Interim financial report 2020

SUEZ

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1 Message from the Chief Executive Officer

First and foremost, in an unprecedented context SUEZ's teams have worked throughout the first half of the year to deliver safely our services and products with an unwavering commitment to continuity and quality. They can be proud of what they have achieved, making our values – passion for the environment, customer first, respect and team spirit – a reality, and I am particularly grateful for their engagement, which brings resilience and agility to our operations.

Despite the pandemic, we have continued to implement our transformation with Shaping SUEZ 2030. In particular, we won new business that showcases our selective growth priorities: our contract in Tashkent will see us deploy our expertise and our smart solutions to modernize and improve water and wastewater services for 3.5 million people. In the midst of the pandemic, our teams smoothly took over the collection and recycling operations in Somerset, UK as part of a 10-year contract. In China, we formed a new joint-venture to build and operate a new facility to recover hazardous waste, notably from automotive clients inside the Shanghai Chemical Industry Park (SCIP). Our industrial water activities have resisted the downturn well, winning new clients in growth sectors such as food and beverage, pharmaceuticals and microelectronics.

Concerning our asset rotation plan, our main wave one disposals are in negotiation stages and our wave two priorities have been identified and launched. We have also started to redeploy capital into our activities in China, into membrane capabilities in Europe and in hazardous waste in the Middle East.

Our teams reacted very well in the first half of the year during the pandemic, also reducing our overhead costs, our capex and controlling tightly our working capital requirement. We can capitalise on this experience to expand our existing efficiency programs: these are advancing well, and we confirm our initial objective to deliver EUR 1 billion gross annual savings targeted by 2023, of which at least 45 to 50% by 2021.

Overall, our performance over the first half 2020 turned out better than expected for both revenue, with -4.5% organic decrease, and profitability. Our EBITDA held up well – only down -18.3% – and our EBIT at EUR 76 million (including an estimated EUR 281 million one-off charges and provisions linked to the business environment) reflects a better than expected June performance.

Going forward, we cannot ignore the risks that the current context creates: our outlook assumes no return to the region-wide lockdowns we saw in Europe and Asia in the first half of the year, even if we expect for example a soft tourist season. Nonetheless, and with those caveats, we are able to give visibility to our shareholders on the remainder of the year and express confidence in the scale of the opportunities for SUEZ in the rebound.

Our services are essential to protect and restore the environment as well as to enhance economic and social resilience. SUEZ's purpose – to shape a sustainable environment now – responds directly to these challenges. We look forward with a reinforced commitment to deliver our innovative solutions with positive impact on health and quality of life.

Bertrand Camus
Chief Executive Officer
SUEZ

2 Key figures for the first half of 2020

The table below shows extracts of the income statements, statements of financial position and statements of cash flows from the condensed consolidated financial statements for the periods ending June 30, 2020 and June 30, 2019.

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, 2020	June 30, 2019
Revenues	8,166.6	8,656.0
EBITDA [a]	1,196.4	1,521.2
Net income Group share	(538.2)	211.6
Free cash flow [b]	52.4	292.3
Net debt	10,749.2	10,151.2
	at June 30, 2020	*at December 31, 2019*

(a) The EBITDA indicator is presented without IFRIC 21 impact.
(b) Before disposals and development capital expenditures.

3 Highlights and key contracts

January 2020

RENEWAL OF THE CONTRACT TO OPERATE ONE OF THE LARGEST WASTEWATER RECYCLING PLANTS IN THE UNITED STATES

This contract, worth a total of around EUR 67 million in revenue over five years, extends the collaboration launched in 1994 with the West Basin Municipal Water District until 2024. The contract involves operating the Edward C. Little wastewater recycling plant located in Southern California.

The plant produces around 150,000 cubic meters of water every day, and as a result helps conserve water in one of the most drought-prone areas in the country.

February 2020

RENEWAL OF THE WATER AND WASTEWATER MANAGEMENT CONTRACT FOR DIJON MÉTROPOLE *VIA* A SEMOP

The Greater Dijon area in France awarded SUEZ an innovative public service contract: for the first time, SUEZ will manage drinking water and wastewater within one Unified Public Private Partnership (in France, a *Société d'économie mixte à opération unique*, or "SEMOP").

This new nine-year contract, which begins in April 2021, represents a total revenue of EUR 278 million. The Group's innovative solutions meet the goals the client set for sustainable water management: reducing spillages in the natural areas surrounding the wastewater networks, eliminating macroplastics from the networks, significantly reducing endocrine disruptors released into nature, setting up innovative treatment solutions for sludge polluted by methanization and creating biogas.

This multi-service joint venture will be the first positive energy wastewater and drinking water management service, providing the city a surplus of biogas produced in the water treatment plant as well as the first zero-waste service.

NEW HAZARDOUS WASTE RECOVERY CONTRACT IN CHINA

SUEZ NWS, SCIP (Shanghai Chemical Industry Park) and SAIC Motor Co Ltd, one of China's leading auto makers, have partnered up under a new contract to recover hazardous waste from automotive industry and industrial park customers and support them in their environmental transition.

The recovery plant, built and operated under this contract and worth a total of around EUR 528 million over 30 years, will be equipped with waste treatment technologies that comply with European standards for greenhouse gas emissions and fine particulate emissions.

March 2020

ROLL-OUT OF BUSINESS CONTINUITY PLANS AND INITIATIVES TO ADAPT TO THE COVID-19 CONTEXT

The entire SUEZ Group has joined forces and worked hard to maintain essential water and waste services, having a direct impact on citizens' health and quality of life.

Considering the significant decline in business volumes related to lockdown measures, the Group launched additional measures to streamline its operations and offset potential impacts on revenue and profits as well as strengthen its liquidity while ensuring SUEZ continues to deliver the best service with the highest level of safety for the teams and customers:

- significant reductions in expenses and costs, beyond the savings forecasted under the Shaping SUEZ 2030 transformation plan;
- reduction in investments in 2020 by around 15% compared to their level in 2019 while remaining aware that investments are necessary in certain businesses to guarantee its finality of service.

April 2020

COVID-19: IMPLEMENTATION OF A SOLIDARITY PLAN

The Group announced a proposal to all its stakeholders – customers, employees, suppliers, members of the Management Committee, shareholders – to provide more support and dedicate additional financial resources to combat Covid-19:

- support for Group employees who have been furloughed;
- donating a quarter of the Chief Executive Officer's and the Executive Committee's compensation to Covid-19 initiatives during the lockdown period;
- decreasing the dividend proposed to the Shareholders' Meeting by nearly one-third to EUR 0.45 per share.

May 2020

NEW WASTEWATER TREATMENT CONTRACT IN THE UNITED STATES

SUEZ has been awarded the operation and maintenance contract for the Norwalk (Connecticut) wastewater treatment system, representing cumulative revenues of USD 78 million over a 10-year period.

SUEZ UNVEILS ITS "RAISON D'ÊTRE (PURPOSE)" : TO SHAPE A SUSTAINABLE ENVIRONMENT NOW

During the Shareholders' Meeting on May 12, 2020, Chief Executive Officer Bertrand Camus introduced shareholders to the Group's "Purpose". Part of the Group's identity, it also aims to better explain to stakeholders the contribution the Company intends to make to all of society's major challenges, considering the Group's history and culture, but also the major transformation launched by the Shaping SUEZ 2030 strategic plan.

SUEZ Group's "Raison d'être"

"Drawing on the expertise we've been developing since the end of the 19th century, SUEZ helps women and men constantly improve their quality of life by protecting their health and supporting economic development.

We work hard to ensure everyone has access to essential environmental services. We provide high-quality water suited to every type of use while protecting this shared resource. We recover wastewater and waste to convert them into new resources.

Faced with demographic growth, climate change, and social and geographical inequalities, people are increasingly exposed to the consequences of the environmental crisis impacting our planet. Every single day, SUEZ commits to preserving the fundamental elements of our environment – water, soil, and air – that ensure our future. At SUEZ, we invest in preserving and restoring natural capital, and in the future of biodiversity, both on land and at sea.

As a committed partner to local communities, industry players and citizens, SUEZ mobilizes stakeholders to succeed in the environmental transition, developing circular business models and innovating to plan for tomorrow's challenges.

Proud of their work and backed by their values, SUEZ's teams, based in regions throughout the world, are shaping a sustainable environment, now."

June 2020

SUEZ CONTINUES TO GROW IN AFRICA AND SUPPORTS ANGOLA IN ITS CHALLENGE TO MAKE DRINKING WATER MORE AVAILABLE

Joining forces with Mota Engil and Soares da Costa, SUEZ won the contract to develop the drinking water production plant in Bita in Luanda, the capital of Angola. This contract, worth EUR 98 million for SUEZ, involves pumping raw water in the Kwanza river, the 39-month development of a water treatment plant as well as 9 months of assistance with operations.

The plant will help meet the sharply growing population's drinking water needs in the city of Luanda and will support the capital's economic development.

NEW MODERNIZATION AND WATER SERVICE IMPROVEMENT CONTRACT FOR THE CAPITAL OF UZBEKISTAN

In this seven-year contract worth a total of EUR 142 million SUEZ is going to help the city of Tashkent improve its wastewater and water supply services for its residents and consequently help local economic development.

The joint management contract signed with the city of Tashkent involves, in particular, reducing water loss by rolling out advanced techniques to detect and repair leaks and monitor the water network in real-time.

July 2020

NEW WASTEWATER NETWORK MANAGEMENT CONTRACT FOR THE URBAN COMMUNITY OF ROISSY PAYS DE FRANCE

The Group won an 8-year wastewater public service contract for the urban community of Roissy Pays de France. This contract, worth a total of EUR 20 million, began on July 1, 2020. The contribution of state-of-the-art technologies will help meet the community's major environmental commitments.

NEW COLLECTION CONTRACT INCLUDING THE ROLL-OUT OF DIGITAL SOLUTIONS

Since July 1, SUEZ has collected household waste for Bourges Plus. This new six-and-a-half-year contract worth a total of EUR 22 million includes rolling out several digital tools, such as the "my waste service" application which Bourges Plus will be the first municipal customer to receive. This mobile app makes it easy for citizens to manage their sorting, particularly by offering the option to scan product barcodes so they put products in the correct container.

NEW HAZARDOUS WASTE RECOVERY CONTRACT IN CHINA

SUEZ won a contract with partners to build and operate a hazardous waste treatment plant in the city of Huaibei (Anhui province) worth a total estimated EUR 700 million over the span of 30 years. Equipped with solutions for the local circular economy, this project will contribute to the protection of the environment and promote economic and social development.

SUEZ INVESTISSEMENT LOCAL, A NEW FRENCH PLAYER IN THE FINANCING OF WATER AND WASTE PROJECTS

SUEZ and Vauban Infrastructure Partners are joining forces to create "SUEZ Investissement Local", a joint venture that aims to finance EUR 500 million of projects by 2025 in the water, wastewater and waste sectors. SUEZ Investissement Local will be the main shareholder of the concession companies carrying out the projects. Within the framework of this exclusive and long-term partnership, SUEZ will bear the industrial responsibilities for the construction and operation of the infrastructures and will thus remain the stable local operator and the preferred contact for local authorities.

Interim Management Report

Significant events in the first half of 2020

IMPACTS OF THE COVID-19 PANDEMIC

The Covid-19 pandemic, which the World Health Organization declared a public health emergency on January 30, 2020, had a significant impact on the economies of the countries where SUEZ operates during the first half of the year, and especially during the second quarter. However, sometimes it is impossible to isolate the direct impacts of the pandemic from its indirect consequences on business volumes in certain markets. Consequently, estimates are limited to those costs that can be directly tied to the pandemic.

Essential and vital public service missions have been fulfilled in all regions. The Group has set up the necessary measures to enable all of its teams and subcontractors to work without jeopardizing their safety or their clients' safety.

For the entire Group, lockdown measures reduced tourist activity and related water consumption, caused increasing scarcity of industrial and commercial waste for treatment, temporarily halted infrastructure construction activities and made it impossible for SUEZ teams to access client sites to perform the planned services.

Waste pre-treatment and treatment sites were closed down, certain sites targeted in the Group's 2030 transformation plan before the pandemic will not reopen.

Against a particularly difficult backdrop, SUEZ has strengthened its financial structure by keeping a very large liquidity position with the issuance of EUR 2 billion in long-term debt, equaling all long-term debt maturing by June 2022.

For the main items of the consolidated income statement impacted by the economic and public health crisis, are presented:

- impacts of the crisis and means put in place to measure these impacts;
- support measures the Group has benefited from.

Considering uncertainty regarding the future of the pandemic, the impacts on the first half financial statements are not representative of what they could be for the second half of 2020.

Operational impacts

Revenues

During the first half of the year, the Group experienced a significant decline in business, and especially during the second quarter. A major part of this decline during the last quarter, directly related to impacts from the pandemic, is difficult to assess.

Revenues during the first half of 2020 posted negative organic growth of -4.5%, compared to the first half of 2019.

