (+EUR 10 million) against the euro.

In the first half of 2021, the improvement in the Group's profitability is driven by growth and by the successful implementation of the performance plan, which generated EUR 148 million of savings positively impacting EBIT in the first half of 2021.

- EBITDA amounts to EUR 1,600.7 million, up +38.1% organically and +34.2% at constant exchange rates compared to the first half of 2020. It should be recalled that the Group had recorded EUR 61 million of costs and provisions related to the economic environment, including the Covid-19 pandemic, in the first half of 2020.

  The EBITDA margin, at 18.4% of revenues, was thus up +3.8 points compared to the first half of 2020 and +0.8 point compared to the first half of 2019;
- EBIT amounted to EUR 798.1 million compared with EUR 76.3 million in the first half of 2020. This amount includes the accounting impact of IFRS 5 (non-depreciation of assets held for sale) for EUR 44.1 million. Organic growth, which excludes this impact, was +902.4%. It should be recalled that in the first half of 2020, the Group recorded EUR 281 million of costs and provisions related to the economic situation, including the pandemic. Foreign exchange effects were favorable in the amount of EUR 6.6 million.

# 4.2 Operating segments evolution

## WATER

- The Water segment recorded a total revenue of EUR 3,284.1 million as of June 30, 2021, up +4.1% organically (+EUR 130.5 million). Over the period, revenue grew organically by +0.3% in the first quarter, then by +7.8% in the second quarter.
  - Europe: revenues grew strongly organically by +4.8% (+EUR 84.6 million) compared to the first half of 2020, despite the fact that the restriction measures linked to the pandemic continued to weigh on the tourism business in the first half of the year. Water volumes sold in France were up +0.5% and +2.5% in Spain. Tariffs were up +1.0% on average in France, while they were stable in Spain,
  - Americas: revenues grew organically by +2.3% (+EUR 19.2 million) compared to the first half of 2020. In the United States, water sales volumes rose sharply by +3.3%: in some areas of the country, exceptional weather conditions in the second quarter led to unprecedented increases in water consumption. In Chile, persistent restrictions linked to the pandemic affected water sales volumes, which fell by -1.0% over the first half. Rates benefited from positive reindexations in the United States and Chile and were up respectively by +3.0% and +2.3%,
  - Asia-Pacific: revenues grew organically by +6.3% (+EUR 12.1 million) compared to the first half of 2020. This performance reflects in particular the solid contribution of the construction business in the first half of the year, as well as the increase in water sales volumes in mainland China, while Macao was affected by a decline in tourist activity during the first half of the year due to pandemic-related restrictions,
  - AMECA: revenues were up organically by +3.2% (+EUR 14.6 million) compared to the first half of 2020. The region benefited from the recovery in business and the increase in water sales volumes compared to the first half of 2020, but still experienced some operational disruptions related to the pandemic, particularly in India;
- EBIT for the segment amounted to EUR 411.1 million, compared with EUR 107.8 million in the first half of 2020. This strong increase is due in particular to the costs and provisions related to the

economic environment, including the pandemic, recorded in 2020 and amounting to -EUR 176 million.

Compared to the first half of 2019, EBIT grew organically by + 1.4% (+EUR 6.0 million).

### RECYCLING & RECOVERY

- The Recycling and Recovery segment posted a total revenue of EUR 3,912.8 million, up +19.9% organically (+EUR 687.3 million). Over the period, revenue increased organically by +11.8% in the first quarter, then by +29.2% in the second quarter. The volumes of waste treated in the first half of 2021 are up +4.6%.
  - Europe: revenues grew organically by +22.8% (+EUR 650.6 million) compared with the first half of 2020. In France and continental Europe, performance was driven by a solid price dynamic, an increase in waste volumes processed and continued buoyant prices for recycled raw materials. In the United Kingdom, the optimization of the availability and saturation of treatment capacities supported performance during the first half,
  - Asia-Pacific: revenues grew organically by +5.3% (+EUR 28.2 million) compared to the first half of 2020, supported in particular by the increase in waste volumes processed in the region compared to the first half of 2020 and additional volume contributions from the landfill activity in Hong Kong,
  - AMECA and Americas: revenues grew organically by + 1.8% (+EUR 0.7 million) and + 32.8% (+EUR 7.8 million) respectively compared to the first half of 2020;
- The segment's EBIT amounted to EUR 343.9 million, compared with EUR 70.3 million in the first half of 2020. At the end of June 2020, EBIT was affected by -EUR 42 million in costs and provisions related to the economic environment, including the pandemic. Compared to the first half of 2019, EBIT grew organically by +50.4% (+EUR 105.8 million).

### ETS

- The Environmental Tech & Solutions segment recorded a total revenue of EUR 1,668.4 million as of June 30, 2021, representing an organic increase of +5.5% (+EUR 89.8 million). Over the period, revenue grew organically by +2.2% in the first quarter, then by +8.8% in the second quarter;
- The Water Technologies & Solutions division posted revenues of EUR 1,145.1 million in the first half of the year, with organic growth of +1.2%, with more dynamic growth in the products business. Revenues for the Smart & Environmental Solutions division, driven by decentralized, digital activities and asset revenue performance in France, shows a strong organic growth of +25.0% to EUR 242.4 million. Lastly, the Hazardous Waste business benefited from the recovery in industrial waste volumes compared with the first half of 2020, which was heavily impacted by the pandemic, and posted organic growth of +10.4% to EUR 280.9 million in the first half of 2021.
  - Americas: revenues is stable for the first half of the year at -0.2% (-EUR 1.6 million) compared to the first half of 2020. In the WTS division, the solid performance of the products and services businesses offset the delays of orders in the project business, which was still penalized by the pandemic,
  - Europe: revenues grew organically by +10.4% (+EUR 65.6 million) compared to the first half of 2020. The hazardous waste business recovered in the first half of 2021 compared with 2020, but volumes remained affected by pandemic-related restrictions,
  - Asia-Pacific: revenues grew strongly organically by +16.4% (+EUR 37.8 million) compared with the first half of 2020. In China, the hazardous waste business benefited from a solid recovery in waste volumes processed compared with the first half of 2020,
  - AMECA experienced an organic decline of -15.7% (-EUR 12.0 million) compared to the first half of 2020;
- The segment's EBIT was +EUR 117.1 million, compared with -EUR 13.4 million in the first half of 2020. At June 30, 2020, the Group had recorded -EUR 37 million in costs and provisions related to the economic environment, including the pandemic. Compared with the first half of 2019, EBIT in the ETS division grew organically by +49.8% (+EUR 40.4 million).

# 4.3 Other income statement items

- Net financial income as of June 30, 2021 amounted to -EUR 186.2 million, compared with -EUR 218.5 million in the first half of 2020. The average cost of net debt was 3.63% as of June 30, 2021, compared with 3.35% as of June 30, 2020;
- Income tax amounted to -EUR 129.5 million as of June 30, 2021, *versus* -EUR 44.6 million as of June 30, 2020;
- Non-controlling interests amounted to EUR 117.0 million at June 30, 2021, compared to EUR 34.0 million at June 30, 2020;
- Restructuring and impairment costs (including the costs of the merger with Veolia) amounted to -EUR 335.3 million as of June 30, 2021;
- Net income Group share amounted to EUR 298.3 million at June 30, 2021 compared to -EUR 538.2 million at June 30, 2020 or EUR 0.44 per share in the first half of 2021 compared to -EUR 0.89 per share in the first half of 2020;
- Recurring net income (Group share) was EUR 304 million at June 30, 2021;
- Recurring EPS was EUR 0.48 at June 30, 2021.

# 4.4 Financing

## CASH FLOWS FROM OPERATING ACTIVITIES

- Cash flows from operations before financial expenses and income tax amounted to EUR 1,238.1 million as of June 30, 2021, compared to EUR 753.5 million in the first half of 2020;
- The change in working capital requirements (WCR) amounts to -EUR 141.1 million in the first half of the year, *versus* -EUR 3.8 million in the first half of 2020;
- In total, cash flows from operating activities generated a cash surplus of +EUR 1,004.1 million in the first half of 2021, up +EUR 342.4 million compared to June 30, 2020;
- Recurring free cash flow amounts to EUR 484 million for the first half of the year 2021.

## CASH FLOWS FROM INVESTING ACTIVITIES

- Cash flows from investing activities mainly included:
  - maintenance capital expenditure of EUR 291.9 million, or 3.4% of the Group's consolidated revenues,
  - development capital expenditure of EUR 274.6 million,
  - financial investments of EUR 356.0 million,
  - disposals amounting to EUR 957.6 million;
- In total, cash flows from investing activities generated a cash surplus of +EUR 287.2 million, *versus* a shortfall of -EUR 591.8 million in the first half of 2020.

## CASH FLOWS FROM FINANCING ACTIVITIES

- During the first half of 2021, the Group strengthened its financial structure with:
  - a new bond issue on March 9, 2021: a 5-year maturity EUR 750 million (maturity date June 9, 2026), and a zero coupon;
- During the first half of 2021, the Group redeemed:
  - on May 17, 2021, SUEZ redeemed at maturity the residual amount of a bond issue for EUR 596.6 million;
- Dividends paid in cash amounted to EUR 148.9 million as of June 30, 2021 of which EUR 119.1 million to the non-controlling interests;
- The application of IFRS 16 results in the recognition of a cash outflow corresponding to the reimbursement and payment of interest on lease liabilities for an amount of -EUR 168.1 million;
- In total, cash flows from financing activities generated a cash shortfall of -EUR 691.6 million over the first half of 2021 *versus* a cash surplus of +EUR 1,397.9 million over the first half of 2020.

## NET DEBT AS OF JUNE 30, 2021

- Net debt as of June 30, 2021 amounted to EUR 8,624.8 million against EUR 10,749.2 million as of June 30, 2020 and EUR 9,610.9 million at December 31, 2020;
- As of June 30, 2021, the Group had confirmed undrawn credit facilities of EUR 3,266.8 million, of which EUR 295.0 million correspond to commercial paper backup lines.

# 4.5 Other statement of financial position items

Net intangible assets and goodwill amounted to EUR 9,154.8 million, up +EUR 26.3 million compared to December 31, 2020, resulting primarily from acquisitions (+EUR 96.7 million), foreign exchange effects (+EUR 153.5 million), and depreciation and impairment losses for the period (-EUR 234.7 million).

Net property, plant and equipment amounted to EUR 7,978.9 million, *versus* EUR 7,756.0 million as of December 31, 2020. This increase of +EUR 222.9 million is primarily due to acquisitions during the period amounting to +EUR 384.4 million, disposals for -EUR 20.9 million, foreign exchange effects for +EUR 200.9 million, changes in scope of consolidation (-EUR 9.3 million) and depreciation and impairment losses during the period (-EUR 319.8 million).

Investments in joint ventures were down by -EUR 272.5 million while investments in associates were up by +EUR 782.5 million.

Total shareholders' equity amounted to EUR 8,285.9 million, up +EUR 236.5 million compared to December 31, 2020, primarily due to the net result for the period, the distribution of dividends, and the subscription of shares reserved for employees.

Provisions were up +EUR 99.4 million as of June 30, 2021, at EUR 2,055.1 million, *versus* EUR 1,955.7 million as of December 31, 2020. This increase results mainly from the net change in restructuring provisions for +EUR 73.4 million and the positive variation of translation adjustments for +EUR 23.7 million.

Deferred taxes represented a net liability of -EUR 262.0 million as of June 30, 2021 against -EUR 163.8 million at December 31, 2020.

# 4.6 Related party transactions

Note 15 to the condensed consolidated interim financial statements in chapter 5 of this document provides for details on significant related party transactions. These transactions are mainly with the Group's associates and joint ventures.

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

The chapter on Risk factors (chapter 3) in the 2020 SUEZ Universal Registration Document provides a detailed description of the risk factors to which the Group is exposed. No risks or uncertainties other than those presented in this document are anticipated.

# 4.8 Outlook 2021

- Revenues in excess of EUR 16 billion with a return to organic growth;
- EBIT estimated between EUR 1.4 and 1.6 billion;
- Recurring earnings per share estimated between EUR 0.80 and 0.85;
- Recurring free cash flow in excess of EUR 500 billion.

This outlook incorporates, as key assumptions, stable exchange rates compared to full year 2020 results, no return to widespread regional lockdown situations in the second half of the year and constant raw material prices.

