Financial information concerning the assets, financial situation and results of New SUEZ

SUEZ

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1.1 Combined financial statements

1.1.1 Combined statements of financial position

(in millions of euros)	Note	December 31, 2021	December 31, 2020
Non-current assets			
Intangible assets, net	9	1,459.8	1,474.9
Goodwill	8	999.4	959.6
Property, plant and equipment net	10	1,467.8	1,487.1
Rights of use	14	467.5	573.8
Equity instruments	12.1	52.7	82.9
Loans and receivables carried at amortized cost - portion due in more than one year	12.1	606.4	741.9
Derivative financial instruments - portion due in more than one year	12.1	0.1	-
Investments in joint ventures	11.1	626.7	851.4
Investments in associates	11.2	1,677.0	778.3
Contract assets - portion due in more than one year	4.1.3	67.2	66.2
Other assets - portion due in more than one year	12	135.6	153.0
Deferred tax assets	7	316.6	374.7
Total non-current assets		**7,876.8**	**7,543.8**
Current assets			
Loans and receivables carried at amortized cost	12	150.8	53.9
Derivative financial instruments - portion due in less than one year	12	9.7	7.1
Trade and other receivables - portion due in less than one year	12	2,491.9	2,327.3
Inventories	1.5.8	209.8	192.5
Contract assets - portion due in less than one year	4.1.3	296.1	267.7
Other assets - portion due in less than one year	12	783.0	884.8
Financial assets measured at fair value through income	12	27.2	23.4
Cash and cash equivalents	12	1,157.9	1,031.0
Total current assets		**5,126.4**	**4,787.7**
Total combined assets		**13,003.2**	**12,331.5**
Owner's net investment (combined net asset) , Group share		3,373.6	2,782.3
Non-controlling interests	17	362.6	803.9
Total owner's net investment (combined net asset)		**3,736.2**	**3,586.2**
Non-current liabilities			
Provisions - portion due in more than one year	16	811.8	765.8
Long-term borrowings - portion due in more than one year	12.2	644.4	777.7
Lease liabilities - portion due in more than one year	14.3	362.4	454.1
Derivative financial instruments - portion due in more than one year	12.2	0.1	0.4
Other financial liabilities - portion due in more than one year	12.2	6.5	0.7
Contract liabilities - portion due in more than one year	4.1.3	133.8	103.6
Other liabilities - portion due in more than one year	12	243.6	235.8
Deferred tax liabilities	7	263.1	180.0
Total non-current liabilities		**2,465.7**	**2,518.1**
Current liabilities			
Provisions - portion due in less than one year	16	142.4	123.3
Short-term borrowings - portion due in less than one year	12.2	1,396.4	1,427.3
Lease liabilities - portion due in less than one year	14.3	124.5	136.0
Derivative financial instruments - portion due in less than one year	12.2	7.9	7.4
Trade and other payables - portion due in less than one year	12.2	2,225.9	1,660.8
Contract liabilities - portion due in less than one year	4.1.3	592.6	651.6
Other liabilities - portion due in less than one year	12	2,311.6	2,220.8
Total current liabilities		**6,801.3**	**6,227.2**
Total Liabilities and Owner's net investment (combined net asset)		**13,003.2**	**12,331.5**

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.

1.1.2 Combined income statements

(in millions of euros)	Note	December 31, 2021	December 31, 2020
Revenues	4.1	7,534.2	6,608.7
Purchases		(2,257.2)	(1,492.0)
Personnel costs	4.2	(1,847.9)	(1,754.8)
Depreciation, amortization and provisions	4.3	(608.3)	(690.1)
Other operating expenses	4.4	(2,755.8)	(2,857.7)
Other operating income	4.4	231.2	210.9
Current operating income	4	**296.2**	**25.0**
Impairment on property, plant and equipment, intangible and financial assets		(20.7)	(98.0)
Restructuring costs		(67.6)	(31.4)
Other gains and losses on disposals		(14.5)	(33.0)
Other non-recurring transactions		(0.2)	(4.5)
Income from operating activities	5	**193.2**	**(111.4)**
Share in net income of equity-accounted companies considered as core business		175.2	119.3
of which: share in net income (loss) of joint ventures	12.1	*45.2*	*36.6*
of which: share in net income (loss) of associates	12.2	*130.1*	*82.7*
Income from operating activities after share in net income of equity-accounted companies considered as core business		**368.4**	**7.9**
Financial expenses		(115.6)	(113.5)
Financial income		34.9	42.2
Net financial income (loss)	6	**(80.7)**	**(71.3)**
Income tax expense	7	(100.0)	(44.8)
Net income		**187.7**	**(108.2)**
Of which: Group share		118.1	(153.2)
Non controlling interests		69.6	45.0

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.
Note: each of the two financial years presented corresponds to a period of 12 calendar months.