Changes by operating segment are as follows:

Water: -3.2%. Note that, traditionally, as of June 30, the portion of estimated revenues (revenues from water distribution that is generated but not metered: "unmetered revenue") is significant. As of June 30, 2020, since entities were not able to perform meter readings during the lockdown period, they used estimates based on historical data, consumption statistics, etc.

Recycling & Recovery: -6.6%.

Environmental Tech & Solutions: -3.3%.

Operating expenses

Beyond the impact on the different business activities (decreased volumes and tonnage, etc.) during the first half of the year, the Group recorded several additional costs and expenses related to the pandemic; therefore, the closure of certain treatment sites generated transportation costs to redirect tonnages to other treatment sites.

In the Construction business, some operating costs incurred under contractual obligations persisted despite work sites halting operations. These costs from inefficiencies cannot be taken into account when calculating the margin at completion for projects and must be recognized directly in expenses for the period.

Purchases of Personal Protective Equipment (PPE) for employees to allow the Group to continue fulfilling public services (masks, hand sanitizer, etc.) accounted for more than EUR 25 million.

In order to mitigate the impact of the slowdown in business activities and of these additional expenses, the Group set up measures that reduced costs by around EUR 100 million during the first half of the year. Some of these efforts will disappear when business picks back up, but a large portion, corresponding to initiatives taken under the SUEZ 2030 Performance plan, which were implemented faster than planned due to the pandemic, will be kept.

Depreciation of trade receivables

The heightened credit risk of certain customers has led the Group to recognize additional provisions for depreciation of trade receivables in accordance with IFRS 9 as of June 30, 2020. This increase raises the ratio of provision for depreciation of trade receivables compared to total trade receivables from 6.9% at the end of December 2019 to 10.4% at the end of June 2020.

The provisions recognized correspond to the Group's best estimate of losses on trade receivables. The Group estimated the amounts of receivables that will not be recovered:

- by updating the breakdown of the customer portfolio by homogeneous categories of customers (typology, business sector, geographical area…) as of June 30, 2020; each category with a similar risk of non-recovery;
- by estimating the probability that the customers will default for each of these categories considering how large the exceedances are and the amount of losses if these clients default.

Government grants and aid received

The Group received government grants to support the economy and employment in various countries (partial unemployment programs in particular) and recognized them in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. As of June 30, 2020, the Group recognized nearly EUR 14 million to this end.

Asset impairments

The Group also analyzed the impacts of the pandemic on the recoverable value of its intangible assets and property, plant and equipment.

Regarding goodwill, the Group performed impairment tests on the most significant and sensitive Cash Generating Units (CGU). The future cash flows that serve as a basis for calculating the recoverable value of these different CGUs have undergone sensitivity tests given the uncertainty of predicting the potential operational impacts of the pandemic in the short term, as well as the prospects for a return to previously known levels of activity and profitability.

Based on these tests, as of June 30, 2020, no impairment has been recorded.

Regarding other intangibles assets and property, plant and equipment, the impairment recognized as of June 30, 2020 are not the direct result of impacts from the pandemic on their recoverable value. In fact, they are primarily related to transformation decisions the Group made as part of the SUEZ 2030 Performance plan. The sanitary crisis sped up the Group's decision-making process when it came to the Group's transformation.

SHAPING SUEZ 2030

Reorganization of operating segments

On October 2, 2019, SUEZ announced its new strategic plan for 2030 called: "Shaping SUEZ 2030". The plan is based on three operating segments:

- Water, which includes all SUEZ municipal water operations around the world;
- Recycling and Recovery, which includes all SUEZ non-hazardous waste services and treatment for municipalities, industrial and commercial clients;
- Environmental Tech & Solutions (ETS), which includes WTS, hazardous waste services and treatment, Smart Environmental Solutions for industrial and municipal customers, and consulting services.

Acceleration of the Shaping SUEZ 2030 strategic plan

The Shaping SUEZ 2030 strategic plan includes savings measures totalling EUR 1 billion by 2023, of which 45 to 50% should be achieved by 2021.

The Group has confirmed the trajectory and announced its decision to accelerate the implementation of the plan. As a consequence, at June 30, 2020, Income from Operating Activities recorded an amount of nearly -EUR 200 million in asset impairment (excluding goodwill), -EUR 55 million in restructuring costs and -EUR 16 million in other effects including asset disposals.

SHARING 2019 CAPITAL INCREASE

In 2019, SUEZ launched its fourth worldwide employee shareholding plan, called Sharing, to increase the Group's shareholder base.

The Sharing 2019 plan was organized in 2019 but was finalized early 2020 through a capital increase that took place on January 16, 2020. It resulted in the creation of 9.97 million shares with a nominal value of EUR 4 each.

At the end of this transaction, SUEZ's share capital totaled EUR 2,525,330,516 divided into 631,332,629 shares.

FINANCING TRANSACTIONS

Redemption of OCEANE bonds

On February 24, 2014, SUEZ issued a EUR 350 million bond that could be converted into new shares and/or exchanged for existing shares (OCEANE). It matured on February 27, 2020. It had a zero coupon and was for 19,052,803 securities. They were issued at par on February 27, 2014, the securities' settlement date. The financial instrument was redeemed on the maturity date (February 27, 2020) through a settlement of EUR 349.6 million and a conversion of 18,724 shares for EUR 0.4 million.

New bond issues

On March 26, 2020, SUEZ launched a 7-year EUR 850 million bond issue maturing on April 2, 2027 with an annual fixed coupon of 1.250%.

On May 5, 2020, SUEZ launched a 15-year EUR 750 million bond issue maturing on May 14, 2035 with an annual fixed coupon of 1.250%.

These transactions will help reduce SUEZ's financing costs, spread out the Group's debt maturity dates, while improving its liquidity position.

Tap offerings on outstanding bond issues

In April 2020, SUEZ issued EUR 340 million in additional tranches from existing bond issues: EUR 300 million has been subscribed for with a maturity date of May 19, 2028 and an annual fixed coupon of 1.250%, and EUR 40 million has been subscribed for with a maturity date of September 21, 2032 and an annual fixed coupon of 1.625%.

Redemption of undated deeply subordinated notes

On June 23, 2020, SUEZ paid EUR 152.3 million for the redemption of the remaining part of the 2014 undated deeply subordinated notes including the payment of the last EUR 4.4 million coupon.

After this redemption, the Group's outstanding undated deeply subordinated notes amounted to EUR 1,600 million as of June 30, 2020.

4.1 Revenues and operational results

In the first half of 2020, the development of the Covid-19 pandemic led most governments to put in place strict containment measures that impacted trade, travel, and consumer confidence in large parts of the global economy.

In most of the regions where SUEZ operates, these measures have resulted in lower water consumption, less waste to be collected and treated, particularly from industrial and commercial customers, and the cessation of field activities such as infrastructure construction.

- The Group posted revenues of EUR 8,166.6 million, down –EUR 489.4 million compared with June 30, 2019. This decrease breaks down as follows:
  - organic variation of -4.5% (-EUR 393.5 million), driven by lower volumes in the context of Covid-19. During the first half of the year, revenue grew +0.5% in the first quarter 2020 and then declined –9.3% in the second quarter 2020,
  - scope effect of –0.2% (-EUR 13.8 million),
  - foreign exchange effects of –0.9% (–EUR 82.1 million), mainly due to the depreciation of the Chilean peso (–EUR 57 million), the Australian dollar (–EUR 24 million) and the Brazilian real (–EUR 10 million) against the euro, partly offset by an appreciation of the US dollar (+EUR 25 million) against the euro.

In the first half of 2020, the decline in volumes had a substantial but mitigated impact on the Group's profitability.

- EBITDA amounted to EUR 1,196.4 million, it includes –EUR 61 million in additional costs and provisions related to economic conditions in the first half of the year, including the pandemic. Organic decrease was –18.3%. Foreign exchange effects were unfavorable, at -EUR 38.3 million;
- EBIT amounted to EUR 76.3 million. In line with the information provided by the Group in its press release of June 30, 2020, it includes –EUR 281 million in additional costs and provisions related to economic conditions in the first half of the year, including the pandemic. The organic decrease was –82.8%. Foreign exchange effects were unfavorable, at –EUR 28.7 million.

4.2 Operating segments evolution

WATER

- the Water segment recorded a total revenue of EUR 3,221.1 million, down –3.2% organically (–EUR 108.3 million). Over the period, revenue grew organically by +0.4% in the first quarter, then declined organically by –6.6% in the second quarter:
  - Europe posted an organic decrease of –3.5% (–EUR 63.4 million). The lockdown measures implemented from the second half of March and then gradually lifted in May and June had a negative impact on water consumption by commercial and industrial customers, administrations, local authorities and in tourist areas. Tariffs are up +1.7% in France and down –1.3% in Spain, where they include the –4.9% reduction established by the Barcelona metropolitan region since January 1, 2020,
  - the Americas zone recorded an organic decrease of –3.0% (–EUR 27.2 million). Activity in the United States remained little affected by Covid-19 over the half year, with volumes being more affected by weather conditions. In Chile, rates were up +2.5% and volumes were down –5.5%, due to the effects of lockdown but also to measures to reduce consumption,
  - the Asia-Pacific zone recorded an organic decrease of –7.6% (–EUR 20.1 million). In China, which was the first area affected by the Covid-19 pandemic, volumes were impacted as early as the end of January and then began to gradually improve from the end of April,
  - the AMECA zone recorded organic growth of +0.6% (+EUR 2.5 million);
- the segment posted an organic decline in EBIT of –69.5% (–EUR 300.2 million) to EUR 107.8 million at June 30, 2020, including –EUR 176 million in additional costs and provisions related to the economic environment in the first half of the year, including the pandemic.

RECYCLING & RECOVERY

- the Recycling and Recovery segment posted a total revenue of EUR 3,451.3 million, down –6.6% organically (–EUR 247.5 million). Over the period, revenue declined organically by –0.5% in the first quarter, then by –12.7% in the second quarter;
- the volumes of waste treated in the first half of 2020 are down –5.4% compared to 2019, due to the lockdown of populations and the slowdown in industrial production, in magnitudes that vary according to geographical areas and industrial sectors;
  - in Europe, revenue is down –8.1% organically (–EUR 255.2 million), lockdown measures, which lasted from mid-March to June, resulted in a sharp drop in the volumes of waste treated, particularly for commercial and industrial customers,
  - revenue in the Asia-Pacific zone grew organically by +2.8% (+EUR 14.7 million). In Australia, which was affected by the pandemic from April onwards, business remained resilient,
  - the AMECA zone is down –26.8% (–EUR 14.3 million) and the Americas zone is up +44.4% (+EUR 7.3 million);
- the segment posted an organic decline in EBIT of –63.2% (–EUR 132.7 million) to EUR 70.3 million, including –EUR 42 million of additional costs and provisions related to the economic environment in the first half of the year, including the pandemic.

ETS

- the Environmental Tech & Solutions segment recorded a total revenue of EUR 1,642.2 million as of June 30, 2020, representing an organic decrease of –3.3% (–EUR 56.5 million). Over the period, revenue grew organically by +3.1% in the first quarter, then declined organically by –8.9% in the second quarter.

- in the first half of 2020, WTS' performance remained resilient, with revenue growing organically by +0.6% to EUR 1,192.7 million. SES was down -8.8% organically to EUR 195.8 million, due to diverging trends: digital activities were little impacted while field activities were discontinued. The hazardous waste activity was first strongly impacted by the slowdown in waste volumes, then the trend in volumes improved as the lockdown constraints were lifted. The activity's revenue fell organically by -14.9% to EUR 253.7 million in the first half of the year:
  - revenue in the Americas zone was up +5.5% (+EUR 36 million) organically, with WTS remaining resilient,
  - Europe is down –9.8% (–EUR 70.7 million) organically, with volumes in the hazardous waste business falling sharply during periods of population lockdown, industrial activity having been sharply slowed by these measures,
  - the Asia-Pacific zone posted an organic decline of –8.8% (–EUR 22.5 million). Hazardous waste activity in China was strongly impacted by the closure of industrial parks in February and March, then gradually improved during the second quarter,
  - the AMECA zone is in organic growth of +1% (+EUR 0.7 million);
- the segment's EBIT amounted to –EUR 13.4 million, of which –EUR 37 million in additional costs related to the economic environment in the first half of the year, including the pandemic. The organic decrease was –111.4% (–EUR 90.2 million) compared to the first half of 2019.

4.3 Other income statement items

- net financial income as of June 30, 2020 amounted to –EUR 218.5 million, compared with –EUR 245.2 million in the first half of 2019. The average cost of net debt was 3.35% as of June 30, 2020, compared with 4.09% as of June 30, 2019 ;
- income tax amounted to –EUR 44.6 million as of June 30, 2020, *versus* -EUR 157.0 million as of June 30, 2019;
- minority interests amount to EUR 34.0 million at June 30, 2020, compared to EUR 130.4 million at June 30, 2019;
- restructuring and impairment costs amounted to –EUR 254.8 million as of June 30, 2020;
- net income Group share amounted to –EUR 538.2 million at June 30, 2020 compared to EUR 211.6 million at June 30, 2019 or –EUR 0.89 in the first half of 2020 compared to EUR 0.31 in the first half of 2019.