# Consolidated Financial Statements of SUEZ at June 30, 2021

# 5.1 Consolidated statements of financial position

| *(in millions of euros)* | Note | June 30, 2021 | December 31, 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Other intangible assets, net | 6 | 4,391.9 | 4,464.8 |
| Goodwill | 6 | 4,762.9 | 4,663.7 |
| Property, plant and equipment net | 6 | 7,978.9 | 7,756.0 |
| Rights of use | 10 | 1,130.4 | 1,168.0 |
| Equity instruments | 8.1 | 136.5 | 107.9 |
| Loans and receivables carried at amortized cost | 8.1 | 592.3 | 712.2 |
| Derivative financial instruments | 8.4 | 73.6 | 146.5 |
| Investments in joint ventures | 7.1 | 653.0 | 925.5 |
| Investments in associates | 7.2 | 1,845.9 | 1,063.4 |
| Contract assets | | 84.9 | 80.6 |
| Other assets | | 280.5 | 159.7 |
| Deferred tax assets | 4.4 | 395.1 | 432.4 |
| **Total non-current assets** | | **22,325.9** | **21,680.7** |
| **Current assets** | | | |
| Loans and receivables carried at amortized cost | 8.1 | 151.4 | 77.0 |
| Derivative financial instruments | 8.4 | 57.0 | 96.4 |
| Trade and other receivables | 8.1 | 4,526.4 | 4,324.3 |
| Inventories | | 532.8 | 483.1 |
| Contract assets | | 493.9 | 498.4 |
| Other assets | | 1,693.1 | 1,606.8 |
| Financial assets measured at fair value through income | 8.1 | 168.3 | 54.9 |
| Cash and cash equivalents | 8.1 | 5,855.9 | 5,319.6 |
| **Total current assets** | | **13,478.8** | **12,460.5** |
| Assets classified as held for sale | | - | 1,443.0 |
| **Total assets** | | **35,804.7** | **35,584.2** |
| Shareholders' equity, Group share | | 5,678.4 | 5,406.6 |
| Non-controlling interests | 11 | 2,607.5 | 2,642.8 |
| **Total shareholder's equity** | | **8,285.9** | **8,049.4** |
| **Non-current liabilities** | | | |
| Provisions | 12 | 1,406.8 | 1,413.9 |
| Long-term borrowings | 8.3 | 11,240.6 | 10,990.0 |
| Lease liabilities | 10 | 936.3 | 975.5 |
| Derivative financial instruments | 8.4 | 7.5 | 4.9 |
| Other financial liabilities | 8.2 | 68.1 | 37.6 |
| Contract liabilities | | 198.5 | 196.3 |
| Other liabilities | | 661.7 | 524.1 |
| Deferred tax liabilities | 4.4 | 657.1 | 596.2 |
| **Total non-current liabilities** | | **15,176.6** | **14,738.5** |
| **Current liabilities** | | | |
| Provisions | 12 | 648.3 | 541.8 |
| Short-term borrowings | 8.3 | 2,290.0 | 2,956.6 |
| Lease liabilities | 10 | 260.3 | 255.6 |
| Derivative financial instruments | 8.4 | 38.8 | 36.2 |
| Trade and other payables | 8.2 | 3,236.0 | 3,263.2 |
| Contract liabilities | | 1,152.4 | 1,176.1 |
| Other liabilities | | 4,716.4 | 3,980.4 |
| **Total current liabilities** | | **12,342.2** | **12,209.9** |
| Liabilities related to assets classified as held for sale | | - | 586.4 |
| **Total shareholder's equity and liabilities** | | **35,804.7** | **35,584.2** |

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

# 5.2 Consolidated income statements

| *(in millions of euros)* | Note | June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| Revenues | 3.2 | 8,711.3 | 8,166.6 |
| Purchases | | (2,017.8) | (1,684.8) |
| Personnel costs | | (2,337.2) | (2,395.2) |
| Depreciation, amortization and provisions | | (646.0) | (975.6) |
| Other operating expenses | | (3,198.8) | (3,246.6) |
| Other operating income | | 150.0 | 110.3 |
| **Current operating income** | 4.1 | **661.5** | **(25.3)** |
| Mark-to-Market on operating financial instruments | | (0.9) | (0.2) |
| Impairment on non-current assets | | (69.5) | (199.9) |
| Restructuring costs | | (66.8) | (54.9) |
| Scope effects | | 299.6 | 0.4 |
| Other gains and losses on disposals | | 9.6 | (16.5) |
| Other significant non-recurring transactions | | (199.0) | - |
| **Income from operating activities** | 4.2 | **634.5** | **(296.4)** |
| Share in net income of equity-accounted companies considered as core business | | 96.5 | 55.3 |
| *of which: share in net income (loss) of joint ventures* | 7.1 | *22.5* | *17.8* |
| *of which: share in net income (loss) of associates* | 7.2 | *74.0* | *37.5* |
| **Income from operating activities after share in net income of equity-accounted companies considered as core business** | | **731.0** | **(241.1)** |
| Financial expenses | | (214.8) | (252.1) |
| Financial income | | 28.6 | 33.6 |
| **Net financial income (loss)** | 4.3 | **(186.2)** | **(218.5)** |
| Income tax expense | 4.4 | (129.5) | (44.6) |
| **Net income** | | **415.3** | **(504.2)** |
| Group share | | 298.3 | (538.2) |
| Non-controlling interests | | 117.0 | 34.0 |
| **Net income (Group share) per share** *(in euros)* | 5 | **0.44** | **(0.89)** |
| **Net diluted income (Group share) per share** *(in euros)* | 5 | **0.44** | **(0.89)** |

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

# 5.3 Consolidated statements of comprehensive income

| *(in millions of euros)* | June 30, 2021 | June 30, 2021 of which Group share | June 30, 2021 of which non-controlling interests | June 30, 2020 | June 30, 2020 of which Group share | June 30, 2020 of which non-controlling interests |
|---|---|---|---|---|---|---|
| **Net income** | **415.3** | **298.3** | **117.0** | **(504.2)** | **(538.2)** | **34.0** |
| Net investment hedges | (0.7) | (0.7) | - | - | - | - |
| Cash flow hedges (excluding commodities) | 19.3 | 19.3 | - | (16.7) | (16.8) | 0.1 |
| Commodity cash-flow hedges | (0.1) | (1.8) | 1.7 | (0.3) | - | (0.3) |
| Deferred taxes on items above | 0.8 | 1.2 | (0.4) | 4.8 | 4.7 | 0.1 |
| Translation adjustments | 256.0 | 184.2 | 71.8 | (193.3) | (127.5) | (65.8) |
| **Total reclassifiable items** | **275.3** | **202.2** | **73.1** | **(205.5)** | **(139.6)** | **(65.9)** |
| *of which share of joint ventures in reclassifiable items, net of taxes* | *10.5* | *10.5* | - | *(0.4)* | *(0.4)* | - |
| *of which share of associates in reclassifiable items, net of taxes* | *5.0* | *5.0* | - | *(28.2)* | *(28.2)* | - |
| Actuarial gains and losses | 72.5 | 66.2 | 6.3 | 29.3 | 41.2 | (11.9) |
| Deferred taxes on actuarial gains and losses | (4.7) | (3.7) | (1.0) | 5.5 | 3.4 | 2.1 |
| Equity instruments | 10.2 | 10.2 | - | 3.4 | 3.4 | - |
| Deferred taxes on equity instruments | - | - | - | - | - | - |
| **Total non-reclassifiable items** | **78.0** | **72.7** | **5.3** | **38.2** | **48.0** | **(9.8)** |
| *of which share of joint ventures in non-reclassifiable items, net of taxes* | *(5.8)* | *(5.8)* | - | *5.9* | *5.9* | - |
| *of which share of associates in non-reclassifiable items, net of taxes* | *7.4* | *7.4* | - | *1.3* | *1.3* | - |
| **Other comprehensive income** | **353.3** | **274.9** | **78.4** | **(167.3)** | **(91.6)** | **(75.7)** |
| **Comprehensive income** | **768.6** | **573.2** | **195.4** | **(671.5)** | **(629.8)** | **(41.7)** |

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

# 5.4 Statements of changes in consolidated shareholders' equity

| *(in millions of euros)* | Number of shares | Share Capital | Premiums | Consolidated reserves | Change in fair value and other | Translation adjustments | Treasury shares | Undated deeply subor-dinated notes [a] | Shareholders' equity, Group share | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity at December 31, 2019** | **621,362,579** | **2,485.4** | **5,215.2** | **(2,566.3)** | **(409.6)** | **7.7** | **(47.5)** | **1,723.8** | **6,408.7** | **2,824.8** | **9,233.5** |
| Net income | | | | (538.2) | | | | | (538.2) | 34.0 | (504.2) |
| Other comprehensive income | | | | 48.0 | (12.1) | (127.5) | | | (91.6) | (75.7) | (167.3) |
| **Comprehensive income** | | | | **(490.2)** | **(12.1)** | **(127.5)** | | | **(629.8)** | **(41.7)** | **(671.5)** |
| Share-based payment | | | | 0.9 | | | | | 0.9 | - | 0.9 |
| Dividends distributed in cash | | | | (282.7) | | | | | (282.7) | (58.3) | (341.0) |
| Interests of undated deeply subordinated notes issue | | | | (34.2) | | | | | (34.2) | - | (34.2) |
| Purchase/sale of treasury shares | | | | 0.2 | | | | | 0.2 | - | 0.2 |
| Conversion of OCEANE bonds by cancellation of treasury shares following delivery | | | | | | | 0.7 | | 0.7 | - | 0.7 |
| Redemption of undated deeply subordinated Notes 2014 | | | | | | | | (147.9) | (147.9) | - | (147.9) |
| Employee share issue [b] | 9,970,050 | 39.9 | 68.4 | 4.0 | | | | | 112.3 | - | 112.3 |
| Capital reduction [c] | (2,970,050) | (11.9) | (31.4) | (1.2) | | | | | (44.5) | - | (44.5) |
| Cancellation of treasury shares following capital reduction | | | | | | | 44.5 | | 44.5 | - | 44.5 |
| Capital increase | | | | | | | | | - | 3.9 | 3.9 |
| Transactions between shareholders | | | | (3.3) | | | | | (3.3) | 2.5 | (0.8) |
| Business combinations | | | | | | | | | - | (0.2) | (0.2) |
| Other changes | | | | 3.7 | | | | | 3.7 | 0.4 | 4.1 |
| **Shareholders' equity at June 30, 2020** | **628,362,579** | **2,513.4** | **5,252.2** | **(3,369.1)** | **(421.7)** | **(119.8)** | **(2.3)** | **1,575.9** | **5,428.6** | **2,731.4** | **8,160.0** |
| **Shareholders' equity at December 31, 2020** | **628,362,579** | **2,513.4** | **5,252.1** | **(3,155.3)** | **(420.3)** | **(356.9)** | **(2.3)** | **1,575.9** | **5,406.6** | **2,642.8** | **8,049.4** |
| Net income | | | | 298.3 | | | | | 298.3 | 117.0 | 415.3 |
| Other comprehensive income | | | | 62.5 | 28.2 | 184.2 | | | 274.9 | 78.4 | 353.3 |
| **Comprehensive income** | | | | **360.8** | **28.2** | **184.2** | | | **573.2** | **195.4** | **768.6** |
| Share-based payment | | | | 25.4 | | | | | 25.4 | - | 25.4 |
| Dividends distributed in cash | | | | (415.5) | | | | | (415.5) | (112.6) | (528.1) |
| Interests of undated deeply subordinated notes issue | | | | (29.8) | | | | | (29.8) | - | (29.8) |
| Employee share issue [d] | 10,976,645 | 43.9 | 111.9 | 4.4 | | | | | 160.2 | - | 160.2 |
| Capital increase/(decrease) in non controlling interests | | | | | | | | | - | 3.2 | 3.2 |
| Other changes [e] | | | | (41.7) | | | | | (41.7) | (121.3) | (163.0) |
| **Shareholders' equity at June 30, 2021** | **639,339,224** | **2,557.3** | **5,364.0** | **(3,251.7)** | **(392.1)** | **(172.7)** | **(2.3)** | **1,575.9** | **5,678.4** | **2,607.5** | **8,285.9** |

(a) Undated deeply subordinated notes net of issuance fees.
(b) Capital increase due to the subscription of 9,970,050 new shares as part of the of the SUEZ Group "Sharing 2019" employee share issue.
(c) Capital reduction due to the Company's cancellation of 2,970,050 treasury shares.
(d) Capital increase due to the subscription of 10,976,645 new shares as part of the SUEZ Group "Sharing 2021" employee share issue (see Note 2.2).
(e) Of which impacts related to the sales of OSIS and Recycling and Recovery activities in Northern Europe (see Note 2.3):

- -EUR 34.3 million of impact in retained earnings related to other non-reclassifiable items for shareholders' equity Group share;
- -EUR 87.3 million impact on non-controlling interests.