4.4 Financing

CASH FLOWS FROM OPERATING ACTIVITIES

- cash flows from operations before financial expenses and income tax amounted to EUR 753.5 million as of June 30, 2020, compared to EUR 1,463.9 million in the first half of 2019;
- the change in working capital requirements (WCR) amounts to –EUR 3.8 million in the first half of the year, *versus* –EUR 395.5 million in the first half of 2019;
- in total, cash flows from operating activities generated a cash surplus of +EUR 661.7 million in the first half of 2020, down –EUR 298.0 million compared to June 30, 2019.

CASH FLOWS FROM INVESTING ACTIVITIES

- cash flows from investing activities mainly included:
  - maintenance capital expenditure of EUR 308.9 million, or 3.8% of the Group's consolidated revenues,
  - development capital expenditure of EUR 317.1 million,
  - financial investments of EUR 9.7 million,
  - disposals amounting to EUR 19.5 million;
- in total, cash flows from investing activities generated a cash shortfall of –EUR 591.8 million, *versus* a shortfall of –EUR 780.9 million in the first half of 2019.

CASH FLOWS FROM FINANCING ACTIVITIES

- During the first half of 2020, the Group strengthened its financial structure with:
  - a new bond issue on March 26, 2020: a 7-year maturity EUR 850 million (maturity date April 2, 2027), bearing a fixed annual coupon of 1.250%,
  - the tap offering on an outstanding bond issue on April 14, 2020: a EUR 40 million (maturity date September 21, 2032), bearing a fixed annual coupon of 1.625%,
  - the tap offering on an outstanding bond issue on April 16, 2020: a EUR 300 million (maturity date May 19, 2028), bearing a fixed annual coupon of 1.250%,
  - a new bond issue on May 5, 2020: a 15-year maturity EUR 750 million (maturity date of May 14, 2035) bearing a fixed annual coupon of 1.250%;

- during the first half of 2020, the Group also redeemed several bond instruments:
  - on February 27, 2020, the Group redeemed a bond convertible or exchangeable into new and/or existing shares (OCEANE) for EUR 350 million,
  - on April 5, 2020, the Group redeemed a bond issue for EUR 100 million,
  - on June 23, 2020, the Group redeemed the residual 2014 undated deeply subordinated notes for EUR 147.9 million;
- dividends paid in cash amounted to EUR 411.7 million as of June 30, 2020 of which EUR 94.8 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 179.2 million;
- in total, cash flows from financing activities generated a cash surplus of +EUR 1,397.9 over the first half of 2020 *versus* a cash shortfall of -EUR 338.2 million over the first half of 2019.

NET DEBT AS OF JUNE 30, 2020

- net debt as of June 30, 2020 amounted to EUR 10,749.2 million against 10,613.7 as of June 30, 2019;
- as of June 30, 2020, the Group had confirmed undrawn credit facilities of EUR 3,435.5 million, of which EUR 1,272.0 million correspond to commercial paper backup lines.

4.5 Other statement of financial position items

Net intangible assets and goodwill amounted to EUR 9,961.4 million, down –EUR 196.4 million compared to December 31, 2019, resulting primarily from acquisitions (+EUR 112.3 million), changes in scope of consolidation (–EUR 0.4 million), and depreciation and impairment losses for the period (–EUR 264.2 million).

Net property, plant and equipment amounted to EUR 8,504.4 million, *versus* EUR 8,891.0 million as of December 31, 2019. This decrease of -EUR 386.6 million is primarily due to acquisitions during the period amounting to +EUR 391.8 million, disposals for –EUR 32.4 million, changes in scope of consolidation (+EUR 0.9 million) and depreciation and impairment losses during the period (–EUR 496.4 million).

Investments in joint ventures were down by –EUR 0.9 million while investments in associates were down by –EUR 17.0 million.

Total shareholders' equity amounted to EUR 8,214.7 million, down –EUR 1,073.5 million compared to December 31, 2019, primarily due to the net result for the period, the distribution of dividends, and the redemption of the 2014 undated deeply subordinated notes.

Provisions were down –EUR 17.3 million as of June 30, 2020, at EUR 1,957.9 million, *versus* EUR 1,975.2 million as of December 31, 2019. This decrease results mainly from the decrease in pensions and other long-term benefits for –EUR 27.8 million and the negative variation of translation adjustments for -EUR 20.8 million.

Deferred taxes represented a net liability of EUR 209.0 million as of June 30, 2020 down –EUR 40.2 million compared to December 31, 2019 due to the write-off of the entire position of net deferred tax assets present at the end of 2019 within the SUEZ tax consolidation group in France for EUR 37 million.

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 ENGIE.

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 2019 SUEZ Universal Registration Document provides a detailed description of the risk factors to which the Group is exposed for the remaining six months of the financial year, with the exception of the risks related to the Covid-19 health crisis. Therefore chapter 3 is modified as follows :

RISKS RELATED TO THE COVID-19 PUBLIC HEALTH CRISIS (LEVEL OF RISK: SIGNIFICANT)

The SUEZ group is responding to the current pandemic using a crisis management system and very specific measures designed to monitor the public health situation and allow us to adapt in real-time – by activating crisis units and business continuity plans both in the headquarters as well as in the operating entities, creating a specific masks unit, remote work measures, and setting up hygiene and prevention measures.

In addition, mitigation measures and an isolation protocol have been put in place in countries where the situation is improving, while the Group is remaining vigilant in areas where the peak of the crisis is nearing or has not been reached.

Beyond short-term consequences, the major crisis that SUEZ is experiencing will have medium- and long-term consequences that could drive the Group toward an acceleration or modification of its transformation. The Group is trying to understand the long-term risks that these changes could lead to and have already succeeded in confirming or identifying the following risk factors:

- **Risk of economic downturn related to the Covid crisis:** a global economic slowdown could significantly impact results and the value of some of the Group's assets. A decrease in water consumption, waste volumes or industrial activities, payment difficulties with residential, municipal, government or industrial customers, impossibility of intervention on the sites to check the consumption of our services and products, default by suppliers or subcontractors-key for construction projects, deterioration in public finances that could impact the Group's businesses and projects, a slowdown in the mergers and acquisitions market, are all risk factors that could have an impact on the Group's business activities and revenues.
- **Human, social and societal risks:** the crisis has highlighted a major health risk-emerging diseases-and among those, the specific category of diseases caused by the coronaviruses that has already caused multiple pandemics in the recent past (2003 and 2012 in particular) and which is bound to happen again in the future. In addition to this direct risk, the pandemic has generated upheavals on everyday life (lockdown, remote work, isolation or excessive promiscuity), and some of these negative effects could persist even after re-opening, potentially involving mental health risks or risk of professional disengagement. This latter phenomenon, coupled with fewer safety visits during the lockdown period, could increase occupational Health and Safety risks.
- **Risks related to reopening, including the risk of a second wave:** gradual reopening requires a consistent response from organizations and strictly adhering to prevention measures. Risks – currently under control due to the responsiveness of SUEZ's suppliers – concerning the resilience of the supply chain delivering critical items to keep the Group's essential business activities running, such as personal protective equipment and chemical products, have been identified. They require constant and full attention, especially on potential bottlenecks, building up strategic inventories and researching backup suppliers. A review is in progress. It aims to fine-tune some of the Group's processes (crisis management, Human Resources, supply chain) to better prepare for larger crises, and a potential second wave in particular.

4.8 Outlook 2020

- Revenues for the second half of 2020 expected in organic decrease of –4% to –2% compared to the second half of 2019;
- EBIT for the second half of 2020 estimated at around EUR 600 to EUR 650 million.

Our main assumptions in the above outlook include constant exchange rates, a difficult summer for tourism, no return to a generalized, region-wide confinement situation in the second half and in general a continuation of the trends in our major businesses in May and June.

5 Consolidated Financial Statements of SUEZ at June 30, 2020

5.1 Consolidated statements of financial position

(in millions of euros)	Note	June 30, 2020	December 31, 2019
Non-current assets			
Intangible assets, net	6	4,677.7	4,835.7
Goodwill	6	5,283.7	5,322.1
Property, plant and equipment net	6	8,504.4	8,891.0
Rights of use	10	1,385.0	1,405.8
Equity instruments	8.1	120.7	132.2
Loans and receivables carried at amortized cost	8.1	551.1	653.7
Derivative financial instruments	8.4	132.4	115.7
Investments in joint ventures	7.1	953.0	953.9
Investments in associates	7.2	1,053.2	1,070.2
Contract assets		42.8	46.2
Other assets		160.7	184.8
Deferred tax assets	4.4	492.7	541.9
Total non-current assets		**23,357.4**	**24,153.2**
Current assets			
Loans and receivables carried at amortized cost	8.1	118.4	91.4
Derivative financial instruments	8.4	72.6	75.5
Trade and other receivables	8.1	4,315.1	4,670.9
Inventories		555.8	528.0
Contract assets		637.9	733.8
Other assets		1,502.9	1,648.5
Financial assets measured at fair value through income	8.1	80.1	29.8
Cash and cash equivalents	8.1	5,107.9	3,703.0
Total current assets		**12,390.7**	**11,480.9**
Total assets		**35,748.1**	**35,634.1**
Shareholders' equity, Group share		5,483.3	6,463.4
Non-controlling interests	11	2,731.4	2,824.8
Total shareholder's equity		**8,214.7**	**9,288.2**
Non-current liabilities			
Provisions	12	1,435.8	1,500.0
Long-term borrowings	8.3	11,213.8	9,914.0
Lease liabilities	10	1,146.4	1,159.4
Derivative financial instruments	8.4	6.1	6.7
Other financial liabilities	8.2	38.4	42.8
Contract liabilities		274.3	267.3
Other liabilities		562.5	566.6
Deferred tax liabilities	4.4	701.7	791.1
Total non-current liabilities		**15,379.0**	**14,247.9**
Current liabilities			
Provisions	12	522.1	475.2
Short-term borrowings	8.3	3,409.0	2,609.1
Lease liabilities	10	295.8	314.9
Derivative financial instruments	8.4	62.3	57.3
Trade and other payables	8.2	2,868.1	3,534.3
Contract liabilities		929.4	911.3
Other liabilities		4,067.7	4,195.9
Total current liabilities		**12,154.4**	**12,098.0**
Total shareholder's equity and liabilities		**35,748.1**	**35,634.1**

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, 2020	June 30, 2019
Revenues	3.2	8,166.6	8,656.0
Purchases		(1,684.8)	(1,798.1)
Personnel costs		(2,395.2)	(2,396.0)
Depreciation, amortization and provisions		(975.6)	(743.8)
Other operating expenses		(3,246.6)	(3,329.9)
Other operating income		110.3	116.8
Current operating income	4.1	**(25.3)**	**505.0**
Mark-to-Market on operating financial instruments		(0.2)	0.2
Impairment on non-current assets		(199.9)	(23.7)
Restructuring costs		(54.9)	(53.1)
Scope effects		0.4	4.0
Other gains and losses on disposals		(16.5)	2.4
Aguas Argentinas dispute settlement		–	214.9
Income from operating activities	4.2	**(296.4)**	**649.7**
Share in net income of equity-accounted companies considered as core business		55.3	94.5
of which: share in net income (loss) of joint ventures	7.1	*17.8*	*34.6*
of which: share in net income (loss) of associates	7.2	*37.5*	*59.9*
Income from operating activities after share in net income of equity-accounted companies considered as core business		**(241.1)**	**744.2**
Financial expenses		(252.1)	(285.1)
Financial income		33.6	39.9
Net financial income (loss)	4.3	**(218.5)**	**(245.2)**
Income tax expense	4.4	(44.6)	(157.0)
Net income		**(504.2)**	**342.0**
Group share		(538.2)	211.6
Non-controlling interests		34.0	130.4
Net income (Group share) per share *(in euros)*	5	**(0.89)**	**0.31**
Net diluted income (Group share) per share *(in euros)*	5	**(0.89)**	**0.30**

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, 2020	June 30, 2020 of which Group share	June 30, 2020 of which non-controlling interests	June 30, 2019	June 30, 2019 of which Group share	June 30, 2019 of which non-controlling interests
Net income	**(504.2)**	**(538.2)**	**34.0**	**342.0**	**211.6**	**130.4**
Cash flow hedges (excluding commodities)	(16.7)	(16.8)	0.1	(14.8)	(14.3)	(0.5)
Commodity cash-flow hedges	(0.3)	–	(0.3)	10.2	8.6	1.6
Deferred taxes on items above	4.8	4.7	0.1	1.5	1.8	(0.3)
Translation adjustments	(193.3)	(127.5)	(65.8)	18.5	12.0	6.5
Total reclassifiable items	**(205.5)**	**(139.6)**	**(65.9)**	**15.4**	**8.1**	**7.3**
of which share of joint ventures in reclassifiable items, net of taxes	*(0.4)*	*(0.4)*	–	*5.9*	*5.9*	–
of which share of associates in reclassifiable items, net of taxes	*(28.2)*	*(28.2)*	–	*(7.8)*	*(7.8)*	–
Actuarial gains and losses	29.3	41.2	(11.9)	(91.6)	(85.4)	(6.2)
Deferred taxes on actuarial gains and losses	5.5	3.4	2.1	11.6	10.1	1.5
Equity instruments	3.4	3.4	–	(0.4)	(0.4)	–
Total non-reclassifiable items	**38.2**	**48.0**	**(9.8)**	**(80.4)**	**(75.7)**	**(4.7)**
of which share of joint ventures in non-reclassifiable items, net of taxes	*5.9*	*5.9*	–	–	–	–
of which share of associates in non-reclassifiable items, net of taxes	*1.3*	*1.3*	–	–	–	–
Other comprehensive income	**(167.3)**	**(91.6)**	**(75.7)**	**(65.0)**	**(67.6)**	**2.6**
Comprehensive income	**(671.5)**	**(629.8)**	**(41.7)**	**277.0**	**144.0**	**133.0**

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

5.4 Statements of changes in consolidated shareholders' equity

(in millions of euros)	Note	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non-controlling interests	Total
Shareholders' equity at December 31, 2018		**621,362,579**	**2,485.4**	**5,214.4**	**(2,480.1)**	**(328.4)**	**(28.3)**	**(51.8)**	**1,580.6**	**6,391.8**	**2,600.8**	**8,992.6**
Restatement IFRIC 23					(88.5)					(88.5)	(19.9)	(108.4)
Shareholders' equity at January 1, 2019		621,362,579	2,485.4	5,214.4	(2,568.6)	(328.4)	(28.3)	(51.8)	1,580.6	6,303.3	2,580.9	8,884.2
Net income					211.6					211.6	130.4	342.0
Other comprehensive income					(75.7)	(3.9)	12.0			(67.6)	2.6	(65.0)
Comprehensive income					**135.9**	**(3.9)**	**12.0**			**144.0**	**133.0**	**277.0**
Share-based payment					0.9					0.9		0.9
Dividends distributed in cash					(401.7)					(401.7)	(155.5)	(557.2)
Interests of undated deeply subordinated Notes issue					(44.8)					(44.8)		(44.8)
Purchase/sale of treasury shares					–			3.4		3.4		3.4
Transactions between shareholders					204.2					204.2	296.4	500.6
Business combinations										–	5.2	5.2
Other changes					(7.6)					(7.6)	6.5	(1.1)
Shareholders' equity at June 30, 2019		621,362,579	2,485.4	5,214.4	(2,681.7)	(332.3)	(16.3)	(48.4)	1,580.6	6,201.7	2,866.5	9,068.2
Shareholders' equity at December 31, 2019		**621,362,579**	**2,485.4**	**5,215.2**	**(2,511.6)**	**(409.6)**	**7.7**	**(47.5)**	**1,723.8**	**6,463.4**	**2,824.8**	**9,288.2**
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 [a]		9,970,050	39.9	68.4	4.0					112.3	–	112.3
Capital reduction [b]		(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**	**(3,314.4)**	**(421.7)**	**(119.8)**	**(2.3)**	**1,575.9**	**5,483.3**	**2,731.4**	**8,214.7**

(a) Capital increase due to the subscription of 9,970,050 new shares as part of the SUEZ Group "Sharing 2019" employee share issue.
(b) Capital reduction due to the Company's cancellation of 2,970,050 treasury shares.
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, 2020	June 30, 2019
Net income		**(504.2)**	**342.0**
– Share in net income (loss) of joint ventures	7.1	(17.8)	(34.6)
– Share in net income (loss) of associates	7.2	(37.5)	(59.9)
+ Dividends received from joint ventures and associates		65.4	77.9
– Depreciation, amortization and provisions		966.8	741.4
– Scope effects, other gains and losses on disposal		13.5	(8.3)
– Other items with no cash impact		0.5	1.1
– Lease contracts impact		3.7	2.1
– Income tax expense	4.4	44.6	157.0
– Financial income	4.3	218.5	245.2
Cash flows from operations before financial income/(expense) and income tax		**753.5**	**1,463.9**
+ Tax paid		(88.0)	(108.7)
Change in working capital requirements		**(3.8)**	**(395.5)**
Cash flows from operating activities		**661.7**	**959.7**
Investments in property, plant and equipment and intangible assets	3.4.3	(626.0)	(752.1)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(0.9)	(48.6)
Acquisitions of interests in associates and joint-ventures	3.4.3	(7.4)	(4.1)
Acquisitions of equity instruments	3.4.3	(0.9)	(6.1)
Disposals of property, plant and equipment and intangible assets		18.7	32.9
Disposals of interests in associates and joint ventures		0.6	15.8
Disposals of equity instruments		0.2	–
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		(0.4)	1.0
Other interest on financial assets, net		6.5	7.6
Dividends received on non-current financial assets		0.4	0.5
Change in loans and financial receivables		17.4	(27.8)
Cash flows from investing activities		**(591.8)**	**(780.9)**
Capital increase or decrease of the parent company		112.3	–
Purchase/sale of treasury shares		0.9	3.3
Capital increase or decrease of non-controlling interests		3.5	0.1
Change in share of interests in controlled entities [a]	3.4.3	(0.5)	504.7
Distribution to shareholders of the parent company [b]		(316.9)	(446.5)
Dividends paid to non-controlling interests [b]		(94.8)	(178.6)
New borrowings and financial debts [c]	8	2,817.5	1,054.8
Repayment of borrowings and financial debts	8	(636.5)	(923.3)
Repayment of undated deeply subordinated notes net of costs	8	(147.9)	–
Repayment of lease debts	10	(164.8)	(153.4)
Change in financial assets at fair value through income		(48.9)	(1.8)
Financial interest on lease liabilities	10	(14.4)	(13.1)
Financial interest paid		(148.8)	(191.6)
Financial interest received		10.9	4.8
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		26.3	2.4
Cash flows from financing activities		**1,397.9**	**(338.2)**
Impact of changes in exchange rates and other		(62.0)	36.6
Total cash flows for the period		**1,405.8**	**(122.8)**
Opening cash and cash equivalents		2,865.9	2,710.2
Closing cash and cash equivalents	8	4,271.7	2,587.4

(a) In 2019, this amount included the sale without loss of control of 20% of the regulated water business in the United States for EUR 510.2 million.
(b) Including withholding tax and coupons of undated deeply subordinated notes paid by the parent company.
(c) In accordance with IAS 7.8, bank overdrafts due on demand included in financial liabilities in the consolidated statement of financial position are reclassified as cash and cash equivalents in the consolidated statement of cash flows; the first half 2020 reclassification amounts to EUR 1.0 million. For first half 2019 closing, the reclassification was EUR 100.8 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

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

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

On July 29, 2020, the interim condensed Consolidated Financial Statements of SUEZ and its subsidiaries at June 30, 2020 were presented to the Board of Directors of SUEZ, which authorized their publication.

1.2 Accounting standards

Pursuant to European Commission Regulation (EC) No. 809/2004 dated April 29, 2004 on the Prospectus, the financial information on the assets, liabilities, financial position, and profit and loss of SUEZ has been provided for the last two fiscal years (2019 and 2020), and was prepared in accordance with European Regulation (EC) No. 1606-2002 dated July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's interim condensed Financial Statements for the period ended June 30, 2020 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, 2020 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, 2020 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, 2019 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, 2020 are consistent with those used to prepare the Consolidated Financial Statements for the year ended December 31, 2019 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, 2020

The standards and amendments applied by the Group for the first-time starting January 1, 2020 are the following:

- amendments to IFRS 3 – Definition of a business;
- amendments to IAS 1 and IAS 8 – Definition of materiality;
- amendments to references to the conceptual framework for IFRS standards.

Application of these amendments does not have any significant impact on the Group's interim condensed Consolidated Financial Statements as of June 30, 2020.

- amendments to IAS 39, IFRS 7 and IFRS 9 – Interest rate benchmark reform.

As of June 30, 2020, SUEZ Group has set up the following IBOR-linked interest rate hedges. As of June 30, 2020, EUR 1.76 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	1,450.0
Euribor 6 months	198.2
Total	**1,762.9**

As of this date, SUEZ has not set up any major hedging to convert floating-rate debt to fixed-rate debt.

SUEZ will amend contracts to transition to the new interest rates that will replace IBOR benchmark rates.

To the best of our knowledge, no items are likely to impact the hedging relationships for the IBOR-linked instruments.

1.3.2 IFRS standards and amendments applicable after June 30, 2020 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 IFRS 16 – Covid-19-related rent concessions.

1.4 Use of judgment and estimates

The scale of the Covid-19 pandemic has led the Group to strengthen its risk monitoring procedures for financial instruments and operating assets. The significant market volatility caused by the crisis is taken into account by the Group in the estimates made such as for its business plans and in the various discount rates used in impairment testing and provisions computing (see Note 2.1).

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.

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

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

Detailed information related to the use of estimates is provided in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2019.

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, 2020 are not necessarily indicative of those that may be expected for full-year 2020.

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, 2019).

Note 2 Major transactions

2.1 Impacts of the Covid-19 pandemic

The Covid-19 pandemic, which the World Health Organization declared a public health emergency on January 30, 2020, had a significant impact on the economies of the countries where SUEZ operates during the first half of the year, and especially during the second quarter. However, sometimes it is impossible to isolate the direct impacts of the pandemic from its indirect consequences on business volumes in certain markets. Consequently, estimates are limited to those costs that can be directly tied to the pandemic.

Essential and vital public service missions have been fulfilled in all regions. The Group has set up the necessary measures to enable all of its teams and subcontractors to work without jeopardizing their safety or their clients' safety. These measures and associated costs are presented in Notes 2.1.1 and 2.1.2.

For the entire Group, lockdown measures reduced tourist activity and related water consumption, caused increasing scarcity of industrial and commercial waste for treatment, temporarily halted infrastructure construction activities and made it impossible for SUEZ teams to access client sites to perform the planned services.

Waste pre-treatment and treatment sites were closed down, certain sites targeted in the Group's 2030 transformation plan before the pandemic will not reopen (see Note 2.2).

Against a particularly difficult backdrop, SUEZ has strengthened its financial structure by keeping a very large liquidity position with the issuance of EUR 2 billion in long-term debt, equaling all long-term debt maturing by June 2022 (see Note 2.4).

For the main items of consolidated income statement impacted by the economic and public health crisis are presented:

- impacts of the crisis and means put in place to measure these impacts;
- support measures the Group has benefited from.

Considering uncertainty regarding the future of the pandemic, the impacts on the first half financial statements are not representative of what they could be for the second half of 2020.

2.1.1 Operational impacts

2.1.1.1 Revenues

During the first half of the year, the Group experienced a significant decline in business, and especially during the second quarter. A major part of this decline during the last quarter, directly related to impacts from the pandemic, is difficult to assess.

Revenues during the first half of 2020 posted negative organic growth of -4.5%, compared to the first half of 2019.

Changes by operating segment are as follows:

Water: -3.2%. Note that, traditionally, as of June 30, the portion of estimated revenues (revenues from water distribution that is generated but not metered: "unmetered revenue") is significant. As of June 30, 2020, since entities were not able to perform meter readings during the lockdown period, they used estimates based on historical data, consumption statistics, etc.

Recycling & Recovery: -6.6%.

Environmental Tech & Solutions: -3.3%.

2.1.1.2 Operating expenses

Beyond the impact on the different business activities (decreased volumes and tonnage, etc.) during the first half of the year, the Group recorded several additional costs and expenses related to the pandemic; therefore, the closure of certain treatment sites generated transportation costs to redirect tonnages to other treatment sites.

In the Construction business, some operating costs incurred under contractual obligations persisted despite work sites halting operations. These costs from inefficiencies cannot be taken into account when calculating the margin at completion for projects and must be recognized directly in expenses for the period.

Purchases of Personal Protective Equipment (PPE) for employees to allow the Group to continue fulfilling public services (masks, hand sanitizer, etc.) accounted for more than EUR 25 million.

In order to mitigate the impact of the slowdown in business activities and of these additional expenses, the Group set up measures that reduced costs by around EUR 100 million during the first half of the year. Some of these efforts will disappear when business picks back up, but a large portion, corresponding to initiatives taken under the SUEZ 2030 Performance plan, which were implemented faster than planned due to the pandemic, will be kept.

2.1.1.3 Depreciation of trade receivables

The heightened credit risk of certain customers has led the Group to recognize additional provisions for depreciation of trade receivables in accordance with IFRS 9 as of June 30, 2020. This increase raises the ratio of provision for depreciation of trade receivables compared to total trade receivables from 6.9% at the end of December 2019 to 10.4% at the end of June 2020.