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

# 5.5 Consolidated statements of cash flows

| *(in millions of euros)* | Note | June 30, 2021 | June 31, 2020 |
|---|---|---|---|
| **Net income** | | **415.3** | **(504.2)** |
| Share in net income (loss) of joint ventures | 7.1 | (22.5) | (17.8) |
| Share in net income (loss) of associates | 7.2 | (74.0) | (37.5) |
| + Dividends received from joint ventures and associates | | 78.7 | 65.4 |
| Depreciation, amortization and provisions | | 810.1 | 966.8 |
| Scope effects, other gains and losses on disposal | | (310.4) | 13.5 |
| Other items with no cash impact | | 24.7 | 0.5 |
| Lease contracts impact | | 0.5 | 3.7 |
| Income tax expense | 4.4 | 129.5 | 44.6 |
| Financial income | 4.3 | 186.2 | 218.5 |
| **Cash flows from operations before financial income/(expense) and income tax** | | **1,238.1** | **753.5** |
| + Tax paid including withholding tax on royalty fees | | (92.9) | (88.0) |
| **Change in working capital requirements** | | **(141.1)** | **(3.8)** |
| **Cash flows from operating activities** | | **1,004.1** | **661.7** |
| Investments in property, plant and equipment and intangible assets | 3.4.3 | (566.5) | (626.0) |
| Takeover of subsidiaries net of cash and cash equivalents acquired | 3.4.3 | (286.8) | (0.9) |
| Acquisitions of interests in associates and joint-ventures | 3.4.3 | (47.9) | (7.4) |
| Acquisitions of equity instruments | 3.4.3 | (21.3) | (0.9) |
| Disposals of property, plant and equipment and intangible assets | | 34.2 | 18.7 |
| Disposals of interests in associates and joint ventures | | 14.0 | 0.6 |
| Disposals of equity instruments | | 1.0 | 0.2 |
| Loss of controlling interests in subsidiaries net of cash and cash equivalents sold [a] | | 908.4 | (0.4) |
| Other interest on financial assets, net | | 4.3 | 6.5 |
| Dividends received on non-current financial assets | | (0.2) | 0.4 |
| Change in loans and financial receivables | | 248.0 | 17.4 |
| **Cash flows from investing activities** | | **287.2** | **(591.8)** |
| Capital increase or decrease of the parent company | | 160.2 | 112.3 |
| Purchase/sale of treasury shares | | - | 0.9 |
| Capital increase or decrease of non-controlling interests | | 3.2 | 3.5 |
| Change in share of interests in controlled entities | 3.4.3 | - | (0.5) |
| Distribution to shareholders of the parent company [b] | | (29.8) | (316.9) |
| Dividends paid to non-controlling interests [b] | | (119.1) | (94.8) |
| New borrowings and financial debts [c] | 8 | 1,320.7 | 2,817.5 |
| Repayment of borrowings and financial debts | 8 | (1,604.2) | (636.5) |
| Repayment of 2014 undated deeply subordinated notes net of costs | 8 | - | (147.9) |
| Repayment of lease debts | 10 | (155.3) | (164.8) |
| Change in financial assets at fair value through income | | (112.4) | (48.9) |
| Financial interest on lease liabilities | 10 | (12.8) | (14.4) |
| Financial interest paid | | (136.2) | (148.8) |
| Financial interest received | | 7.3 | 10.9 |
| Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives | | (13.2) | 26.3 |
| **Cash flows from financing activities** | | **(691.6)** | **1,397.9** |
| Impact of changes in exchange rates and other | | (5.2) | (62.0) |
| **Total cash flows for the period** | | **594.5** | **1,405.8** |
| Opening cash and cash equivalents | | 4,417.4 | 2,865.9 |
| Closing cash and cash equivalents | | 5,011.9 | 4,271.7 |

(a) Mainly includes the disposal of Recycling & Recovery activities in Northern Europe for EUR 742.5 million as well as OSIS disposal for EUR 158.6 million.
(b) Including withholding tax and coupons of undated deeply subordinated notes paid by the parent company. SUEZ holding dividend for 2020 was paid on July 8, 2021 (ex-dividend date on July 6, 2021).
(c) In accordance with IAS 7.8, bank overdrafts due on demand included in financial liabilities in the consolidated statement of financial position are reclassified as cash and cash equivalents in the consolidated statement of cash flows; the first half 2021 reclassification amounts to EUR 58.1 million. The total amount restated for December 2020 closing was -EUR 902.1 million.

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

# 5.6 Notes to the Consolidated Financial Statements

# Note 1 Basis of presentation, principles and accounting policies

## 1.1 Basis of presentation

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

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

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

On July 28, 2021, the interim condensed Consolidated Financial Statements of SUEZ and its subsidiaries at June 30, 2021 were presented to the Board of Directors of SUEZ, which authorized their publication.

## 1.2 Accounting standards

The financial information concerning the assets, financial situation and results of SUEZ is provided for the last two years (2020 and 2021) and is prepared in accordance with Regulation (EC) No. 1606-2002 of July 19, 2002 on the application of international accounting standards (IFRS). The Group's interim condensed Financial Statements for the period ended June 30, 2021 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union [1]. The Group's interim condensed Consolidated Financial Statements for the six months ended June 30, 2021 were prepared in compliance with the provisions of IAS 34 – "Interim Financial Reporting", which allows entities to present selected explanatory notes. The interim condensed Consolidated Financial Statements for the six months ended June 30, 2021 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual Consolidated Financial Statements, and accordingly must be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2020 subject to specific provisions relating to the preparation of interim financial information as described hereafter.

## 1.3 Accounting policies

The accounting policies used to prepare the Group's interim condensed Consolidated Financial Statements for the six months ended June 30, 2021 are consistent with those used to prepare the Consolidated Financial Statements for the year ended December 31, 2020 in accordance with IFRS as published by the IASB and endorsed by the European Union (EU), with the exception of the items mentioned below in paragraph 1.3.1.

### 1.3.1 Standards, amendments and interpretations applied by the Group starting January 1, 2021

The standards and amendments applied by the Group for the first-time starting January 1, 2021 are the following:

- amendment to IFRS 16 – Covid-19 rent concessions amendment;
- amendments to IFRS 4 on Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform – phase 2.

Since January 1, 2021, the SUEZ Group has been applying the second phase of the amendments to the standards, IFRS 7 and IFRS 9 of the reform of the so-called IBOR benchmark rates in its 2021 consolidated statements. The objective of this phase 2 is to specify the accounting impacts related to the effective replacement of the reference indices. As a reminder, phase 1 of the project, adopted by the Group in 2020, allows uncertainties around future benchmark rates not to be taken into account in the evaluation of the effectiveness of hedging relationships and/or in the assessment of the highly probable nature of the forecast transaction of the hedged risk, thus securing existing and future hedging relationships until these uncertainties are resolved.

As of June 30, 2021, the SUEZ Group has initiated an inventory and plans, if necessary, to amend with its banking partners the debt contracts and hedging instruments that would require it by 2022.

Furthermore, the SUEZ Group maintains interest rate derivative contracts indexed to IBOR rates set up as part of its interest rate risk management strategy.

As of June 30, 2021, EUR 2.86 billion in fixed-rate debt was converted to floating-rate debt using interest rate swaps.

The nominal value of these swaps on this date breaks down respectively as follows, by type of benchmark rate:

| Reference Rate | Amount *(in millions of euros)* |
|---|---:|
| Euribor 1 month | 114.7 |
| Euribor 3 months | 2,750.0 |
| **Total** | **2,864.7** |

The IRS referenced to the 6-month Euribor expired in May 2021.

The trading volumes observed on the IBOR index markets to which the SUEZ Group is exposed are sufficiently numerous in 2021 to reliably quantify the amount of the revaluation of the fixed-rate debt hedged.

As of June 30, 2021, SUEZ has not set up any major hedging to convert floating-rate debt to fixed-rate debt.

In the first half of 2021, there were no items likely to impact the hedging relationships for instruments indexed to IBOR rates. In this context, the amendments to IAS 39, IFRS 7 and IFRS 9 phase 2 did not have a material impact on the Consolidated Financial Statements.

### 1.3.2 IFRS standards and amendments applicable after June 30, 2021 that the Group has elected not to early adopt

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

- amendment to IAS 8 – Definition of accounting estimates;
- amendment to IAS 37 – Onerous contract – cost of fulfilling a contract when assessing whether a contract is onerous;
- amendments to IAS 1 and IFRS practice statement 2 (materiality practice statement – Disclosure of accounting policies);

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

- amendments to IFRS 1 and IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

The analysis of the potential impact of these amendments is in progress.

### 1.3.3 Impacts related to the application of IFRS 5 – Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 – Non-current assets held for sale and discontinued operations, assets or group of assets held for sale are presented on a separate line in the statement of financial position and are measured and recognized at the lower of their carrying value and market value less sell costs. As a result, any impairment would be recognized in the income statement.

An asset is classified as held for sale only if the sale is highly probable within 12 months, if the asset is available for an immediate sale in its present condition and if a sales plan has been initiated by management with a sufficient degree of completion. To assess whether the sale is highly probable, the Group considers the expressions of interest on offers received from potential buyers, as well as the execution risks specific to certain transactions.

In addition, assets or groups of assets held for sale are presented as discontinued operations:

- when they represent a separate major line of business within the meaning of IFRS 5; or
- when they are part of a single coordinated plan to dispose of a separate major line of business or geographical area at the Group level.

The agreements signed on June 29, 2021 between SUEZ, Veolia and the Meridiam–GIP–Caisse des Dépôts/CNP Assurances Consortium specified in particular the scope of activities sold on one side to Veolia and on the other to the future "new SUEZ". The activities expected to fall within "new SUEZ" do not meet the definition of assets held for sale; particularly given the prior carve-out and disposal operations to be carried out, the administrative and regulatory authorizations to be obtained, the potential adjustments in scope that may arise, change of shareholder clauses in a number of contracts and the uncertainty as to the completion date for the sale of these assets in order to form the "new SUEZ". Moreover, this sale is subject on the completion of Veolia's takeover bid for SUEZ.

## 1.4 Use of judgment and estimates

The economic and financial environment leads the Group to maintain its risk monitoring procedures for financial instruments and operating assets. This environment, which leads to significant market volatility, is taken into account by the Group in estimates such as business plans and the various discount rates used in impairment testing and provisions computing.

### 1.4.1 Estimates

The preparation of the condensed 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 condensed 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 non current assets;
- the measurement of provisions, particularly for legal and arbitration proceeding and for pensions and other employee benefits;
- the measurement of replacement liabilities;
- the measurement of financial instruments of which customers receivables;
- the measurement of unmetered revenue;
- the measurement of margin at termination relating to construction contracts;
- the measurement of capitalized tax loss carry-forwards.

Detailed information related to the use of estimates is provided in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2020.

### 1.4.2 Judgment

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

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

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

## 1.5 Specific features of the preparation of interim financial statements

### 1.5.1 Seasonality of operations

Although the Group's operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended in June 30, 2021 are not necessarily indicative of those that may be expected for full-year 2021.

### 1.5.2 Income tax expense

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

### 1.5.3 Pension benefit obligations

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

### 1.5.4 Provisions for site restoration

These provisions are measured once a year in order to establish the statement of financial position at December 31 (see Note 18.4 to the Consolidated Financial Statements at December 31, 2020).

# Note 2 Major transactions

## 2.1 Merger agreement between SUEZ and Veolia

On April 12, 2021, Veolia and SUEZ announced that their respective Boards of Directors had reached an agreement in principle on April 11, 2021 on the main terms and conditions of the merger between the two groups.

On May 14, 2021, the Merger Agreement has been signed as well as a Memorandum of Understanding with Meridiam–GIP–Caisse des Dépôts and CNP Assurances for the acquisition of the "new SUEZ".

This agreement:

- enables Veolia to acquire the strategic assets needed to pursue its goal of building a global champion in ecological transformation, while guaranteeing a coherent and sustainable industrial and social footprint for the "new SUEZ";
- reiterates the social commitments made by Veolia;
- confirms that the acquisition price per share of the SUEZ Group will be raised to EUR 20.50 (cum dividend).

This revised Veolia offer has been approved by the SUEZ Board of Directors on June 29, 2021 after obtaining a fairness opinion from the independent expert (Finexsi) and the opinion of the Group Works Council. In parallel, the Consortium provided Veolia and SUEZ with a final binding put option to purchase the "new SUEZ" for an enterprise value of EUR 10.4 billion.

The activities comprising the scope of the future "new SUEZ" are mainly:

- municipal water and solid waste in France;
- water activities in Italy, the Czech Republic, Africa, Central Asia, India, China and Australia;
- the digital and environmental activities (SES) present worldwide.

## 2.2 Launch of the Sharing 2021 plan

In January 2021, SUEZ launched its fifth employee shareholding plan, called Sharing 2021. This plan is for employees of the Group's French entities. 15,263 employees subscribed to this plan, a subscription rate of nearly 53% among current employees and an increase of more than 60% over the subscription rate recorded in France in the previous four plans. The transaction was finalized on March 18, 2021, with the issuance of 10,976,645 new shares with a par value of EUR 4. After this operation, SUEZ employee shareholders held 5.6% of the capital, thus strengthening the position of the employees as the third shareholder of the Group.

## 2.3 Activities sold in the first half of 2021

The business activities affected by these disposals, initiated in 2020 as part of the effort to align the business portfolio to the SUEZ 2030 strategy, were recognized in the Group's consolidated statement of financial position as of December 31, 2020, in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. As a consequence, depreciation of assets has been suspended until the date on which these disposals are completed. As at June 30, 2021, the impact of this suspension represents a positive effect on the current operating income of EUR 44.1 million.

### 2.3.1 Sale of OSIS

On May 18, 2021, SUEZ has finalized the sale of OSIS, a multi-specialist in wastewater services, to Veolia for an enterprise value of EUR 298 million, representing approximately 13 times 2019 *pro forma* adjusted EBITDA, plus an earn-out supplement of EUR 5 million.

This transaction was completed after consultation with employee representative bodies and following approval by the competition authorities on April 28, 2021.