The provisions recognized correspond to the Group's best estimate of losses on trade receivables. The Group estimated the amounts of receivables that will not be recovered:

- by updating the breakdown of the customer portfolio by homogeneous categories of customers (typology, business sector, geographical area…) as of June 30, 2020; each category with a similar risk of non-recovery;
- by estimating the probability that the customers will default for each of these categories considering how large the exceedances are and the amount of losses if these clients default.

2.1.1.4 Government grants and aid received

The Group received grants taken to support the economy and employment in various countries (partial unemployment programs in particular) and recognized them in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. As of June 30, 2020, the Group recognized nearly EUR 14 million to this end.

2.1.2 Asset impairments

The Group also analyzed the impacts of the pandemic on the recoverable value of its intangible assets and property, plant and equipment.

Regarding goodwill, the Group performed impairment tests on the most significant and sensitive Cash Generating Units (CGUs). The future cash flows that serve as a basis for calculating the recoverable value of these different CGUs have undergone sensitivity tests given the uncertainty of predicting the potential operational impacts of the pandemic in the short term, as well as the prospects for a return to previously known levels of activity and profitability.

Based on these tests, as of June 30, 2020, no impairment has been recorded.

Regarding other intangible assets and property, plant and equipment, the impairments recognized as of June 30, 2020 are not the direct result of impacts from the pandemic on their recoverable value. In fact, they are primarily related to transformation decisions the Group made as part of the SUEZ 2030 Performance plan (see Note 2.2.2). The sanitary crisis sped up the Group's decision-making process when it came to the Group's transformation.

2.2 Shaping SUEZ 2030

2.2.1 Reorganization of operating segments

On October 2, 2019, SUEZ announced its new strategic plan for 2030 called: "Shaping SUEZ 2030". The plan is based on three operating segments:

- Water, which includes all SUEZ municipal water operations around the world;
- Recycling and Recovery, which includes all SUEZ non-hazardous Waste Services and treatment for municipalities, industrial and commercial clients;
- Environmental Tech & Solutions (ETS), which includes WTS, hazardous waste services and treatment, Smart Environmental Solutions for industrial and municipal customers, and Consulting services.

The application of this new structure on January 1, 2020 impacts Note 3 – Operating segments information, now based on these new operating segments, and Note 6 – Goodwill, intangible assets and property, plant and equipment, since goodwill has been reallocated based on new CGUs in line with the newly defined operating segments.

2.2.2 Acceleration of the Shaping SUEZ 2030 strategic plan

The Shaping SUEZ 2030 strategic plan includes savings measures totalling EUR 1 billion by 2023, of which 45 to 50% should be achieved by 2021.

The Group has confirmed the trajectory and announced its decision to accelerate the implementation of the plan. As a consequence, at June 30, 2020, Income from Operating Activities recorded an amount of nearly -EUR 200 million in asset impairment (excluding goodwill), -EUR 55 million in restructuring costs and -EUR 16 million in other effects including asset disposals.

2.3 Sharing 2019 capital increase

In 2019, SUEZ launched its fourth worldwide employee shareholding plan, called Sharing, to increase the Group's shareholder base.

The Sharing 2019 plan was organized in 2019 but was finalized early 2020 through a capital increase that took place on January 16, 2020. It resulted in the creation of 9.97 million shares with a nominal value of EUR 4 each.

At the end of this transaction, SUEZ's share capital totaled EUR 2,525,330,516 divided into 631,332,629 shares.

2.4 Financing transactions

2.4.1 Redemption of OCEANE bonds

On February 24, 2014, SUEZ issued a EUR 350 million bond that could be converted into new shares and/or exchanged for existing shares (OCEANE). It matured on February 27, 2020. It had a zero coupon and was for 19,052,803 securities. They were issued at par on February 27, 2014, the securities' settlement date. The financial instrument was redeemed on the maturity date (February 27, 2020) through a settlement of EUR 349.6 million and a conversion of 18,724 shares for EUR 0.4 million.

2.4.2 New bond issues

On March 26, 2020, SUEZ launched a 7-year EUR 850 million bond issue maturing on April 2, 2027 with an annual fixed coupon of 1.250%.

On May 5, 2020, SUEZ launched a 15-year EUR 750 million bond issue maturing on May 14, 2035 with an annual fixed coupon of 1.250%.

These transactions will help reduce SUEZ's financing costs, spread out the Group's debt maturity dates, while improving its liquidity position.

2.4.3 Tap offerings on outstanding bond issues

In April 2020, SUEZ issued EUR 340 million in additional tranches from existing bond issues: EUR 300 million has been subscribed for with a maturity date of May 19, 2028 and an annual fixed coupon of 1.250%, and EUR 40 million has been subscribed for with a maturity date of September 21, 2032 and an annual fixed coupon of 1.625%.

2.4.4 Redemption of undated deeply subordinated notes

On June 23, 2020, SUEZ paid EUR 152.3 million for the redemption of the remaining part of the 2014 undated deeply subordinated notes, including the payment of the last EUR 4.4 million coupon.

After this redemption, the Group's outstanding undated deeply subordinated notes amount to EUR 1,600 million as of June 30, 2020.

Note 3 Operating segments information

Since January 1, 2020, the Group's operating structure has included six Regions (France, North America, APAC (Asia, Australia and India), AMECA (Africa, the Middle East, Central Asia), Northern Europe and the Latin America and Southern Europe Region, as well as two global business units (Water Technologies & Solutions and Smart & Environmental Solutions).

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, 2020			June 30, 2019		
	Non-Group	Group	Total	Non-Group	Group	Total
Water	3,194.3	26.8	3,221.1	3,340.3	33.9	3,374.2
Recycling and Recovery	3,408.4	42.9	3,451.3	3,691.8	48.9	3,740.7
ETS	1,562.3	79.9	1,642.2	1,621.3	86.6	1,707.9
Other	1.6	55.1	56.7	2.6	67.9	70.5
Intercompany eliminations	–	(204.7)	(204.7)	–	(237.3)	(237.3)
Total revenues	**8,166.6**	**–**	**8,166.6**	**8,656.0**	**–**	**8,656.0**

EBITDA

(in millions of euros)	June 30, 2020	June 30, 2019
Water	681.6	853.3
Recycling and Recovery	425.4	521.4
ETS	139.0	185.7
Other	(49.6)	(39.2)
Total EBITDA	**1,196.4**	**1,521.2**

EBIT

(in millions of euros)	June 30, 2020	June 30, 2019
Water	107.8	431.7
Recycling and Recovery	70.3	209.9
ETS	(13.4)	81.0
Other	(88.4)	(77.7)
Total EBIT	**76.3**	**644.9**

Depreciation and amortization

(in millions of euros)	June 30, 2020	June 30, 2019
Water	(328.4)	(324.6)
Recycling and Recovery	(288.8)	(292.0)
ETS	(119.1)	(113.2)
Other	(24.5)	(24.4)
Total depreciation and amortization	**(760.8)**	**(754.2)**

Capital employed

(in millions of euros)	June 30, 2020	December 31, 2019
Water	10,881.2	11,074.1
Recycling and Recovery	4,732.1	5,264.1
ETS	4,052.2	3,868.9
Other	164.1	158.8
Total Capital employed	**19,829.6**	**20,365.9**

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

(in millions of euros)	June 30, 2020	June 30, 2019
Water	(347.0)	83.4
Recycling and Recovery	(193.9)	(222.5)
ETS	(85.8)	(149.4)
Other	(9.0)	(17.7)
Total investments	**(635.7)**	**(306.2)**

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, 2020	June 30, 2019	June 30, 2020	June 30, 2019
France	2,271.6	2,528.8	2,773.0	3,145.6
Europe	2,592.9	2,808.7	5,861.8	6,025.4
Rest of the world	3,302.1	3,318.5	11,194.8	11,194.9
Total	**8,166.6**	**8,656.0**	**19,829.6**	**20,365.9**

3.4 Reconciliation of indicators with Consolidated Financial Statements

3.4.1 Reconciliation of ebit and ebitda with current operating income

(in millions of euros)	June 30, 2020	June 30, 2019
Current operating income	**(25.3)**	**505.0**
(+) Share in net income of equity-accounted companies considered as core business	55.3	94.5
(-) IFRIC 21 impacts	46.1	45.2
(-) Others	0.2	0.2
EBIT	**76.3**	**644.9**
(-) Net depreciation, amortization and provisions	975.6	743.8
(-) Share-based payments [a]	3.8	1.7
(-) Disbursements under concession contracts	140.7	130.8
EBITDA	**1,196.4**	**1,521.2**

(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, 2020	December 31, 2019
(+) Tangible and intangible assets, net	13,182.1	13,726.7
(+) Goodwill, net	5,283.7	5,322.1
(+) Rights of use	1,385.0	1,405.8
(+) Equity instruments (excluding marketable securities and impact of revaluation to fair value)	245.2	254.4
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	669.5	745.1
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	953.0	953.9
(+) Investments in associates (excluding Other comprehensive income net of taxes)	1,126.3	1,142.4
(+) Trade and other receivables	4,315.1	4,670.9
(+) Inventories	555.8	528.0
(+) Contract assets	680.7	780.0
(+) Other current and non-current assets	1,663.6	1,833.3
(-) Provisions and actuarial losses/gains on pensions plans	(1,490.2)	(1,478.2)
(-) Trade and other payables	(2,868.1)	(3,534.3)
(-) Contract liabilities	(1,203.7)	(1,178.5)
(-) Other current and non-current liabilities	(4,630.2)	(4,762.9)
(-) Other financial liabilities	(38.2)	(42.8)
Capital employed	**19,829.6**	**20,365.9**

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, 2020	June 30, 2019
Investments in property, plant and equipment and intangible assets	(626.0)	(752.1)
Takeover of subsidiaries net of cash and cash equivalents acquired	(0.9)	(48.6)
Acquisitions of interests in associates and joint-ventures	(7.4)	(4.1)
Acquisitions of equity instruments	(0.9)	(6.1)
Change in share of interests in controlled entities [a]	(0.5)	504.7
Total investments	**(635.7)**	**(306.2)**

(a) As of June 30, 2019, this amount mainly included the impact of the sale without loss of control of 20% of the Regulated Water business in the United States (see Note 2.1 to the Notes to the Consolidated Financial Statements for the year ended December 31, 2019 of the Universal Registration Document).

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, 2020	June 30, 2019
Current operating income	**(25.3)**	**505.0**
Mark-to-Market on operating financial instruments	(0.2)	0.2
Impairment on non-current assets	(199.9)	(23.7)
Restructuring costs	(54.9)	(53.1)
Scope effects	0.4	4.0
Other gains and losses on disposals	(16.5)	2.4
Settlement of the Aguas Argentinas dispute	–	214.9
Income from operating activities	**(296.4)**	**649.7**
Share in net income of equity-accounted companies considered as core business	55.3	94.5
of which share in net income (loss) of joint ventures	*17.8*	*34.6*
of which Share in net income (loss) of associates	*37.5*	*59.9*
Income from operating activities after Share in net income of equity-accounted companies considered as core business	**(241.1)**	**744.2**

4.2.1 Impairment on non-current assets

(in millions of euros)	June 30, 2020	June 30, 2019
Impairments		
Property, plant and equipment and other intangible assets	(160.8)	(11.0)
Rights of use	(1.3)	–
Financial assets	(39.3)	(15.7)
Total	**(201.4)**	**(26.7)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	1.4	0.6
Financial assets	0.1	2.4
Total	**1.5**	**3.0**
Total	**(199.9)**	**(23.7)**

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

Regarding goodwill, the Group performed impairment tests on the most significant and sensitive Cash Generating Units (CGUs). Based on these tests, as of June 30, 2020, 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, 2020, this item mainly includes 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 (see Note 2.2.2).

As of June 30, 2019, this item mainly included the impairment of an hazardous waste treatment center in France following a permanent closure.

4.2.1.3 Impairment on financial assets

At June 30, 2020, this item is mostly due to impairment losses on financial receivables in the United Kingdom.

At June 30, 2019, this item mainly included an impairment loss on a loan granted to a project company in the United Kingdom and accounted for by the equity method in the Group's financial statements.

4.2.2 Restructuring costs

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.

At June 30, 2019, this item included costs related to the mobilization of synergies at WTS for -EUR 9.5 million and additional costs related to restructuring plans in Spain initiated in 2017 for -EUR 10.7 million as well as costs related to reorganizations initiated in several entities and Business Units of the Group, in France and abroad for a total amount of approximately -EUR 27.0 million.

4.2.3 Scope effects

As at June 30, 2019, no material changes in the scope of consolidation were recorded at June 30, 2020.

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

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

As of June 30, 2019, this item mainly included the impact of the disposal of a site in the Netherlands.

4.2.5 Settlement of the dispute on aguas argentinas

In April 2019, the Argentinean government and SUEZ had entered into and implemented a settlement agreement pursuant to the ICSID decision, arbitration center of the world bank, who had given a favorable decision under concession water of Buenos Aires, terminated in 2006. After considering different costs and fees, the impact was EUR 214.9 million.

4.3 Financial result

	June 30, 2020			June 30, 2019		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(195.7)**	**12.0**	**(183.7)**	**(225.5)**	**4.0**	**(221.5)**
Interest expense on gross borrowings	(158.2)	–	(158.2)	(196.0)	–	(196.0)
Interest expense on lease liabilities	(14.4)	–	(14.4)	(13.1)	–	(13.1)
Exchange gain/(loss) on borrowings and hedges	(16.3)	–	(16.3)	(10.8)	–	(10.8)
Unrealized income/(expense) from economic hedges on borrowings	–	0.4	0.4	(0.4)	–	(0.4)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	–	11.4	11.4	–	3.7	3.7
Capitalized borrowing costs	–	0.2	0.2	–	0.3	0.3
Financial income (expense) relating to a financial debt or receivable restructuring	(6.8)	–	(6.8)	(5.2)	–	(5.2)
Other Financial Income and Expenses	**(56.4)**	**21.6**	**(34.8)**	**(59.6)**	**35.9**	**(23.7)**
Net interest expenses related to post employment and other long term benefits	(7.1)	–	(7.1)	(9.9)	–	(9.9)
Unwinding of discounting adjustment to long term provisions (except post employment)	(18.1)	–	(18.1)	(19.5)	–	(19.5)
Change in fair value of derivatives not included in net debt	(2.5)	–	(2.5)	–	1.0	1.0
Income from equity instruments	–	1.1	1.1	–	0.3	0.3
Other	(28.7)	20.5	(8.2)	(30.2)	34.6	4.4
Financial income/(loss)	**(252.1)**	**33.6**	**(218.5)**	**(285.1)**	**39.9**	**(245.2)**

4.4 Income tax

4.4.1 Income tax expense in the income statement

(in millions of euros)	June 30, 2020	June 30, 2019
Net income (A)	(504.2)	342.0
Income tax expense (B)	(44.6)	(157.0)
Share in net Income of joint ventures and associates (C)	55.3	94.5
Income before income tax and before share in net income of joint ventures and associates (A) – (B) – (C) = (D)	**(514.9)**	**404.5**
Theoretical income tax expense – (B)/(D)	**-8.7%**	**38.8%**

At June 30, 2020, the Group's effective tax rate is -8.7%, compared to 45.3% at December 31, 2019 and 38.8% at June 30, 2019.

This evolution is mainly explained by the impact of:

- the write-off of the variation of net deferred taxes generated on this year within French and Spanish tax consolidation groups;
- the full impairment of net deferred tax assets opening within SUEZ French tax consolidation group for EUR 37.0 million (see Note 4.4.2);
- permanent differences in relation with assets impairment and other non-recurring items (see Notes 2.1 and 4.2);
- additional tax expenses: on dividends received under the French affiliation privilege regime and withholding taxes on dividends as well as "State Tax" on American subsidiaries.

At June 30, 2019, and at December 31, 2019 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, 2019	**541.9**	**(791.1)**	**(249.2)**
From income statement	44.3	(10.7)	33.6
From Other comprehensive income	(6.8)	11.6	4.8
Scope effects	(0.1)	–	(0.1)
Translation adjustments	(18.1)	19.3	1.2
Other impacts	29.2	(28.5)	0.7
Deferred tax netting off by tax entity	(97.7)	97.7	–
At June 30, 2020	**492.7**	**(701.7)**	**(209.0)**

Within the SUEZ French tax consolidation group, the net deferred tax assets in the opening balance has been fully impaired at June 30, 2020. It amounted EUR 37.0 million at December 31, 2019.

Note 5 Earnings per share

	June 30, 2020	June 30, 2019
Numerator *(in millions of euros)*		
Net income, Group share	**(538.2)**	**211.6**
Coupons attributable to holders of undated deeply subordinated notes issued by SUEZ:		
June 2014 issue – repaid in June 2020	(2.2)	(7.5)
March 2015 issue	(6.3)	(6.3)
May 2017 issue	(8.6)	(8.6)
September 2019 issue	(4.1)	–
Costs related to undated deeply subordinated notes issued in 2014	(0.5)	–
Adjusted Net Income, Group Share	**(559.9)**	**189.2**
Denominator *(in millions)*		
Weighted average number of outstanding shares	627.3	617.9
Earnings per share *(in euros)*		
Net income Group share per share	**(0.89)**	**0.31**
Net diluted income Group share per share	**(0.89)**	**0.30**

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

- the SUEZ employee share issue;
- the performance share allocation plans.

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, 2019	**5,413.6**	**9,327.0**	**18,020.1**
Acquisitions	–	112.3	391.8
Disposals	–	(167.6)	(186.2)
Changes in scope of consolidation	(0.7)	0.3	0.7
Translation adjustments	(39.4)	(44.8)	(359.0)
Other	–	20.1	(50.8)
At June 30, 2020	**5,373.5**	**9,247.3**	**17,816.6**
B) Accumulated depreciation and impairment at December 31, 2019	**(91.5)**	**(4,491.3)**	**(9,129.1)**
Depreciation and impairment losses	–	(264.2)	(496.4)
Disposals	–	165.7	153.8
Changes in scope of consolidation	–	–	0.2
Translation adjustments	1.7	22.2	156.1
Other	–	(2.0)	3.2
At June 30, 2020	**(89.8)**	**(4,569.6)**	**(9,312.2)**
C) Carrying amount = A + B			
At December 31, 2019	**5,322.1**	**4,835.7**	**8,891.0**
At June 30, 2020	**5,283.7**	**4,677.7**	**8,504.4**

6.1 Goodwill

At January 1, 2020, following the implementation of the new operational organization within the SUEZ Group (see Note 2.2), the list of cash-generating units (CGUs) has been updated from 30 to 19 CGUs, resulting in reallocations of goodwill between former and new CGUs.

This reallocation was made on the basis of the fair value of the portion of the business transferred to the new CGU compared to the fair value of the former CGU. The fair value was determined mainly using the discounted cash flows (DCF) method or based on the average amount of EBITDA attributable to the Group.

The allocation is now as follows:

(in millions of euros)	Operating Segment	June 30, 2020	January 1, 2020
Material CGUs			
Water France	Water	365.0	366.4
Water Southern Europe	Water	334.9	334.9
Water Latam	Water	164.4	177.8
Water North America	Water	524.9	523.3
R&R France	Recycling and Recovery	514.9	514.9
R&R UK	Recycling and Recovery	340.9	365.5
R&R Northern Europe	Recycling and Recovery	510.1	510.1
R&R Asia	Recycling and Recovery	196.5	195.0
R&R Australia	Recycling and Recovery	156.7	160.2
WTS	Environmental Tech & Solutions	1,855.6	1,849.9
Other CGUs (individual goodwill of less than EUR 100 million)		**319.8**	**324.1**
Total		**5,283.7**	**5,322.1**

Regarding goodwill, the Group performed impairment tests on the most significant and sensitive Cash Generating Units (CGUs). Based on these tests, as of June 30, 2020, no impairment has been recorded (see Note 2.1).

The main translation adjustments recorded in relation to the net value of goodwill concern the Pound Sterling (-EUR 24.8 million) and the Chilean Peso (-EUR 13.4 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 Chilean Peso (-EUR 161.0 million) and the Pound Sterling (-EUR 21.7 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 587.4 million at June 30, 2020.

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

	Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures	
(in millions of euros)	June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2019
SUEZ NWS Limited Group	587.4	593.5	9.8	24.5
Suyu Group	322.5	316.4	5.9	6.4
Other	43.1	44.0	2.1	3.7
Total	**953.0**	**953.9**	**17.8**	**34.6**

(in millions of euros)	June 30, 2020	June 30, 2019
Net income	17.8	34.6
Other comprehensive income (OCI)	5.5	5.9
Comprehensive income	**23.3**	**40.5**

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

Summarized statement of financial position

	June 30, 2020		December 31, 2019	
(in millions of euros)	Chinese joint ventures	Suyu Group	Chinese joint ventures	Suyu Group
Non-current assets	678.0	849.9	684.9	776.3
Current assets	245.2	0.3	234.7	20.8
of which Cash and cash equivalents	*124.8*	*0.3*	*119.4*	*20.8*
Total assets	**923.2**	**850.2**	**919.6**	**797.1**
Shareholders' equity, Group share	495.7	645.0	498.8	632.9
Non-controlling interests	3.7	–	3.7	–
Total shareholders' equity	**499.4**	**645.0**	**502.5**	**632.9**
Non-current liabilities	164.2	205.1	153.2	164.2
Current liabilities	259.6	0.1	263.9	–
Total shareholders' equity and liabilities	**923.2**	**850.2**	**919.6**	**797.1**
100% dividends paid related to the previous financial year	**21.4**	**–**	**66.9**	**–**

Suyu's "Non-current assets" item includes Derun Environment shares equity accounted for EUR 814.9 million at June 30, 2020, compared with EUR 740.7 million at the end of 2019.

SUMMARIZED INCOME STATEMENT

	June 30, 2020		June 30, 2019	
(in millions of euros)	Chinese joint ventures	Suyu Group	Chinese joint ventures	Suyu Group
Revenues	117.0		180.5	
Current operating income	26.0		33.8	
Net income – Group share	13.0		25.2	
Net income – non-controlling interests	0.2		0.4	
Net income	**13.2**	**11.9** [a]	**25.6**	**12.8** [a]
Other comprehensive income (OCI) [b]	(7.4)	(12.4)	3.6	5.7
Comprehensive income	**5.8**	**(0.5)**	**29.2**	**18.5**

(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, 2020	December 31, 2019	June 30, 2020	June 30, 2019
Acea Group	588.1	591.2	31.0	30.2
Entities within SUEZ Spain	171.1	167.9	2.2	4.8
Other (individual contribution less than 10% of the total)	294.0	311.1	4.3	24.9
Total	**1,053.2**	**1,070.2**	**37.5**	**59.9**

(in millions of euros)	June 30, 2020	June 30, 2019
Net income	**37.5**	**59.9**
Other comprehensive income (OCI)	(26.9)	(7.8)
Comprehensive income	**10.6**	**52.1**

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, 2020 the book value of Acea in the statement of financial position is EUR 588.1 million. Its corresponding market value is EUR 849.2 million.

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

The Consolidated Financial Statements of Acea group at June 30, 2020 are not available at the date of publication of the Group's 2020 consolidated interim financial statements. In compliance with IAS 28 "Investments in Associates and joint ventures", the summarized statement of financial position at March 31, 2020 correspond to the latest available information (to date, no additional information has been made public on the possible significant impacts of Covid-19).

Summarized statement of Acea group financial position

(in millions of euros)	March 31, 2020	December 31, 2019
Non-current assets	6,529.0	6,501.4
Current assets	2,606.6	2,453.0
of which Cash and cash equivalents	*819.5*	*835.7*
Total assets	**9,135.6**	**8,954.4**
Shareholders' equity, Group share	1,927.4	1,854.8
Non-controlling interests	278.6	251.9
Total shareholders' equity	**2,206.0**	**2,106.7**
Non-current liabilities	4,722.9	4,199.0
Current liabilities	2,206.7	2,648.7
Total shareholders' equity and liabilities	**9,135.6**	**8,954.4**

Summarized income statement of Acea group – first quarter results

(in millions of euros)	March 31, 2020	March 31, 2019
Revenues	833.5	823.3
Gross operating profit	276.4	247.9
Operating profit /(loss)	136.8	132.8
Net income – Group share	70.6	75.5
Net income – non-controlling interests	9.4	6.0
Net income	**80.0**	**81.5**
Other comprehensive income (OCI)	0.6	(6.8)
Comprehensive income	**80.6**	**74.7**

Dividends (at 100%)

(in millions of euros)	Dividends related to 2019	Dividends related to 2018
Dividends paid by Acea at June 30	166.1	151.2

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, 2020			December 31, 2019		
	Non-current	Current	Total	Non-current	Current	Total
Equity instruments at fair value	120.7	–	120.7	132.2	–	132.2
Loans and receivables carried at amortized cost	551.1	4,433.5	4,984.6	653.7	4,762.3	5,416.0
Loans and receivables carried at amortized cost (excluding trade and other receivables)	551.1	118.4	669.5	653.7	91.4	745.1
Trade and other receivables	–	4,315.1	4,315.1	–	4,670.9	4,670.9
Financial assets measured at fair value	132.4	152.7	285.1	115.7	105.3	221.0
Derivative financial instruments (see Note 8.4)	132.4	72.6	205.0	115.7	75.5	191.2
Financial assets measured at fair value through income	–	80.1	80.1	–	29.8	29.8
Cash and cash equivalents	–	5,107.9	5,107.9	–	3,703.0	3,703.0
Liquid financial investments	–	215.1	215.1	–	130.0	130.0
Other cash and cash equivalents	–	4,892.8	4,892.8	–	3,573.0	3,573.0
Total	**804.2**	**9,694.1**	**10,498.3**	**901.6**	**8,570.6**	**9,472.2**

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

Change in "Cash and cash equivalents" line is mainly due to bond issues in the first half of 2020.