With 2,500 employees in more than 130 local service centers, OSIS operates in a number of complementary business segments, including sanitation and liquid waste collection, industrial cleaning, and facility hygiene. In 2020, OSIS in France generated EUR 229.0 million in revenue and EUR -0.5 million in EBITDA.

### 2.3.2 Sale of Recycling and Recovery activities in Northern Europe

On May 31, 2021, SUEZ announced the completion of the sale to PreZero, the environmental division of the Schwarz Group, of its Recycling and Recovery activities – excluding plastics recycling and hazardous waste treatment activities – in four continental European countries: the Netherlands, Luxembourg, Germany, and Poland. The transaction values the divested businesses at EUR 1,100 million (Enterprise Value). The closing of this transaction follows consultation with the employee representative bodies and the approval of the competition authorities on April 14, 2021.

In these four countries, the activities sold to PreZero cover the entire waste recycling and recovery value chain, from collection to sorting, including the processing and treatment of a wide variety of waste (wood, glass, paper, metal, etc.). The divested businesses operate a total of 125 sites and employ more than 6,700 employees. In 2020, these activities generated revenues of EUR 1,127.3 million and EBITDA of EUR 169.9 million.

## 2.4 End of the securitization program

In light of the disposal of the Group's Recycling and Recovery business activities in Germany, the Netherlands, Luxembourg and Poland, on January 25, 2021, the Group terminated its securitization program which, in addition to the entities in the Netherlands and Germany which have been sold to the Schwarz Group during the first half of 2021, also included transferor entities from the Recycling and Recovery France and IWS scopes.

The various entities involved therefore bought back the receivables that they previously sold to a special purpose vehicle (SPV) called *Fond Commun de Titrisation* for an amount totaling EUR 290.5 million.

## 2.5 Acquisition of non-controlling interests in SUEZ NWS et Suyu in China

On January 11, 2021, the Group announced that it had signed an agreement with its longstanding partner NWS Holding Limited (NWS) to acquire non-controlling equity interests of NWS in all the joint business activities of the two Groups in Greater China. These acquisitions expand SUEZ's presence in Greater China and simplify its business structure in the region. At the end of the operation, SUEZ will wholly own SUEZ NWS and Suyu.

These two transactions are valued at around EUR 693 million.

- On May 11, 2021, SUEZ announced the completion of the acquisition of NWS' (NWS Holdings Limited) 50% stake in Suyu through its subsidiary NWS Hong Kong Investment Limited (NWS HKI). Following the acquisition of the 50% stake in NWS, SUEZ now owns 100% of Suyu. The final amount of the transaction is totaling EUR 252 million.
- The acquisition of the non-controlling interests in NWS is still subject to the regulatory authorities' approval and normal conditions precedent.

## 2.6 Financing transactions

### 2.6.1 New bond issue

On March 9, 2021, SUEZ launched a EUR 750 million bond issue with zero coupon and a maturity date of June 9, 2026.

### 2.6.2 Redemption of existing bond issue

On May 17, 2021, SUEZ paid for redemption EUR 596.6 million of a bond issued on May 17, 2011 with a fixed annual coupon of 4.078%.

# Note 3 Operating segments information

In accordance with the provisions of IFRS 8 – Operating Segments, four operating segments were used to present SUEZ's segment information and have been identified based on internal reporting, in particular segments monitored by the Management Committee, comprising the Group's key operational decision-makers:

- Water;
- Recycling and Recovery;
- ETS (Environmental Technology & Solutions);
- Other.

## 3.1 Operating segments

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

- **Water**: 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**: waste and waste treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for non-hazardous waste;
- **ETS**: this segment includes all water services for the industrial customer segment (WTS), hazardous Waste Services as well as customized (SMART) services, technologies and solutions for industrial or municipal customers (Advanced Solutions), as well as Consulting services;
- **Other**: this segment mainly includes holdings, including SUEZ SA.

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

## 3.2 Key indicators by operating segment

### Revenues

| *(in millions of euros)* | June 30, 2021 | | | June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | Non-Group | Group | Total | Non-Group | Group | Total |
| Water | 3,267.0 | 17.1 | 3,284.1 | 3,194.3 | 26.8 | 3,221.1 |
| Recycling and Recovery | 3,874.2 | 38.6 | 3,912.8 | 3,408.4 | 42.9 | 3,451.3 |
| ETS | 1,569.1 | 99.3 | 1,668.4 | 1,562.3 | 79.9 | 1,642.2 |
| Other | 1.0 | 62.3 | 63.3 | 1.6 | 55.1 | 56.7 |
| Intercompany eliminations | - | (217.3) | (217.3) | - | (204.7) | (204.7) |
| **Total revenues** | **8,711.3** | **-** | **8,711.3** | **8,166.6** | **-** | **8,166.6** |

### EBITDA

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Water | 813.7 | 681.6 |
| Recycling and Recovery | 591.5 | 425.4 |
| ETS | 228.7 | 139.0 |
| Other | (33.2) | (49.6) |
| **Total EBITDA** | **1,600.7** | **1,196.4** |

### EBIT

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Water | 411.1 | 107.8 |
| Recycling and Recovery | 343.9 | 70.3 |
| ETS | 117.1 | (13.4) |
| Other | (74.0) | (88.4) |
| **Total EBIT** | **798.1** | **76.3** |

### Depreciation and amortization

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Water | (324.1) | (328.4) |
| Recycling and Recovery | (217.8) | (288.8) |
| ETS | (117.0) | (119.1) |
| Other | (21.3) | (24.5) |
| **Total depreciation and amortization** | **(680.2)** | **(760.8)** |

### Capital employed

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Water | 10,671.6 | 10,239.4 |
| Recycling and Recovery | 3,523.6 | 4,661.6 |
| ETS | 3,874.7 | 3,728.2 |
| Other | (272.4) | 28.7 |
| **Total Capital employed** [(a)] | **17,797.5** | **18,657.9** |

(a) Including as of December 31, 2020, capital employed for activities held for sale.

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

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Water | (638.1) | (347.0) |
| Recycling and Recovery | (127.8) | (193.9) |
| ETS | (102.8) | (85.8) |
| Other | (53.8) | (9.0) |
| **Total investments** | **(922.5)** | **(635.7)** |

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

## 3.3 Key indicators by geographical area

The indicators below are analyzed by:

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

| | Revenues | | Capital employed | |
|---|---|---|---|---|
| *(in millions of euros)* | June 30, 2021 | June 30, 2020 | June 30, 2021 | December 31, 2020 |
| France | 2,631.0 | 2,271.6 | 2,231.1 | 2,611.5 |
| Europe | 2,820.2 | 2,592.9 | 4,444.9 | 5,582.2 |
| Rest of the world | 3,260.1 | 3,302.1 | 11,121.5 | 10,464.2 |
| **Total [a]** | **8,711.3** | **8,166.6** | **17,797.5** | **18,657.9** |

(a) Including as of December 31, 2020, capital employed for activities held for sale.

## 3.4 Reconciliation of indicators with Consolidated Financial Statement

### 3.4.1 Reconciliation of EBIT and EBITDA with current operating income

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **Current operating income** | **661.5** | **(25.3)** |
| (+) Share in net income of equity-accounted companies considered as core business | 96.6 | 55.3 |
| (-) IFRIC 21 impacts | 42.7 | 46.1 |
| (-) Others | (2.7) | 0.2 |
| **EBIT** | **798.1** | **76.3** |
| (-) Net depreciation, amortization and provisions | 646.0 | 975.6 |
| (-) Share-based payments [a] | 24.6 | 3.8 |
| (-) Disbursements under concession contracts | 132.0 | 140.7 |
| **EBITDA** | **1,600.7** | **1,196.4** |

(a) This amount does not include long term incentive plans in the form of cash bonuses (see Note 13).

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

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| (+) Tangible and intangible assets, net | 12,370.8 | 12,220.8 |
| (+) Goodwill, net | 4,762.9 | 4,663.7 |
| (+) Rights of use | 1,130.4 | 1,168.0 |
| (+) Equity instruments (excluding marketable securities and impact of revaluation to fair value) | 257.3 | 238.7 |
| (+) Loans and receivables carried at amortized cost (excluding assets related to financing) | 743.7 | 789.2 |
| (+) Investments in joint ventures (excluding Other comprehensive income net of taxes) | 705.5 | 925.5 |
| (+) Investments in associates (excluding Other comprehensive income net of taxes) | 1,845.9 | 1,129.6 |
| (+) Trade and other receivables | 4,526.4 | 4,324.3 |
| (+) Inventories | 532.8 | 483.1 |
| (+) Contract assets | 578.8 | 579.0 |
| (+) Other current and non-current assets | 1,973.6 | 1,766.5 |
| (-) Provisions and actuarial losses/gains on pensions plans | (1,597.5) | (1,425.6) |
| (-) Trade and other payables | (3,236.0) | (3,263.2) |
| (-) Contract liabilities | (1,350.9) | (1,372.4) |
| (-) Other current and non-current liabilities | (5,378.1) | (4,504.4) |
| (-) Other financial liabilities | (68.1) | (37.6) |
| (+) Capital employed from discontinued operations | - | 972.7 |
| **Capital employed [a]** | **17,797.5** | **18,657.9** |

(a) Including as of December 31, 2020, capital employed for activities held for sale.

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

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Investments in property, plant and equipment and intangible assets | (566.5) | (626.0) |
| Takeover of subsidiaries net of cash and cash equivalents acquired | (286.8) | (0.9) |
| Acquisitions of interests in associates and joint-ventures | (47.9) | (7.4) |
| Acquisitions of equity instruments | (21.3) | (0.9) |
| Change in share of interests in controlled entities | - | (0.5) |
| **Total investments** | **(922.5)** | **(635.7)** |

# Note 4 Income statement

## 4.1 Current operating income and EBIT

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

## 4.2 Income from operating activities

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **Current operating income** | **661.5** | **(25.3)** |
| Mark-to-Market on operating financial instruments | (0.9) | (0.2) |
| Impairment on non-current assets | (69.5) | (199.9) |
| Restructuring costs | (66.8) | (54.9) |
| Scope effects | 299.6 | 0.4 |
| Other gains and losses on disposals | 9.6 | (16.5) |
| Other significant non-recurring transactions | (199.0) | - |
| **Income from operating activities** | **634.5** | **(296.4)** |
| Share in net income of equity-accounted companies considered as core business | 96.5 | 55.3 |
| *of which share in net income (loss) of joint ventures* | *22.5* | *17.8* |
| *of which share in net income (loss) of associates* | *74.0* | *37.5* |
| **Income from operating activities after share in net income of equity-accounted companies considered as core business** | **731.0** | **(241.1)** |

### 4.2.1 Impairment on non-current assets

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment and other intangible assets | (16.3) | (160.8) |
| Rights of use | - | (1.3) |
| Financial assets | (68.5) | (39.3) |
| **Total** | **(84.8)** | **(201.4)** |
| **Write-back of impairments** | | |
| Property, plant and equipment and other intangible assets | 2.8 | 1.4 |
| Financial assets | 12.5 | 0.1 |
| **Total** | **15.3** | **1.5** |
| **Total** | **(69.5)** | **(199.9)** |

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

#### 4.2.1.1 Impairment on Goodwill

In the absence of any trigger event during the first half of 2021, no impairment has been recorded (see Note 6).

#### 4.2.1.2 Impairment on property, plant and equipment and intangible assets

As of June 30, 2021, the impairment on tangible and intangible assets is mainly related to Recycling and Recovery segment in Europe.

As of June 30, 2020, this item mainly included the impairment on properties in the Recycling and Recovery segment. Those impairment losses are linked to transformation decisions initiated by the Group within its strategic plan Shaping SUEZ 2030.

#### 4.2.1.3 Impairment on financial assets

In both 2020 and 2021, this item is mostly due to impairment losses on financial receivables in the United Kingdom.

### 4.2.2 Restructuring costs

As of June 30, 2021, the restructuring costs primarily correspond to reorganization costs for -EUR 19 million, costs related to the strategic plan Shaping SUEZ 2030 for -EUR 15 million as well as the continuity of severance schemes in various Group entities, of which Spain and Chile for circa -EUR 11 million.

As of June 30, 2020, those restructuring costs are mainly due to the strategic plan Shaping SUEZ 2030 for an amount of nearly -EUR 37 million in France.

### 4.2.3 Scope effects

As of June 30, 2021, this item includes the gains on disposals related to OSIS French activity and to the Recycling and Recovery activities in Northern Europe for a total amount of EUR 306.2 million.

At June 30, 2020, no material changes in the scope of consolidation were recorded.

### 4.2.4 Other gains and losses on disposals

As of June 30, 2021, this item is related to disposals of property, plant and equipment in Recycling and Recovery and WTS segments.

As at June 30, 2020, the disposal of property plant and equipment was essentially in line with the Shaping SUEZ 2030 strategic plan. They mainly concerned the Recycling & Recovery France activities.

### 4.2.5 Other significant non-recurring operations

At June 30, 2021, this item mainly records EUR 199.0 million in costs of various kinds related to the SUEZ-Veolia merger and the creation of the "new SUEZ". They consist in personnel compensation, costs of implementing the measures related to the June 29 agreement and costs and fees for the various advisors.

## 4.3 Financial result

| | June 30, 2021 | | | June 30, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Expenses | Income | Total | Expenses | Income | Total |
| **Cost of net debt** | **(177.1)** | **8.9** | **(168.2)** | **(195.7)** | **12.0** | **(183.7)** |
| Interest expense on gross borrowings | (140.6) | - | (140.6) | (158.2) | - | (158.2) |
| Interest expense on lease liabilities | (12.8) | - | (12.8) | (14.4) | - | (14.4) |
| Exchange gain/(loss) on borrowings and hedges | (23.5) | - | (23.5) | (16.3) | - | (16.3) |
| Unrealized income/(expense) from economic hedges on borrowings | - | 0.8 | 0.8 | - | 0.4 | 0.4 |
| Income/(expense) on cash and cash equivalents, and financial assets at fair value through income | - | 7.9 | 7.9 | - | 11.4 | 11.4 |
| Capitalized borrowing costs | - | 0.2 | 0.2 | - | 0.2 | 0.2 |
| Financial income (expense) relating to a financial debt or receivable restructuring | (0.2) | - | (0.2) | (6.8) | - | (6.8) |
| **Other Financial Income and Expenses** | **(37.7)** | **19.7** | **(18.0)** | **(56.4)** | **21.6** | **(34.8)** |
| Net interest expenses related to post employment and other long term benefits | (4.1) | - | (4.1) | (7.1) | - | (7.1) |
| Unwinding of discounting adjustment to long term provisions (except post employment) | (20.3) | - | (20.3) | (18.1) | - | (18.1) |
| Change in fair value of derivatives not included in net debt | (0.1) | - | (0.1) | (2.5) | - | (2.5) |
| Income from equity instruments | - | 2.0 | 2.0 | - | 1.1 | 1.1 |
| Other | (13.2) | 17.7 | 4.5 | (28.7) | 20.5 | (8.2) |
| **Financial income/(loss)** | **(214.8)** | **28.6** | **(186.2)** | **(252.1)** | **33.6** | **(218.5)** |

## 4.4 Income tax

### 4.4.1 Income tax expense in the income statement

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Net income (A) | 415.3 | (504.2) |
| Income tax expense (B) | (129.5) | (44.6) |
| Share in net Income of joint ventures and associates (C) | 96.5 | 55.3 |
| **Income before income tax and before share in net income of joint ventures and associates (A) – (B) – (C) = (D)** | **448.3** | **(514.9)** |
| **Theoretical income tax expense – (B)/(D)** | **28.9%** | **-8.7%** |

At June 30, 2021, the Group's effective tax rate is 28.9%, compared to -238.1% at December 31, 2020 and -8.7% at June 30, 2020.

This evolution compared to standard rate of 28.4% is mainly explained by the impact of:

- the taxation at reduced rate or non-taxation of the gains on disposals related to Recycling and Recovery activities in Northern Europe and OSIS in France;
- the write-off of the variation of net deferred taxes generated on this year within French and Spanish tax consolidation groups.

At June 30, 2020, and at December 31, 2020 the effective tax rate was mainly explained by the impairment of deferred taxes within French and Spanish tax consolidation groups.

### 4.4.2 Deferred taxes in the statement of financial position

Movements in deferred taxes recorded in the statement of financial position, after netting of 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, 2020** | **432.4** | **(596.2)** | **(163.8)** |
| From income statement | 1.4 | (23.9) | (22.5) |
| From Other comprehensive income [(a)] | (11.1) | 6.7 | (4.4) |
| Scope effects | 16.1 | (79.2) | (63.1) |
| Translation adjustments | 19.8 | (28.7) | (8.9) |
| Other impacts | (2.5) | 3.2 | 0.7 |
| Deferred tax netting off by tax entity | (61.0) | 61.0 | - |
| **At June 30, 2021** | **395.1** | **(657.1)** | **(262.0)** |

(a) Excluding share of associates and joint-ventures.

Thus:

- the scope effect of -EUR 63.1 million is mainly due to change in consolidation method of Suyu for -EUR 65.5 million. Suyu is fully consolidated as at June 30, 2021 whereas it was consolidated under the equity method as at December 31, 2020 (see Note 2.5);
- as at June 30, 2020 and December 31,2020, the net deferred tax assets in the balance has been fully impaired at June 30, 2021 within the SUEZ French tax consolidation group.

## Note 5 Earnings per share

| | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **Numerator** *(in millions of euros)* | | |
| **Net income, Group share** | **298.3** | **(538.2)** |
| Coupons attributable to holders of undated deeply subordinated notes issued by SUEZ: | | |
| June 2014 issue – repaid in june 2020 | - | (2.2) |
| March 2015 issue | (6.3) | (6.3) |
| May 2017 issue | (8.6) | (8.6) |
| September 2019 issue | (4.1) | (4.1) |
| Issuing costs related to undated deeply subordinated notes issued in 2014 | - | (0.5) |
| **Adjusted Net Income, Group Share** | **279.3** | **(559.9)** |
| **Denominator** *(in millions)* | | |
| Weighted average number of outstanding shares | 634.5 | 627.3 |
| **Earnings per share** *(in euros)* | | |
| **Net income Group share per share** | **0.44** | **(0.89)** |
| **Net diluted income Group share per share** | **0.44** | **(0.89)** |

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

- the SUEZ employee Sharing issue plans: matching shares;
- the performance share allocation plans paid in SUEZ shares.

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

| *(in millions of euros)* | Goodwills | Intangible assets | Property, plant and equipment |
|---|---|---|---|
| **A) Gross amount at December 31, 2020** | **4,755.1** | **8,909.7** | **15,486.9** |
| Acquisitions | - | 96.7 | 384.4 |
| Disposals | - | (7.5) | (185.0) |
| Changes in scope of consolidation | (3.6) | 7.8 | (16.7) |
| Translation adjustments | 104.4 | 79.6 | 314.9 |
| Other | (0.8) | 12.0 | (27.7) |
| **At June 30, 2021** | **4,855.1** | **9,098.3** | **15,956.8** |
| **B) Accumulated depreciation and impairment at December 31, 2020** | **(91.4)** | **(4,444.9)** | **(7,730.9)** |
| Depreciation and impairment losses | - | (234.7) | (319.8) |
| Disposals | - | 6.5 | 164.1 |
| Changes in scope of consolidation | - | (1.8) | 7.4 |
| Translation adjustments | (0.8) | (29.7) | (114.0) |
| Other | - | (1.8) | 15.3 |
| **At June 30, 2021** | **(92.2)** | **(4,706.4)** | **(7,977.9)** |
| **C) Carrying amount** | | | |
| **At December 31, 2020** | **4,663.7** | **4,464.8** | **7,756.0** |
| **At June 30, 2021** | **4,762.9** | **4,391.9** | **7,978.9** |

### 6.1 Goodwills

For all goodwill, in the absence of any trigger event in the first half of 2021, no impairment was recognized at June 30, 2021.

The main translation adjustments recorded in relation to the net value of goodwill concern the US Dollar (EUR 70.5 million) and the Pound Sterling (EUR 16.6 million).

### 6.2 Intangible assets and property, plant and equipment

The main translation adjustments recorded in relation to the net value of property, plant and equipment concern the US Dollar (EUR 100.9 million) and the Chilean Peso (EUR 70.2 million).

## Note 7 Investments in joint ventures and associates

### 7.1 Investments in joint ventures

The most significant equity interests are the Chinese joint ventures jointly owned by SUEZ NWS Limited, a Hong Kong-based company at 50% and by local concessionary authorities at 50%. Following the full consolidation of SUEZ NWS Limited in SUEZ, the shares from all the joint ventures (including all the Chinese joint ventures mentioned above) are accounted for by using the equity method according to SUEZ NWS Limited's percentage ownership (50% for the Chinese joint ventures) and represent EUR 617.1 million at June 30, 2021.

The other significant investment as of December 31, 2020, the Suyu group, is no longer presented as a joint venture as of June 30, 2021. The completion on May 11, 2021 of the acquisition of the 50% stake of NWS (NWS Holdings Limited) in Suyu (see Note 2.5) increased the Group's holding in the latter to 100%. In addition, this transaction has led to the reclassification of Derun Environnement, in which the Group has a 25.1% stake and which had previously been classified as a joint venture through the Suyu group, as an "associate company".

| | Carrying amount of investments in joint ventures | | Share in net income/(loss) of joint ventures | |
|---|---|---|---|---|
| *(in millions of euros)* | June 30, 2021 | December 31, 2020 | June 30, 2021 | June 30, 2020 |
| SUEZ NWS Limited group | 617.1 | 579.5 | 19.3 | 9.8 |
| Suyu group | - | 313.2 | - | 5.9 |
| Other | 35.9 | 32.8 | 3.2 | 2.1 |
| **Total** | **653.0** | **925.5** | **22.5** | **17.8** |

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Net income | 22.5 | 17.8 |
| Other comprehensive income (OCI) | 4.7 | 5.5 |
| **Comprehensive income** | **27.2** | **23.3** |

Below are the summarized statements of financial position (at 100%) of the Chinese joint ventures accounted for by using the equity method at SUEZ NWS Limited and the Suyu group, for fiscal year 2020 only, on the other hand.

### Summarized Statement of financial position

| | June 30, 2021 | December 31, 2020 | |
|---|---|---|---|
| *(in millions of euros)* | Chinese joint ventures | Chinese joint ventures | Suyu group [(a)] |
| Non-current assets | 1,410.1 | 1,347.0 | 844.4 |
| Current assets | 522.5 | 535.3 | 7.7 |
| *of which Cash and cash equivalents* | *233.9* | *266.5* | *7.7* |
| **Total assets** | **1,932.6** | **1,882.3** | **852.1** |
| Shareholders' equity, Group share | 1,043.6 | 975.2 | 626.4 |
| Non-controlling interests | 8.6 | 8.0 | - |
| **Total shareholders' equity** | **1,052.2** | **983.2** | **626.4** |
| Non-current liabilities | 337.9 | 311.0 | 192.4 |
| Current liabilities | 542.5 | 588.1 | 33.3 |
| **Total shareholders' equity and liabilities** | **1,932.6** | **1,882.3** | **852.1** |
| **100% dividends paid in the previous financial year** | **6.7** | **63.2** | **-** |

(a) In 2021, the Group through its subsidiary SUEZ Asia purchased an additional 50% in the Suyu group (see Note 2.5). Following this transaction, SUEZ no longer consolidates the Suyu group as a joint venture. SUEZ directly holds 25.1% of Derun Environnement as an associate. It was previously classified as a joint venture through the Suyu group.

### Summarized Income Statement

| | June 30, 2021 | June 30, 2020 | |
|---|---|---|---|
| *(in millions of euros)* | Chinese joint ventures | Chinese joint ventures | Suyu group |
| Revenues | 285.6 | 233.9 | - |
| Current operating income | 54.6 | 48.0 | - |
| Net income – Group share | 45.1 | 26.1 | 11.9 |
| Net income – non-controlling interests | 0.5 | 0.4 | - |
| **Net income** | **44.6** | **26.5** | **11,9** [(a)] |
| Other comprehensive income (OCI) [(b)] | 17.2 | (14.8) | (12.4) |
| **Comprehensive income** | **61.8** | **11.7** | **(0.5)** |

(a) Derun Environnement's share in net income accounted for using the equity method in the Suyu Group.
(b) This amount corresponds to translation adjustments.

## 7.2 Investments in associates

Investments and income from associates break down as follows:

| | Carrying amount of investments in associates | | Share in net income/(loss) of associates | |
|---|---|---|---|---|
| *(in millions of euros)* | June 30, 2021 | December 31, 2020 | June 30, 2021 | June 30, 2020 |
| Acea group | 617.3 | 624.3 | 33.3 | 31.0 |
| Derun [(a)] | 734.7 | - | 12.4 | - |
| Agbar group | 168.7 | 163.0 | 4.0 | 2.2 |
| Other (individual contribution less than 10% of the total) | 325.2 | 276.1 | 24.3 | 4.3 |
| **Total** | **1,845.9** | **1,063.4** | **74.0** | **37.5** |

(a) In 2021, the Group through its subsidiary SUEZ Asia purchased an additional 50% in the Suyu group (see Note 2.5). Following this transaction, Suyu is no longer classified as a joint venture and is fully consolidated. SUEZ now directly owns 25.1% of Derun Environnement, which is classified as an associate. It was previously classified as a joint venture with the Suyu group.

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **Net income** | **74.0** | **37.5** |
| Other comprehensive income (OCI) | 12.4 | (26.9) |
| **Comprehensive income** | **86.4** | **10.6** |

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

At June 30, 2021 the book value of Acea in the statement of financial position is EUR 617.3 million. Its market value is EUR 968.5 million.

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

The Consolidated Financial Statements of Acea group at June 30, 2021 are not available at the date of publication of the Group's 2021 consolidated interim financial statements. In compliance with IAS 28 "Investments in Associates and joint ventures", the summarized statement of financial position at March 31, 2021 correspond to the latest available information.