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, 2019	**105.2**	**27.0**
Acquisitions	0.9	–
Net book value of disposals	(0.2)	(0.5)
Changes in fair value posted to equity as Other comprehensive income	(2.5)	–
Changes in fair value posted to income statement	–	(0.9)
Changes in scope, exchange rates and other	(7.3)	(1.0)
At June 30, 2020	**96.1**	**24.6**

The value of equity instruments at fair value through OCI held by the Group amounts to EUR 96.1 million as at June 30, 2020, which are listed securities.

The value of equity instruments at fair value through income held by the Group amounts to EUR 24.6 million as at June 30, 2020, which is divided between EUR 20.8 million for listed securities and EUR 3.8 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, 2020, as well as their breakdown as "non-current" and "current" :

	June 30, 2020			December 31, 2019		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Borrowings	11,213.8	3,409.0	14,622.8	9,914.0	2,609.1	12,523.1
Lease liabilities	1,146.4	295.8	1,442.2	1,159.4	314.9	1,474.3
Derivative financial instruments (see Note 8.4)	6.1	62.3	68.4	6.7	57.3	64.0
Trade and other payables	–	2,868.1	2,868.1	–	3,534.3	3,534.3
Other financial liabilities	38.4	–	38.4	42.8	–	42.8
Total	**12,404.7**	**6,635.2**	**19,039.9**	**11,122.9**	**6,515.6**	**17,638.5**

8.3 Net debt

8.3.1 Analysis by type of net debt

	June 30, 2020			December 31, 2019		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	11,182.8	3,337.5	14,520.3	9,895.1	2,516.3	12,411.4
Impact of measurement at amortized cost [a]	(68.8)	49.1	(19.7)	(59.2)	81.3	22.1
Impact of fair value hedge [b]	99.8	22.4	122.2	78.1	11.5	89.6
Borrowings and debts	**11,213.8**	**3,409.0**	**14,622.8**	**9,914.0**	**2,609.1**	**12,523.1**
Lease liabilities	**1,146.4**	**295.8**	**1,442.2**	**1,159.4**	**314.9**	**1,474.3**
Debt-related derivatives under liabilities [c] (see Note 8.4)	0.7	50.0	50.7	0.4	41.5	41.9
Gross debt	**12,360.9**	**3,754.8**	**16,115.7**	**11,073.8**	**2,965.5**	**14,039.3**
Financial assets measured at fair value through income excluding financial derivative instruments (see Note 8.1)	–	(80.1)	(80.1)	–	(29.8)	(29.8)
Liquid financial investments	–	(215.1)	(215.1)	–	(130.0)	(130.0)
Other cash and cash equivalents	–	(4,892.8)	(4,892.8)	–	(3,573.0)	(3,573.0)
Debt-related derivatives under assets [c] (see Note 8.4)	(129.3)	(49.2)	(178.5)	(111.3)	(44.0)	(155.3)
Net cash	**(129.3)**	**(5,237.2)**	**(5,366.5)**	**(111.3)**	**(3,776.8)**	**(3,888.1)**
Net debt	**12,231.6**	**(1,482.4)**	**10,749.2**	**10,962.5**	**(811.3)**	**10,151.2**
Outstanding borrowings	11,182.8	3,337.5	14,520.3	9,895.1	2,516.3	12,411.4
Lease liabilities	1,146.4	295.8	1,442.2	1,159.4	314.9	1,474.3
Financial assets measured at fair value through income excluding financial derivative instruments (see Note 8.1)	–	(80.1)	(80.1)	–	(29.8)	(29.8)
Liquid financial investments	–	(215.1)	(215.1)	–	(130.0)	(130.0)
Other cash and cash equivalents	–	(4,892.8)	(4,892.8)	–	(3,573.0)	(3,573.0)
Net debt excluding amortized cost and impact of derivative financial instruments	**12,329.2**	**(1,554.7)**	**10,774.5**	**11,054.5**	**(901.6)**	**10,152.9**

(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 16,306.3 million at June 30, 2020, compared with a book value of EUR 14,622.8 million.

The increase in the non-current portion of outstanding borrowings at June 30, 2020 is mainly due to:

- the reclassification of the balance of the bond issued by SUEZ for an amount of EUR 598.2 million maturing in May 2021;
- the bonds from the first half of 2020 by SUEZ for an amount of EUR 1,940 million (see Note 8.3.3);

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

8.3.2 Issue of undated deeply subordinated notes

As of June 30, 2020, the outstanding amount of undated deeply subordinated notes ("TSSDI") was EUR 1,600 million, down EUR 147.9 million compared to December 31, 2019 following the full redemption of the 2014 tranche on June 23, 2020. These lines are not recognized in 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 the first half of 2020, SUEZ issued several bonds as part of its EMTN program:

- EUR 850 million with a 1.250% coupon maturing on April 2, 2027;
- EUR 40 million (in addition to an existing EUR 500 million tranche) with a 1.625% coupon maturing on September 21, 2032;
- EUR 300 million (in addition to an existing EUR 300 million tranche) with a 1.250% coupon maturing on May 19, 2028;
- EUR 750 million with a 1.250% coupon maturing on May 14, 2035.

SUEZ has a commercial paper program. At June 30, 2020, the outstanding notes totaled EUR 1,272.0 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, 2020, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.

8.3.4 Securitization of receivables

Context

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

This so-called "deconsolidation" program concerns assignors from SUEZ RV France, SUEZ Haz Waste, SUEZ Nederland, SUEZ Recycling and Recovery UK and SUEZ Deutschland.

- In April 2017, the contract was renewed for five years and the scope of the transferred receivables portfolio was amended: the transferor, SUEZ R&R UK, was removed and new French transferors from the OSIS division of SUEZ RV France joined that program.
- As of the end of December 2019, the assignors from the OSIS division of SUEZ RV France are no longer part of the scope of the transferred receivables. Their receivables are therefore recorded in the financial statements against a financial debt materializing the commitment to pay the fixed amount of the repurchase of these receivables.

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

The main characteristics of the program are presented in Note 13.3.4 to the Consolidated Financial Statements at December 31, 2019 of the Universal Registration Document.

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

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through the granting of liquidation proceeds.

Accounting treatment

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

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

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

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

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

Figures at June 30, 2020

(in millions of euros)

Total of receivables sold over the period	**1,025.7**	
Gain/(loss) arising from sale over the period	(8.8)	(B)
Remuneration for CC1 over the period	1.1	(C)
Remuneration of services for follow-up and recovery of receivables transferred over the period	5.1	(D)
Outstanding receivables transferred at the closing date	353.5	(A)
Book value of CC1 at the closing date	79.9	(E)
Fair value of CC1	79.9	
Book value of CC2	(a)	
Residual maturity of CC1	20 months	
Impact of sales of derecognized receivables in the sense of IFRS 9 on net debt	**271.0**	**(A) + (B) + (C) + (D) – (E)**

(a) No security deposit known as "CC2" had been made at the end of June, 2020.

8.3.5 CHANGE IN NET DEBT

During the first half of 2020, net debt increased by EUR 598.0 million. This variation is explained by:

- the payment of cash dividends to shareholders of SUEZ amounting to EUR 282.7 million;
- the payment of cash dividends to minority shareholders of subsidiaries amounting to EUR 94.8 million;
- the full redemption of the 2014 tranche of undated deeply subordinated notes on June 23, 2020 for an amount of EUR 147.9 million;
- completion of the Sharing 2019 plan in January 2020 for an amount net of fees of EUR 112.3 million;
- foreign exchange effects, which help reduce net financial debt, at EUR 86.9 million;
- cash deficit generated by the Group's business activities amounting to EUR 246.0 million.

8.3.6 Debt/equity ratio

(in millions of euros)	June 30, 2020	December 31, 2019
Net debt	10,749.2	10,151.2
Total equity	8,214.7	9,288.2
Debt/equity ratio	**130.9%**	**109.3%**

8.4 Derivative financial instruments

Derivative financial assets

	June 30, 2020			December 31, 2019		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	129.3	49.2	178.5	111.3	44.0	155.3
Derivatives hedging commodities	–	3.8	3.8	–	7.8	7.8
Derivatives hedging other items [a]	3.1	19.6	22.7	4.4	23.7	28.1
Total (see Note 8.1)	**132.4**	**72.6**	**205.0**	**115.7**	**75.5**	**191.2**

(a) Includes derivative financial instruments for the interest rate futures portion of debt-related derivatives not qualified as hedges for EUR 0.1 million at June 30, 2020 compared with EUR 1.9 million at December 31, 2019.

Derivative financial liabilities

	June 30, 2020			December 31, 2019		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	0.7	50.0	50.7	0.4	41.5	41.9
Derivatives hedging commodities	–	1.0	1.0	–	4.3	4.3
Derivatives hedging other items [a]	5.4	11.3	16.7	6.3	11.5	17.8
Total (see Note 8.2)	**6.1**	**62.3**	**68.4**	**6.7**	**57.3**	**64.0**

(a) Mainly includes derivative financial instruments for the interest rate futures portion of debt-related derivatives qualified as cash flow hedge for EUR 3.2 million at June 30, 2020 compared with EUR 3.5 million at December 31, 2019.

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 20.8 million at June 30, 2020. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at EUR 99.9 million at June 30, 2020 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, 2020, 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, 2019	**105.2**	**4.8**
Acquisitions	0.9	–
Net book value of disposals	(0.2)	(0.5)
Changes in fair value posted to equity	(2.5)	–
Changes in fair value posted to income statement	–	–
Changes in scope, exchange rates and other	(7.3)	(0.5)
At June 30, 2020	**96.1**	**3.8**

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

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

Loans and receivables carried at amortized cost (excluding trade and other receivables) amounting to EUR 669.5 million at June 30, 2020, may contain elements that contribute to a fair value hedging relationship. At June 30, 2020, 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, 2020 for EUR 205.0 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

Financial assets measured at fair value through income (excluding equity instruments)

Financial assets measured at fair value through income amounting to EUR 80.1 million at June 30, 2020, 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:

	June 30, 2020				December 31, 2019			
(in millions of euros)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**16,306.3**	**9,086.5**	**7,219.8**		**13,908.4**	**7,498.3**	**6,410.1**	
Derivative financial instruments	**68.4**		**68.4**		**64.0**		**64.0**	
Debt-related derivates	50.7		50.7		41.9		41.9	
Derivatives hedging commodities	1.0		1.0		4.3		4.3	
Derivatives hedging other items	16.7		16.7		17.8		17.8	
Total	**16,374.7**	**9,086.5**	**7,288.2**	**–**	**13,972.4**	**7,498.3**	**6,474.1**	**–**

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, 2020, as at December 31, 2019, 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, 2020				December 31, 2019			
	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]	201.2	(67.4)	3.8	(1.0)	183.4	(59.7)	7.8	(4.3)
Amount after offsetting	**193.9**	**(60.1)**	**3.7**	**(0.9)**	**170.9**	**(47.2)**	**7.8**	**(4.3)**

(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, 2019.

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, 2020 and at December 31, 2019 are presented in the table below:

	June 30, 2020				December 31, 2019			
	Assets		Liabilities		Assets		Liabilities	
(in millions of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	3.8	–	1.0	–	7.8	–	4.3	–
Total	**3.8**	**–**	**1.0**	**–**	**7.8**	**–**	**4.3**	**–**

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, 2020, 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 8.4 million.

Impact on equity after taking into account foreign exchange derivatives

As at June 30, 2020, 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, 2020		December 31, 2019	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	22%	33%	20%	33%
Fixed rate	71%	60%	71%	58%
Fixed rate indexed to inflation	7%	7%	9%	9%
Total	**100%**	**100%**	**100%**	**100%**

Net debt (excluding lease liabilities)

	June 30, 2020		December 31, 2019	
(in %)	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-24%	-6%	-16%	3%
Fixed rate	113%	95%	103%	84%
Fixed rate indexed to inflation	11%	11%	13%	13%
Total	**100%**	**100%**	**100%**	**100%**

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

9.1.3.2 Analysis of interest rate risk sensitivity

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

For interest rate risk, sensitivity is calculated based on the impact of a rate change of +/- 1% compared with interest rates at June 30, 2020.

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 3.6 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a loss of EUR 0.6 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 0.7 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 2.3 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 1.8 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, such as Covid-19 (see Note 2.1). 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:

	June 30, 2020			December 31, 2019		
(in millions of euros)	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Trade and other receivables	4,818.0	(502.9)	4,315.1	5,018.8	(347.9)	4,670.9
Total	**4,818.0**	**(502.9)**	**4,315.1**	**5,018.8**	**(347.9)**	**4,670.9**

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, 2020	307.1	46.4	54.2	407.7	580.1	3,830.2	4,818.0
At December 31, 2019	283.1	35.5	49.6	368.2	461.0	4,189.6	5,018.8

(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, since January 1, 2018, the entities of the SUEZ Group have set up non-recovery risk matrices for their trade receivables by homogeneous category of customers, adapted to their local realities, with regard to the default rates observed in the recent past on receivables with a similar credit risk profile. They update the matrices at least once a year and use them to calculate impairment based on the expected default rates on each of the homogeneous categories of customers (see Note 1.5.9.1 of the Universal Registration Document as of December 31, 2019).