## Summarized statement of Acea group financial position

| *(in millions of euros)* | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current assets | 7,436.4 | 7,311.0 |
| Current assets | 3,120.0 | 2,362.6 |
| *of which Cash and cash equivalents* | *1,277.8* | *642.2* |
| **Total assets** | **10,556.4** | **9,673.6** |
| Shareholders' equity, Group share | 2,053.3 | 1,964.9 |
| Non-controlling interests | 361.8 | 358.4 |
| **Total Capitaux propres** | **2,415.1** | **2,323.3** |
| Non-current liabilities | 5,654.1 | 4,839.0 |
| Current liabilities | 2,487.2 | 2,511.3 |
| **Total shareholders' equity and liabilities** | **10,556.4** | **9,673.6** |
| **100% dividends paid related to the previous financial year** | **170.0** | **166.1** |

## Summarized income statement of Acea group – first quarter results

| *(in millions of euros)* | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Revenues | 930.0 | 833.5 |
| Gross operating profit | 311.5 | 276.4 |
| Operating profit/(loss) | 155.5 | 136.8 |
| Net income – Group share | 83.1 | 70.6 |
| Net income – non-controlling interests | 10.0 | 9.4 |
| **Net income** | **93.1** | **80.0** |
| Other comprehensive income (OCI) | 4.8 | 0.6 |
| **Comprehensive income** | **97.9** | **80.6** |

# Note 8 Financial instruments

## 8.1 Financial assets

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

| *(in millions of euros)* | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Equity instruments at fair value | 136.5 | - | 136.5 | 107.9 | - | 107.9 |
| Loans and receivables carried at amortized cost | 592.3 | 4,677.8 | 5,270.1 | 712.2 | 4,401.3 | 5,113.5 |
| Loans and receivables carried at amortized cost (excluding trade and other receivables) | 592.3 | 151.4 | 743.7 | 712.2 | 77.0 | 789.2 |
| Trade and other receivables | - | 4,526.4 | 4,526.4 | - | 4,324.3 | 4,324.3 |
| Financial assets measured at fair value | 73.6 | 225.3 | 298.9 | 146.5 | 151.3 | 297.8 |
| Derivative financial instruments (see Note 8.4) | 73.6 | 57.0 | 130.6 | 146.5 | 96.4 | 242.9 |
| Financial assets measured at fair value through income | - | 168.3 | 168.3 | - | 54.9 | 54.9 |
| Cash and cash equivalents | - | 5,855.9 | 5,855.9 | - | 5,319.6 | 5,319.6 |
| Liquid financial investments | - | 216.2 | 216.2 | - | 213.7 | 213.7 |
| Other cash and cash equivalents | - | 5,639.7 | 5,639.7 | - | 5,105.9 | 5,105.9 |
| **Total** | **802.4** | **10,759.0** | **11,561.4** | **966.6** | **9,872.2** | **10,838.8** |

Change in trade and other receivables is shown in Note 9.2.

Change in "Cash and cash equivalents" line is mainly due to disposals (see Note 2.3).

### Equity instruments at fair value

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

| *(in millions of euros)* | Equity instruments at FV through OCI | Equity instruments at FV through income |
|---|---|---|
| **At December 31, 2020** | **83.7** | **24.2** |
| Acquisitions | 17.3 | 4.0 |
| Net book value of disposals | (1.2) | 0.5 |
| Changes in fair value posted to equity as Other comprehensive income | 5.6 | - |
| Changes in fair value posted to income statement | - | 2.2 |
| Changes in scope, exchange rates and other | - | 0.2 |
| **At June 30, 2021** | **105.4** | **31.1** |

The equity instruments at fair value through OCI held by the Group as at June 30, 2021, are all unlisted securities.

The value of equity instruments at fair value through income held by the Group amounts to EUR 31.1 million as at June 30, 2021, which is divided between EUR 23.5 million for listed securities and EUR 7.6 million for unlisted securities.

## 8.2 Financial liabilities

Financial liabilities are accounted for:

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

The following table shows the various financial liabilities categories as at June 30, 2021, as well as their breakdown as "non-current" and "current":

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Non-current | Current | Total | Non-current | Current | Total |
| Borrowings | 11,240.6 | 2,290.0 | 13,530.6 | 10,990.0 | 2,956.6 | 13,946.6 |
| Lease liabilities | 936.3 | 260.3 | 1,196.6 | 975.5 | 255.6 | 1,231.1 |
| Derivative financial instruments (see Note 8.4) | 7.5 | 38.8 | 46.3 | 4.9 | 36.2 | 41.1 |
| Trade and other payables | - | 3,236.0 | 3,236.0 | - | 3,263.2 | 3,263.2 |
| Other financial liabilities | 68.1 | - | 68.1 | 37.6 | - | 37.6 |
| **Total** | **12,252.5** | **5,825.1** | **18,077.6** | **12,008.0** | **6,511.6** | **18,519.6** |

## 8.3 Net debt

### 8.3.1 Analysis by type of net debt

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Non-current | Current | Total | Non-current | Current | Total |
| Outstanding borrowings | 11,248.8 | 2,230.0 | 13,478.8 | 10,934.7 | 2,880.1 | 13,814.8 |
| Impact of measurement at amortized cost [a] | (50.3) | 44.8 | (5.5) | (47.2) | 57.3 | 10.1 |
| Impact of fair value hedge [b] | 42.1 | 15.2 | 57.3 | 102.5 | 19.2 | 121.7 |
| **Borrowings and debts** | **11,240.6** | **2,290.0** | **13,530.6** | **10,990.0** | **2,956.6** | **13,946.6** |
| **Lease liabilities** | **936.3** | **260.3** | **1,196.6** | **975.5** | **255.6** | **1,231.1** |
| Debt-related derivatives under liabilities [c] (see Note 8.4) | 5.0 | 20.2 | 25.2 | 0.3 | 24.1 | 24.4 |
| **Gross debt** | **12,181.9** | **2,570.5** | **14,752.4** | **11,965.8** | **3,236.3** | **15,202.1** |
| Financial assets measured at fair value through income excluding financial derivative instruments (see Note 8.1) | - | (168.3) | (168.3) | - | (54.9) | (54.9) |
| Liquid financial investments | - | (216.2) | (216.2) | - | (213.7) | (213.7) |
| Other cash and cash equivalents | - | (5,639.7) | (5,639.7) | - | (5,105.9) | (5,105.9) |
| Debt-related derivatives under assets [c] (see Note 8.4) | (70.6) | (32.8) | (103.4) | (143.5) | (73.2) | (216.7) |
| **Net cash** | **(70.6)** | **(6,057.0)** | **(6,127.6)** | **(143.5)** | **(5,447.7)** | **(5,591.2)** |
| **Net debt** | **12,111.3** | **(3,486.5)** | **8,624.8** | **11,822.3** | **(2,211.4)** | **9,610.9** |
| Outstanding borrowings | 11,248.8 | 2,230.0 | 13,478.8 | 10,934.7 | 2,880.1 | 13,814.8 |
| Lease liabilities | 936.3 | 260.3 | 1,196.6 | 975.5 | 255.6 | 1,231.1 |
| Financial assets measured at fair value through income excluding financial derivative instruments (see Note 8.1) | - | (168.3) | (168.3) | - | (54.9) | (54.9) |
| Liquid financial investments | - | (216.2) | (216.2) | - | (213.7) | (213.7) |
| Other cash and cash equivalents | - | (5,639.7) | (5,639.7) | - | (5,105.9) | (5,105.9) |
| **Net debt excluding amortized cost and impact of derivative financial instruments** | **12,185.1** | **(3,533.9)** | **8,651.2** | **11,910.2** | **(2,238.8)** | **9,671.4** |

(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 fair value of borrowings and debts amounts to EUR 14,695.2 million at June 30, 2021, compared with a book value of EUR 13,530.6 million.

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

### 8.3.2 Issue of undated deeply subordinated notes

As of June 30, 2021, the outstanding amount of undated deeply subordinated notes ("TSSDI") was EUR 1,600 million, unchanged compared to December 31, 2020.

These lines are not recognized as financial debt as they meet the conditions set out in IAS 32 to be recognized in equity.

### 8.3.3 Bond and commercial paper issues

During first half of 2021, SUEZ made, as part of its EMTN program, a zero-coupon bond issue of EUR 750 million maturing on June 9, 2026.

SUEZ has a commercial paper program. At June 30, 2021, the outstanding notes totaled EUR 295.0 million.

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

At June 30, 2021, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

### 8.3.4 Change in net debt

During the first half of 2021, net debt decreased by EUR 986.1 million. This variation is explained by:

- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 119.1 million;
- the capital increase due to the implementation of the Sharing 2021 plan in March 2021 for an amount of EUR 160.2 million net of fees;
- the acquisition of non-controlling interests in Suyu in China for EUR 252.3 million (see Note 2.5);
- the sale of Recycling and Recovery business activities in Northern Europe for EUR 933.6 million;
- the sale of OSIS business activities for EUR 258.9 million;
- the repurchase of receivables following the end of the securitization program for an amount totaling EUR 290.5 million (including the reimbursement of cash collateral for EUR 78.1 million and the repurchase of securitized receivables for EUR 367.3 million);
- the excess cash generated by the Group's activities totaling EUR 180.4 million;
- foreign exchange effects, which contributed to an increase in net financial debt, at EUR 150.3 million.

### 8.3.5 Debt/equity ratio

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Net debt [a] | 8,624.8 | 9,748.6 |
| Total equity | 8,285.9 | 8,049.4 |
| **Debt/equity ratio** | **104.1%** | **121.1%** |

(a) In December 2020, The amount of net financial debt is presented before reclassification of liabilities associated with assets held for sale.

## 8.4 Derivative financial instruments

### Derivative financial assets

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Non-current | Current | Total | Non-current | Current | Total |
| Debt-related derivatives | 70.6 | 32.8 | 103.4 | 143.5 | 73.2 | 216.7 |
| Derivatives hedging commodities | - | 2.9 | 2.9 | - | - | - |
| Derivatives hedging other items [a] | 3.0 | 21.3 | 24.3 | 3.0 | 23.2 | 26.2 |
| **Total (see Note 8.1)** | **73.6** | **57.0** | **130.6** | **146.5** | **96.4** | **242.9** |

(a) Includes derivative financial instruments portion not qualified as hedges for EUR 12.8 million at June 30, 2021 compared with EUR 12 million at December 31, 2020.

### Derivative financial liabilities

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Non-current | Current | Total | Non-current | Current | Total |
| Debt-related derivatives | 5.0 | 20.2 | 25.2 | 0.3 | 24.1 | 24.4 |
| Derivatives hedging commodities | - | 9.0 | 9.0 | - | 2.4 | 2.4 |
| Derivatives hedging other items [a] | 2.5 | 9.6 | 12.1 | 4.6 | 9.7 | 14.3 |
| **Total (see Note 8.2)** | **7.5** | **38.8** | **46.3** | **4.9** | **36.2** | **41.1** |

(a) Mainly includes derivative financial instruments for the interest rate futures portion of debt-related derivatives qualified as cash flow hedge for EUR 3.1 million at June 30, 2021, unchanged compared with December 31, 2020.

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

## 8.5 Fair value of financial instruments by level

### 8.5.1 Financial assets

#### Investments in equity instruments at fair value

Listed securities are recognized in the consolidated statement of financial position at fair value for EUR 23.5 million at June 30, 2021. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 113.0 million at June 30, 2021 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flows and net asset value (fair value Level 3).

As at June 30, 2021, the change in Level 3 equity instruments at fair value breaks down as follows:

| *(in millions of euros)* | Equity instruments at FV through OCI | Equity instruments at FV through income |
|---|---|---|
| **At December 31, 2020** | **83.7** | **3.2** |
| Acquisitions | 17.3 | 4.0 |
| Net book value of disposals | (1.2) | 0.5 |
| Changes in fair value posted to equity | 5.6 | - |
| Changes in fair value posted to income statement | - | - |
| Changes in scope, exchange rates and other | - | (0.1) |
| **At June 30, 2021** | **105.4** | **7.6** |

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 743.7 million at June 30, 2021, may contain elements that contribute to a fair value hedging relationship. At June 30, 2021, no hedge was put in place.

#### Derivative financial instruments

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, and forward currency sales and purchases. It is recognized at its fair value at June 30, 2021 for EUR 130.6 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 (excluding equity instruments)

Financial assets measured at fair value through income amounting to EUR 168.3 million at June 30, 2021, are considered Level 2. In fact, their fair value is determined based on observable data.

### 8.5.2 Financial liabilities

The fair value of borrowings and debts and financial instruments booked on the liabilities side breaks down as follows between the different levels of fair value:

| *(in millions of euros)* | June 30, 2021 Total | June 30, 2021 Level 1 | June 30, 2021 Level 2 | June 30, 2021 Level 3 | December 31, 2020 Total | December 31, 2020 Level 1 | December 31, 2020 Level 2 | December 31, 2020 Level 3 |
|---|---|---|---|---|---|---|---|---|
| **Borrowings** | **14,695.2** | **9,252.1** | **5,443.1** | **-** | **15,520.0** | **9,265.7** | **6,254.3** | **-** |
| **Derivative financial instruments** | **46.3** | **-** | **46.3** | **-** | **41.1** | **-** | **41.1** | **-** |
| Debt-related derivates | 25.2 | - | 25.2 | - | 24.4 | - | 24.4 | - |
| Derivatives hedging commodities | 9.0 | - | 9.0 | - | 2.4 | - | 2.4 | - |
| Derivatives hedging other items | 12.1 | - | 12.1 | - | 14.3 | - | 14.3 | - |
| **Total** | **14,741.5** | **9,252.1** | **5,489.4** | **-** | **15,561.1** | **9,265.7** | **6,295.4** | **-** |

#### Borrowings and debts

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

#### Derivative financial instruments

See Note 8.5.1 for details on fair value level.

## 8.6 Offsetting of derivative assets and liabilities

At June 30, 2021, as at December 31, 2020, the Group does not offset financial liabilities in its statement of financial position. Moreover, the Group SUEZ has subscribed for OTC derivatives with first class banks under agreements that provide for the compensation of amounts due and receivable in the event of failure of one of the contracting parties. These conditional netting agreements do not meet the criteria of IAS 32 to allow the offsetting of derivative assets and liabilities in the statement of financial position. However, they do fall within the scope of disclosures under IFRS 7 on offsetting:

| | June 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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] | 127.7 | (37.3) | 2.9 | (9.0) | 242.9 | (38.7) | - | (2.4) |
| **Amount after offsetting** | **111.1** | **(20.7)** | **2.9** | **(9.0)** | **239.2** | **(35.0)** | **-** | **(2.4)** |

(a) Gross amount of recorded assets and liabilities.

# Note 9 Management of risks arising from financial instruments

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

The risk management policy is described in Note 14 to the Consolidated Financial Statements as at December 31, 2020.

## 9.1 Market risks

### 9.1.1 Commodity market risks

#### 9.1.1.1 Hedging operations

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

#### 9.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities at June 30, 2021 and at December 31, 2020 are presented in the table below:

| | June 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| *(in millions of euros)* | Current | Non-current | Current | Non-current | Current | Non-current | Current | Non-current |
| Cash flow hedges | 2.9 | - | 9.0 | - | - | - | 2.4 | - |
| **Total** | **2.9** | **-** | **9.0** | **-** | **-** | **-** | **2.4** | **-** |

### 9.1.2 Currency risk

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

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

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

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

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

The sensitivity analysis was based on the net debt position (including derivatives financial instruments), and derivatives designated as net investment hedges at the reporting date. As at June 30, 2021, there are no instruments designated as net investment hedges.

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

**Impact on income of foreign exchange risk after impact of foreign exchange derivatives**

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional currency of the companies carrying on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/- 10% change in foreign exchange rates against the euro would generate a gain or a loss of EUR 8.3 million.

**Impact on equity after taking into account foreign exchange derivatives**

As at June 30, 2021, there are no financial liabilities (debts and derivatives) designated as net investment hedges. Therefore, a uniform +/- 10% change in foreign exchange rates against the euro would not have a negative or positive impact on shareholders' equity in terms of net investment hedging.

### 9.1.3 Interest rate risk

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

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

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

#### 9.1.3.1 Financial instruments by rate type

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

**Outstanding borrowings**

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| *(in %)* | Before impact of derivatives | After impact of derivatives | Before impact of derivatives | After impact of derivatives |
| Floating rate | 17% | 37% | 19% | 32% |
| Fixed rate | 75% | 55% | 74% | 61% |
| Fixed rate indexed to inflation | 8% | 8% | 7% | 7% |
| **Total** | **100%** | **100%** | **100%** | **100%** |

**Net debt (excluding lease liabilities)**

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| *(in %)* | Before impact of derivatives | After impact of derivatives | Before impact of derivatives | After impact of derivatives |
| Floating rate | -52% | -15% | -36% | -14% |
| Fixed rate | 138% | 101% | 124% | 102% |
| Fixed rate indexed to inflation | 14% | 14% | 12% | 12% |
| **Total** | **100%** | **100%** | **100%** | **100%** |

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

#### 9.1.3.2 Analysis of interest rate risk sensitivity

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of +/- 1% compared with interest rates at June 30, 2021.

**Impact on income after taking into account interest rate derivatives**

A +/- 1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt, inflation-linked debt included, and the floating-rate component of derivatives would have a negative or positive impact of EUR 10.0 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a loss of EUR 0.4 million in the income statement due to the change in fair value of non-qualified derivatives. A 1% decrease in interest rates would a contrario generate a gain of EUR 0.4 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 2.1 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 1.3 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

## 9.2 Counterparty risk

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

### 9.2.1 Operating activities

Each business unit assesses counterparty risk on operational activities according to the type of customer portfolio and economic and public health uncertainties. It documents the methodology used in the non-recovery risk matrix updated to take into account the above-mentioned changes.

Impairments on trade and other receivables are shown below:

| *(in millions of euros)* | June 30, 2021 Gross | June 30, 2021 Depreciation and impairment | June 30, 2021 Net | December 31, 2020 Gross | December 31, 2020 Depreciation and impairment | December 31, 2020 Net |
|---|---|---|---|---|---|---|
| Trade and other receivables | 5,016.2 | (489.8) | 4,526.4 | 4,840.9 | (516.6) | 4,324.3 |
| **Total** | **5,016.2** | **(489.8)** | **4,526.4** | **4,840.9** | **(516.6)** | **4,324.3** |

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 June 30, 2021 | 193.2 | 16.5 | 71.8 | 281.5 | 724.6 | 4,010.1 | 5,016.2 |
| At December 31, 2020 | 235.3 | 37.8 | 81.6 | 354.7 | 742.5 | 3,743.7 | 4,840.9 |

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

The aging of receivables that are past due but not impaired may vary significantly depending on the type of customer which the Group companies do business with (private companies, individuals or public authorities). In accordance with the terms of IFRS 9, 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 impairment based on the expected default rates on each of the homogeneous categories of customers.

Changes in the impairment on trade and other receivables line:

| *(in millions of euros)* | Impairment on trade and other receivables |
|---|---|
| **At December 31, 2020** | **(516.6)** |
| Additional credit risk allowances | (68.4) |
| Reversals for risk surplus/extinction | 79.4 |
| Reversal by the counterpart of loss on bad trade receivables | 16.6 |
| Change in scope, exchange rates and other | (0.8) |
| **At June 30, 2021** | **(489.8)** |

### 9.2.2 Financial activities

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

Counterparty risk is monitored for each loan line.

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

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

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

At June 30, 2021, "cash and cash equivalents" and derivative assets are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

| Counterparty risk arising from investing activities | June 30, 2021 Total | Investment Grade [a] | Unrated [b] | Non Investment Grade [b] | December 31, 2020 Total | Investment Grade [a] | Unrated [b] | Non Investment Grade [b] |
|---|---|---|---|---|---|---|---|---|
| Counterparty exposure | 6,115.7 | 96% | 3% | 1% | 5,524.0 | 95% | 4% | 1% |

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

## 9.3 Liquidity risk

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

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

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

The breakdown of liquidity (cash, external financing sources and credit facilities) is set up as follows:

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets measured at fair value through income | 168.3 | 54.9 |
| Liquid financial investments | 216.2 | 213.7 |
| Other cash and cash equivalents | 5,639.7 | 5,105.9 |
| Debt-related derivatives | 103.4 | 216.7 |
| **Net cash** | **6,127.6** | **5,591.2** |
| Draw downs on credit facilities | 450.0 | 417.0 |
| Unused credit facilities [a] | 3,266.8 | 3,365.0 |
| **Total credit facilities [b]** | **3,716.8** | **3,782.0** |
| Draw downs on credit facilities | 450.0 | 417.0 |
| Other bank borrowings | 709.1 | 609.2 |
| **Bank funding** | **1,159.1** | **1,026.2** |
| **% outstanding borrowings excluding overdarfts and current cash liabilities** | **9.3%** | **8.1%** |
| Bonds issues | 10,811.9 | 10,816.7 |
| Commercial paper | 295.0 | 747.0 |
| **Capital market funding** | **11,106.9** | **11,563.7** |
| **% outstanding borrowings excluding overdarfts and current cash liabilities** | **89.4%** | **90.8%** |
| Financial assets measured at fair value through income | 168.3 | 54.9 |
| Liquid financial investments | 216.2 | 213.7 |
| Other cash and cash equivalents | 5,639.7 | 5,105.9 |
| Overdrafts and current accounts | (1,053.2) | (1,084.7) |
| **Available cash** | **4,971.0** | **4,289.8** |

(a) As of June 30, 2021, 91% of undrawn facilities are centralized.
(b) As of June 30, 2021, 86% of total credit lines are centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

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

At June 30, 2021, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

| At June 30, 2021 *(in millions of euros)* | Total | 2021 | 2022 | 2023 | 2024 | 2025 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Bonds issues | 10,811.9 | 42.5 | 708.6 | 455.8 | 522.5 | 1,088.7 | 7,993.8 |
| Commercial paper | 295.0 | 130.0 | 165.0 | - | - | - | - |
| Draw downs on credit facilities | 450.0 | 5.3 | 3.1 | 13.3 | 420.6 | 6.3 | 1.4 |
| Other bank borrowings | 709.1 | 47.8 | 51.1 | 208.0 | 143.9 | 70.0 | 188.3 |
| Other borrowings | 159.6 | 76.3 | 20.7 | 5.7 | 5.3 | 4.6 | 47.0 |
| **Borrowings** | **12,425.6** | **301.9** | **948.5** | **682.8** | **1,092.3** | **1,169.6** | **8,230.5** |
| Overdrafts and current accounts | 1,053.2 | 1,053.2 | - | - | - | - | - |
| **Outstanding borrowings** | **13,478.8** | **1,355.1** | **948.5** | **682.8** | **1,092.3** | **1,169.6** | **8,230.5** |
| Financial assets measured at fair value through income | (168.3) | (168.3) | - | - | - | - | - |
| Liquid financial investments | (216.2) | (216.2) | - | - | - | - | - |
| Other cash and cash equivalents | (5,639.7) | (5,639.7) | - | - | - | - | - |
| **Net debt excluding lease liabilities and amortized cost and impact of derivative financial instruments** | **7,454.6** | **(4,669.1)** | **948.5** | **682.8** | **1,092.3** | **1,169.6** | **8,230.5** |

As at June 30, 2021, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

| *(in millions of euros)* | Total | 2021 | 2022 | 2023 | 2024 | 2025 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Undiscounted contractual interest payments on outstanding borrowings | 2,061.5 | 125.9 | 246.8 | 221.7 | 200.4 | 167.8 | 1,098.9 |

At June 30, 2021 undiscounted contractual payments on outstanding derivatives (excluding commodities) recognized in liabilities and assets broke down as follows by maturity (net amounts):

| *(in millions of euros)* | Total | 2021 | 2022 | 2023 | 2024 | 2025 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Derivatives (excluding commodities) | (65.1) | (0.7) | (25.8) | (21.5) | (16.2) | (10.8) | 9.9 |

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

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

| *(in millions of euros)* | Total | 2021 | 2022 | 2023 | 2024 | 2025 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Confirmed undrawn credit facilities | 3,266.8 | 18.4 | 207.3 | 154.0 | 189.8 | 148.7 | 2,548.6 |

At June 30, 2021, no counterparty accounted for more than 5% of the undrawn confirmed credit lines.

# Note 10 Information related to leases

The following analyses present the main items under leases.

## 10.1 Rights of use

The following table presents the rights of use by category:

| *(in millions of euros)* | Lands | Buildings | Plant machinery and technical equipment | Vehicles | Others | Total |
|---|---|---|---|---|---|---|
| **Net book value at December 31, 2020** | **111.9** | **522.7** | **72.9** | **456.6** | **3.9** | **1,168.0** |
| Asset inflows | 10.7 | 19.3 | 20.1 | 60.0 | 1.4 | 111.5 |
| Impairment loss | - | - | - | - | - | - |
| Amortization | (5.4) | (50.6) | (17.6) | (67.4) | (0.8) | (141.8) |
| Termination | (5.5) | (4.2) | (1.3) | (4.9) | - | (15.9) |
| Scope effects | 5.1 | 0.9 | (1.4) | (3.6) | (1.0) | - |
| Translation effects and other | 0.5 | 4.6 | 0.3 | 3.1 | 0.1 | 8.6 |
| **Net book value at June 30, 2021** | **117.3** | **492.7** | **73.0** | **443.8** | **3.6** | **1,130.4** |

## 10.2 Rental expenses benefiting from exemptions under IFRS 16

At June 30, 2021, the following items continue to be presented as rental expenses.