Changes in the impairment on trade and other receivables line:

(in millions of euros)	Impairment on trade and other receivables
At December 31, 2019	**(347.9)**
Additional credit risk allowances	(183.2)
Reversals for risk surplus/extinction	11.9
Reversal by the counterpart of loss on bad trade receivables	9.1
Change in scope, exchange rates and other	7.2
At June 30, 2020	**(502.9)**

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, 2020, "cash and cash equivalents" and derivative assets are the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

	June 30, 2020				December 31, 2019			
Counterparty risk arising from investing activities	Total	Investment Grade [a]	Non Investment Unrated [b]	Grade [b]	Total	Investment Grade [a]	Unrated [b]	Non Investment Grade [b]
Counterparty exposure	5,269.0	93%	6%	1%	3,838.9	93%	5%	2%

(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 (see Note 2.4);
- 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, 2020	December 31, 2019
Financial assets measured at fair value through income	80.1	29.8
Liquid financial investments	215.1	130.0
Other cash and cash equivalents	4,892.8	3,573.0
Debt-related derivatives	178.5	155.3
Net cash	**5,366.5**	**3,888.1**
Draw downs on credit facilities	346.7	345.9
Unused credit facilities [a]	3,435.5	3,336.4
Total credit facilities [b]	**3,782.2**	**3,682.3**
Draw downs on credit facilities	346.7	345.9
Other bank borrowings	581.9	557.2
Bank funding	**928.6**	**903.1**
% outstanding borrowings excluding overdarfts and current cash liabilities	**7.0%**	**8.0%**
Bonds issues	10,901.2	9,474.5
Commercial paper	1,272.0	678.4
Capital market funding	**12,173.2**	**10,152.9**
% outstanding borrowings excluding overdarfts and current cash liabilities	**91.2%**	**90.0%**
Financial assets measured at fair value through income	80.1	29.8
Liquid financial investments	215.1	130.0
Other cash and cash equivalents	4,892.8	3,573.0
Overdrafts and current accounts	(1,179.1)	(1,133.6)
Available cash	**4,008.9**	**2,599.2**

(a) As of June 30, 2020, 82% of undrawn facilities are centralized.
(b) As of June 30, 2020, 83% 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, 2020, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Bonds issues	10,901.2	16.0	876.2	701.4	449.1	513.5	8,345.0
Commercial paper	1,272.0	650.0	622.0	–	–	–	–
Draw downs on credit facilities	346.7	8.4	15.0	–	285.0	10.6	27.7
Other bank borrowings	581.9	36.2	97.5	75.9	165.4	75.7	131.2
Other borrowings	239.4	81.3	96.3	5.3	4.9	4.7	46.9
Borrowings	**13,341.2**	**791.9**	**1,707.0**	**782.6**	**904.4**	**604.5**	**8,550.8**
Overdrafts and current accounts	1,179.1	1,179.1	–	–	–	–	–
Outstanding borrowings	**14,520.3**	**1,971.0**	**1,707.0**	**782.6**	**904.4**	**604.5**	**8,550.8**
Financial assets measured at fair value through income	(80.1)	(80.1)	–	–	–	–	–
Liquid financial investments	(215.1)	(215.1)	–	–	–	–	–
Other cash and cash equivalents	(4,892.8)	(4,892.8)	–	–	–	–	–
Net debt excluding lease liabilities and amortized cost and impact of derivative financial instruments	**9,332.3**	**(3,217.0)**	**1,707.0**	**782.6**	**904.4**	**604.5**	**8,550.8**

As at June 30, 2020, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,370.3**	132.9	282.9	254.4	216.1	200.4	1,283.6

At June 30, 2020 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	2020	2021	2022	2023	2024	Beyond 5 years
Derivatives (excluding commodities)	**109.2**	(26.4)	27.5	24.0	23.8	19.0	41.3

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	2020	2021	2022	2023	2024	Beyond 5 years
Confirmed undrawn credit facilities	**3,435.5**	109.0	210.2	88.7	160.0	212.6	2,655.0

At June 30, 2020, no counterparty accounted for more than 11% 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, 2019	130.1	648.6	87.2	534.0	5.9	**1,405.8**
Asset inflows	16.1	28.4	20.4	94.1	1.9	**160.9**
Impairment loss	–	(1.3)	–	–	–	**(1.3)**
Amortization	(5.6)	(58.2)	(13.7)	(81.2)	(2.1)	**(160.8)**
Termination	(4.8)	(1.6)	(0.6)	(1.5)	–	**(8.5)**
Scope effects	–	–	–	–	–	**–**
Translation effects and other	(0.6)	(4.5)	(0.3)	(5.4)	(0.3)	**(11.1)**
Net book value at June 30, 2020	**135.2**	**611.4**	**93.0**	**540.0**	**5.4**	**1,385.0**

10.2 Rental expenses benefiting from exemptions under IFRS 16

At June 30, 2020, the following items continue to be presented as rental expenses.

(in millions of euros)	June 30, 2020
Short term leases	46.4
Leases of low value assets	10.3
Expenses on variable leases	1.9
Others	13.8
Total	**72.4**

10.3 Lease liabilities

At June 30, 2020, discounted cashflows on outstanding lease debt by maturity are as follows:

(in millions of euros)	Total	2020	2021	2022	2023	2024	Beyond 5 years
Lease obligation	1,442.2	148.1	264.6	219.2	185.5	138.6	486.2

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

10.4 Information on operating leases – SUEZ lessor

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

Net book value of leased assets by category:

(in millions of euros)	June 30, 2020	December 31, 2019
Buildings	155.5	157.1
Equipments	48.6	56.9
Total	**204.1**	**214.0**

Rental income for the first half of 2020 corresponds to the minimum rents and represents EUR 38.5 million.

Note 11 Non-controlling interests

The "non-controlling interests" account amounts to EUR 2,731.4 million at June 30, 2020 compared with EUR 2,824.8 million at December 31, 2019.

They mainly concern:

(in millions of euros)	June 30, 2020	December 31, 2019
Agbar group	920.8	939.9
SWTS	653.2	681.2
SUEZ NWS	587.2	601.1

- **Aguas Andinas**

At June 30, 2020 the Agbar group contribution includes EUR 674.9 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, 2020.

Summarized statement of financial position (at 100%)

(in millions of euros)	March 31, 2020	December 31, 2019
Non-current assets	1,927.2	2,142.0
Current assets	291.8	234.7
of which Cash and cash equivalents	*138.1*	*85.6*
Total assets	**2,219.0**	**2,376.7**
Shareholders' equity, Group share	733.0	765.3
Non-controlling interests	46.2	51.1
Total shareholders' equity	**779.2**	**816.4**
Non-current liabilities	1,173.6	1,272.8
Current liabilities	266.2	287.5
Total shareholders' equity and liabilities	**2,219.0**	**2,376.7**
Closing exchange rate CLP/EUR	942.1	842.1

Summarized income statement (at 100%)

(in millions of euros)	March 31, 2020	March 31, 2019
Revenues	177.3	207.1
Operating profit /(loss)	87.1	108.8
Net income – Group share	52.1	72.0
Net income – non-controlling interests	0.6	1.4
Net income	**52.7**	**73.4**
Other comprehensive income (OCI)	–	–
Comprehensive income	**52.7**	**73.4**
Average exchange rate CLP/EUR	886.2	757.4

Dividends paid (at 100%)

(in millions of euros)	Dividends related to 2019	Dividends related to 2018
Dividends paid at June 30 by Aguas Andinas	56.5	175.5

Note 12 Provisions

(in millions of euros)	December 31, 2019	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [a]	Translation adjustments	Other	June 30, 2020
Post-employment benefit obligations and other long-term benefits	823.9	5.8	(50.0)	–	(0.9)	7.1	(8.6)	(28.5)	748.8
Sector-related risks	20.6	5.1	–	–	–	–	–	–	25.7
Warranties	25.9	7.8	(2.8)	–	–	–	(0.7)	(0.3)	29.9
Tax risks, other disputes and claims	51.7	2.6	(4.2)	–	–	–	(0.9)	0.2	49.4
Site restoration	544.1	30.6	(12.8)	–	–	5.9	(6.1)	–	561.7
Restructuring costs	52.7	33.8	(23.2)	–	–	–	(0.4)	(0.1)	62.8
Other contingencies	456.3	79.7	(59.6)	(0.3)	–	1.4	(4.1)	6.2	479.6
Total provisions	**1,975.2**	**165.4**	**(152.6)**	**(0.3)**	**(0.9)**	**14.4**	**(20.8)**	**(22.5)**	**1,957.9**
Total current provisions	475.2	121.7	(80.1)	(0.1)	(0.3)	1.3	(4.6)	9.0	522.1
Total non-current provisions	1,500.0	43.7	(72.5)	(0.2)	(0.6)	13.1	(16.2)	(31.5)	1,435.8

(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 decreased by -EUR 17.3 million in the first half of 2020. This evolution is mainly due to:

- the decrease in pensions and other long-term benefits for -EUR 27.8 million. It is explained by a change in the valuation index revision of various pension plans in France;
- the negative variation of translation adjustments for -EUR 20.8 million mostly in the United Kingdom for -EUR 5.7 million and Chile for -EUR 5.7 million.

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, 2020 consolidated income statement:

(in millions of euros)	Net allowances
Income from operating activities	12.1
Other financial income and expenses	14.4
Income tax expense	0.4
Total	**26.9**

Note 13 Share-based payments or cash-based payment

Expenses recognized with respect to share-based payment or cash-based payments are as follows:

	(Expense) of the period	
(in millions of euros)	June 30, 2020	June 30, 2019
Performance share and units plans	(3.9)	(1.2)
Employees share issues [a]	0.1	(0.5)
Long-term incentive plan [b]	5.9	4.3
Total	**2.1**	**2.6**

(a) Impact of Share Appreciation Rights is presented after hedging by warrants (subject to IFRS 9).
(b) 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. In 2019, this line included a reversal of a provision for EUR 9.7 million related to the 2016 plan.

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

All transactions and allocations prior to 2019 are disclosed in Note 20 to the Consolidated Financial Statements at December 31, 2019 in the Universal Registration Document.

Note 14 Legal and arbitration proceedings

14.1 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when 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 49.4 million as of June 30, 2020.

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.

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;
- ENGIE, which consolidates SUEZ using the equity method;
- companies related to ENGIE.

Only material transactions are described below.

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

15.1 Transactions with the ENGIE Group

(in millions of euros)	June 30, 2020	December 31, 2019	June 30, 2019
Transactions with ENGIE			
Purchases/sales of goods and services	(0.3)	8.9	(1.0)
Non financial payables	0.4	0.3	7.3
Non financial receivables	0.1	0.1	0.2
Receivables carried at amortized cost [a]	–	–	10.7
Transactions with companies linked to ENGIE:			
Purchases/sales of goods and services	6.1	12.6	7.2
Non financial receivables	5.6	8.8	1.4
Non financial payables	1.0	0.8	1.4
Financial payables	0.8	0.8	0.8
Borrowings excluding financial instruments	0.8	0.8	0.7
Commodity derivatives Assets/(Liabilities)	(0.4)	1.3	1.4

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

15.2 Transactions with joint operations, joint ventures and associates

As at June 30, 2020, 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 101.2 million, the main lines of which:

- EUR 36.6 million to joint ventures in Water business in Europe;
- EUR 25.4 million to associates in charge of the commissioning and operation of energy recovery plants in the United Kingdom;
- furthermore, EUR 13.8 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 29, 2020

I hereby certify that, to the best of my knowledge, the condensed financial statements for the first half of 2020 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 2020.

Bertrand Camus
Chief Executive Officer
SUEZ

7 Statutory Auditors' review report on the half-yearly financial information

To the shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of SUEZ, for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of your Board of Directors on July 29, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. 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 IFRS as adopted by the European Union applicable to interim financial information.

We draw attention to the matter set out in Note 2.1 « Impacts of the Covid-19 pandemic » to the condensed half-yearly consolidated financial statements which sets out the various impacts of the crisis related to Covid-19 on SUEZ's activity and its half-yearly financial statements. Our conclusion is not modified in respect of this matter.

2. Specific verification

We have also verified the information presented in the half-yearly management report prepared on July 29, 2020 on the condensed half-yearly consolidated financial statements subject of 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 29, 2020

The Statutory Auditors
French original signed by

MAZARS		**ERNST & YOUNG ET AUTRES**
Achour Messas	Dominique Muller	Stéphane Pédron

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