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Short term leases | 47.8 | 46.4 |
| Leases of low value assets | 16.0 | 10.3 |
| Expenses on variable leases | 2.3 | 1.9 |
| Others | 10.0 | 13.8 |
| **Total** | **76.1** | **72.4** |

## 10.3 Lease liabilities

At June 30, 2021, discounted cashflows on outstanding lease liabilities by maturity are as follows:

| *(in millions of euros)* | Total | 2021 | 2022 | 2023 | 2024 | 2025 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Lease liabilities | 1,196.6 | 130.2 | 240.9 | 195.4 | 148.5 | 104.6 | 377.0 |

| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Repayment of the lease liabilities | 155.3 | 164.8 |
| Interest expense related to lease liabilities | 12.8 | 14.4 |
| Rental expenses benefiting from exemptions under IFRS 16 | 76.1 | 72.4 |
| **Cash outflows related to leases** | **244.2** | **251.6** |

## 10.4 Information on operating leases – SUEZ lessor

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

The following table presents the net book value of leased asserts by category:

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Buildings | 149.4 | 138.8 |
| Equipments | 53.3 | 54.3 |
| **Total** | **202.7** | **193.1** |

Lease income for the first half of 2021 corresponds to the minimum lease payments and represents EUR 47.1 million.

# Note 11 Non-controlling interests

The "non-controlling interests" account amounts to EUR 2,607.5 million at June 30, 2021 compared with EUR 2,642.8 million at December 31, 2020.

They mainly concern:

| *(in millions of euros)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Agbar group | 850.1 | 868.9 |
| WTS | 632.4 | 610.7 |
| SUEZ NWS | 615.4 | 593.2 |

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

At June 30, 2021 the Agbar group contribution includes EUR 635.0 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%;
- the Agbar group fully consolidates the IAM holding company with a 50.1% interest rate;
- finally, SUEZ fully consolidates Agbar group with a 100% interest rate.

The following are the summarized Consolidated Financial Statements of the Aguas Andinas Group, extracted from the most recently published (unaudited) data as of March 31, 2021.

### Summarized statement of financial position (at 100%)

| *(in millions of euros)* | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current assets | 2,201.2 | 2,110.3 |
| Current assets | 385.6 | 346.2 |
| *of which Cash and cash equivalents* | *214.6* | *200.4* |
| **Total assets** | **2,586.8** | **2,456.5** |
| Shareholders' equity, Group share | 1,041.8 | 963.1 |
| Non-controlling interests | - | - |
| **Total shareholders' equity** | **1,041.8** | **963.1** |
| Non-current liabilities | 1,250.1 | 1,213.9 |
| Current liabilities | 294.9 | 279.5 |
| **Total shareholders' equity and liabilities** | **2,586.8** | **2,456.5** |
| **Total Dividends paid for the previous year** | **71.8** | **56.5** |
| Closing exchange rate CLP/EUR | 844.7 | 872.9 |

### Summarized income statement (at 100%)

| *(in millions of euros)* | March 31, 2021 | March 31, 2020 [(a)] |
|---|---|---|
| Revenues | 156.5 | 158.9 |
| Operating profit/(loss) | 73.2 | 83.4 |
| Net income – Group share | 44.0 | 52.1 |
| Net income – non-controlling interests | - | 0.6 |
| **Net income** | **44.0** | **52.7** |
| *of which profit/(loss) from continuing operations* | *44.0* | *51.2* |
| *of which profit/(loss) from discontinued operations* | - | *1.5* |
| Other comprehensive income | 1.0 | - |
| **Comprehensive income** | **45.0** | **52.7** |
| Closing exchange rate CLP/EUR | 872.3 | 886.2 |

(a) Aguas Andinas sold its interest in its subsidiary Essal on October 13, 2020. In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the income statement as of March 31, 2020 has been restated to facilitate comparison.

# Note 12 Provisions

| *(in millions of euros)* | December 31, 2020 | Allowances | Reversals (utilizations) | Reversals (surplus provisions) | Scope effects | Impact of unwinding discount adjustments [(a)] | Translation adjustments | Other | June 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Post-employment benefit obligations and other long-term benefits | 708.1 | 17.5 | (25.1) | - | - | 4.1 | 10.1 | (38.1) | 676.6 |
| Sector-related risks | 53.0 | 29.1 | (0.4) | - | - | - | 1.4 | - | 83.1 |
| Warranties | 28.3 | 5.3 | (3.8) | - | - | - | 0.6 | (1.0) | 29.4 |
| Tax risks, other disputes and claims | 61.6 | 3.9 | (8.8) | (2.6) | 0.9 | - | 0.6 | 19.0 | 74.6 |
| Site restoration | 540.6 | 17.0 | (16.9) | - | 0.2 | 6.3 | 5.6 | 0.7 | 553.5 |
| Restructuring costs | 101.5 | 152.9 | (79.5) | - | (0.1) | - | 0.2 | - | 175.0 |
| Other contingencies | 462.6 | 51.5 | (51.7) | (0.1) | 0.6 | 1.5 | 5.2 | (6.7) | 462.9 |
| **Total Provisions** | **1,955.7** | **277.2** | **(186.2)** | **(2.7)** | **1.6** | **11.9** | **23.7** | **(26.1)** | **2,055.1** |
| Total current provisions | 541.8 | 203.2 | (125.0) | (2.6) | 1.1 | 1.4 | 9.5 | 18.9 | 648.3 |
| Total non-current provisions | 1,413.9 | 74.0 | (61.2) | (0.1) | 0.5 | 10.5 | 14.2 | (45.0) | 1,406.8 |

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

Total provisions increased by EUR 99.4 million in the first half of 2021. This evolution is mainly due to:

- an allowance of EUR 87.5 million of restructuring costs related to SUEZ and Veolia merger;
- the positive variation of translation adjustments for EUR 23.7 million mostly due to the US Dollar for EUR 9.3 million, the Pound sterling for EUR 4.6 million, the Chilean peso for EUR 2.1 million and the Hong Kong Dollar for EUR 2.1 million;
- the negative variation of Post-employment benefit obligations and other long-term benefits for EUR 38.1 million mainly due to actuarial differences variation included in column "Other".

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the June 30, 2021 consolidated income statement:

| *(in millions of euros)* | Net allowances 2021 |
|---|---|
| Income from operating activities | 88.3 |
| Other financial income and expenses | 11.9 |
| **Total** | **100.2** |

# Note 13 Share-based payments or cash-based payment

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

| | (Expense) of the period | |
|---|---|---|
| *(in millions of euros)* | June 30, 2021 | June 30, 2020 |
| Performance share and units plans [a] | (25.1) | (3.9) |
| Employees share issues [b] | (23.9) | 0.1 |
| Long-term incentive plan [c] | (1.5) | 5.9 |
| **Total** | **(50.5)** | **2.1** |

(a) In 2021, this line includes an aditionnal charge in relation with the revaluation of performance units plans 2019 and 2020 due to the application of specific rules of these plans in case of change in control of the company SUEZ S.A. before the end of the vesting period.
(b) In 2021, IFRS 2 charge directly linked to discounts granted on the issue price of shares under capital increases reserved for employees amounted to -EUR 24.5 million. In 2020 and 2021, Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9).
(c) In 2021, this line includes an accrual for long-term compensation plan amounted to -EUR 1.5 million in application of IAS 19. In 2020, this line includes a write-back of provision for EUR 9.2 million related to the 2017 plan for which the vesting period is achieved. This write-back of provision is the counterpart of the amount paid to the beneficiaries included in the personnel costs.

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

All transactions and allocations prior to 2020 are disclosed in Note 20 to the Consolidated Financial Statements at December 31, 2020 in the Reference Document.

## 13.1 Employee share issues

On January 16, 2021, SUEZ launched its fifth employee shareholding plan, called Sharing 2021. This employee share issue program, exclusively for SUEZ employee in France, is part of the policy to increase employee shareholding.

On March 18, 2021, 10,976,645 shares of EUR 4 of nominal value has been created at the completion of capital increase after subscription of French employees of the Group.

The formula offered was a “Multiple” formula, which allows employees to benefit from a leverage effect to supplement their personal contribution as well as a discounted subscription price. A swap agreement with the bank that structures the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed minimum return.

### 13.1.1 Accounting impact of the employee share issue and of the matching shares in France

The subscription price for the plan was defined as the SUEZ average opening share price over the 20 trading days preceding the date of the CEO’s decision to start the subscription/rejection period, less 15%, which was EUR 14.59.

Pursuant to IFRS 2, an expense is recognized in the books of SUEZ against equity. With respect to discount, the cost of the Classic and Multiple plans corresponds to the difference between the fair value of the subscribed share and the subscription price. The fair value takes into account the 5-year lock-in period required by French law, as well as, for the Multiple formula, the opportunity gain implicitly borne by SUEZ in allowing its employees to benefit from more advantageous pricing than they could obtain as ordinary private investors.

The following assumptions were used:

- 5-year risk-free interest rate: 0%;
- funding rate for an employee: 0%;
- cost of securities lending: 0.80%;
- volatility spread: 1.92%.

Therefore, an expense of -EUR 24.5 million has been booked in the first semester of 2021 since the benefit granted by the Group to subscribing employees was already known at June 30, 2021 (value of the benefit per share and number of shares subscribed).

| | | Sharing Multiple | Total |
|---|---|---|---|
| Amount subscribed *(in millions of euros)* | | 188.4 | 188.4 |
| Number of shares subscribed *(in millions)* | (a) | 11.0 | 11.0 |
| Gross value of the employee benefit *(euros/share)* | b1 | 2.57 | |
| Lock-in cost for the employee *(euros/share)* | b2 | (0.68) | |
| Measure of opportunity gain *(euros/share)* | b3 | 0.33 | |
| Total benefit granted to employees* *(euros/share)* | (b) = b1+b2+b3 | 2.23 | |
| **Book expense** | **- (a) X (b)** | **(24.5)** | **(24.5)** |

* When the benefit granted to employees is negative, it is reduced to 0.

The net contribution for the employees had been paid by SUEZ in cash and was recognized as personal costs.

The valuation of the recognized expense depends upon, among other factors, the estimation of the valuation of the opportunity gain. A +/– 0.5 basis point change in this rate would have the following impact on the recognized expense:

| | Sharing Multiple | Total |
|---|---|---|
| Sensitivity *(change in expense in millions of euros)* | | |
| Increase in opportunity gain +0.5% | (1.0) | (1.0) |

# Note 14 Legal and arbitration proceedings

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when a legal, contractual or constructive obligation exists at the closing date with respect to a third party; it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded with respect to the above amounted to EUR 74.6 million as of June 30, 2021.

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

## LITIGATION IN ARGENTINA

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

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

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

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

At the same time, Aguas Argentinas applied to file a Concurso Preventivo (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, ENGIE and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

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

Regarding the Buenos Aires concession, ICSID rendered its decision on April 9, 2015 ordering the Argentine Republic to pay Aguas Argentinas shareholders USD 405 million in damages (including USD 367 million to SUEZ and its subsidiaries). In early August 2015, the Republic of Argentina petitioned an *ad hoc* ICSID committee to render this decision invalid. The appeal was rejected in May 2017 making ICSID's decision final. In April 2019, the Argentine government and the shareholders of Aguas Argentinas entered into and implemented a settlement agreement pursuant to the ICSID decision, for which SUEZ and its subsidiaries received a cash amount of EUR 224.1 million.

Concerning the Santa 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 recourse was rejected in December 2018 making this decision irrevocable.

## LITIGATION RELATED TO THE PROPOSED VEOLIA UNSOLICITED TAKEOVER

In accordance with the Combination Agreement signed on May 14, 2021, the Company and Veolia gave notification of their withdrawal from the ongoing proceedings described in chapter 18.6 (Litigation related to the proposed Veolia unsolicited takeover) of the 2020 Universal Registration Document.

# Note 15 Related party transactions

Material transactions between the Group and its related parties are presented in accordance with IAS 24. They concern transactions with associated companies and joint ventures of the SUEZ Group.

Only material transactions are described below.

As regards the half-year closing, compensation for key executives will not be disclosed in this note.

As at June 30, 2021, these transactions correspond mainly to loans granted to joint ventures and associates, for which the balance in the statement of financial position amounts to EUR 104.0 million, the main lines of which:

- EUR 35.8 million to joint ventures in water business in Europe;
- EUR 41.1 million to associates in charge of the commissioning and operation of energy recovery plants in the United Kingdom;
- furthermore, EUR 13.0 million to a joint venture in Kuwait for the maintenance contract of a water treatment plant

# Note 16 Subsequent events

None.

# 6 Declaration of the person responsible for the Interim Financial Report

Paris, July 28, 2021

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2021 have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company and all of the consolidated companies. I also certify that the Interim Management Report presents a true and fair picture of the significant events over the first six months of the year, their impact on the financial statements, the major related party transactions and a description of the main risks and uncertainties they face for the remaining six months of 2021.

Bertrand Camus
Chief Executive Officer
SUEZ

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# Statutory Auditors' Review Report on the Half-yearly Financial Information

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

To the shareholders,

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

- the review of the accompanying condensed half-yearly Consolidated Financial Statements of SUEZ, for the period from January 1 to June 30, 2021;
- the verification of the information presented in the half-yearly Management Report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly Consolidated Financial Statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

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

## 1. Conclusion on the financial statements

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

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

## 2. Specific verification

We have also verified the information presented in the half-yearly Management Report on the condensed half-yearly Consolidated Financial Statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly Consolidated Financial Statements.

Courbevoie and Paris-La Défense, July 28, 2021

The Statutory Auditors *French original signed by*

| MAZARS | ERNST & YOUNG ET AUTRES |
|---|---|
| Achour Messas | Jean-Christophe Goudard |

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