1.1.3 Combined statements of comprehensive income

(in millions of euros)	December 31, 2021	December 31, 2021 of which Group share	December 31, 2021 of which non controlling interests	December 31, 2020	December 31, 2020 of which Group share	December 31, 2020 of which non controlling interests
Net income	**187.7**	**118.1**	**69.6**	**(108.2)**	**(153.2)**	**45.0**
Net investment hedges	-	-	-	-	-	-
Cash flow hedges (excluding commodities)	6.6	6.5	0.2	(1.8)	(1.7)	-
Commodity cash-flow hedges	2.2	2.2	-	-	-	-
Deferred taxes on items above	(2.5)	(2.4)	(0.0)	-	-	-
Translation adjustments [a]	167.9	119.9	48.0	(84.1)	(58.0)	(26.1)
Total reclassifiable items	**174.3**	**126.2**	**48.1**	**(85.9)**	**(59.7)**	**(26.1)**
of which share of joint ventures in reclassifiable items, net of taxes	*28.9*	*28.9*	-	*4.3*	*4.3*	-
of which share of associates in reclassifiable items, net of taxes	*81.6*	*81.6*	-	*(9.5)*	*(9.5)*	-
Actuarial gains and losses	(9.8)	(10.0)	0.3	0.6	7.0	(6.4)
Deferred taxes on actuarial gains and losses	3.5	3.2	0.3	1.3	(0.5)	1.8
Equity instruments	44.7	44.7	-	(3.6)	(3.6)	
Deferred taxes on equity instruments	0.0	0.0	-			-
Total non-reclassifiable items	**38.4**	**37.9**	**0.5**	**(1.7)**	**2.9**	**(4.6)**
of which share of joint ventures in non-reclassifiable items, net of taxes	-	-	-	-	-	-
of which share of associates in non-reclassifiable items, net of taxes	*2.0*	*2.0*	-	*6.2*	*6.2*	-
Other comprehensive income	**212.7**	**164.0**	**48.7**	**(87.6)**	**(56.8)**	**(30.7)**
Comprehensive income	**400.4**	**282.1**	**118.2**	**(195.8)**	**(210.0)**	**14.3**

(a) Out of a total of EUR 119,9 million, 97,6 EUR million to the variation of Chinese yuan and EUR 16,9 million are related to the variation of the Hong Kong Dollar.
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.
Note: each of the two financial years presented corresponds to a period of 12 calendar months.

1.1.4 Statements of changes in owner's net investment (combined net asset)

(in millions of euros)	Net contribution from SUEZ Group	Change in fair value and other	Translation adjustments	Combined net assets	Non-controlling interests	Total
Owner's net investment at December 31, 2019	**3,135.2**	**(61.7)**	**(33.9)**	**3,039.6**	**821.2**	**3,860.8**
Net income	(153.2)			(153.2)	45.0	(108.2)
Other comprehensive income	6.5	(5.3)	(58.0)	(56.8)	(30.8)	(87.6)
Comprehensive income	**(146.7)**	**(5.3)**	**(58.0)**	**(210.0)**	**14.2**	**(195.8)**
Dividends distributed in cash	(124.0)			(124.0)	(66.4)	(190.4)
Other changes	76.7			76.7	34.9	111.6
Owner's net investment at December 31, 2020	**2,941.2**	**(67.0)**	**(91.9)**	**2,782.3**	**803.9**	**3,586.2**
Net income	118.1			118.1	69.6	187.7
Other comprehensive income	6.2	37.9	119.9	164.0	48.7	212.7
Comprehensive income	**124.3**	**37.9**	**119.0**	**282.1**	**118.4**	**400.5**
Dividends distributed in cash	(103.9)			(103.9)		(103.9)
Increase in combined net assets [(a)]	1,061.4			1,061.4		1,061.4
Decrease in combined net assets [(a)]	(1,268.3)			(1,268.3)		(1,268.3)
Other changes	125.4			125.4		125.4
Total transactions with former SUEZ (non combined entities)	**(185.5)**			**(185.5)**		**(185.5)**
Change in interest percentage – full consolidation method	341.6			341.6	(341.6)	
Change in interest percentage – equity method of consolidation.	153.1			153.1	(153.1)	
Change in ownership percentages	**494.7**			**494.7**	**(494.7)**	
Dividends distributed in cash to non-controlling interests					(49.0)	(49.0)
Other changes					(16.0)	(16.0)
Owner's net investment at December 31, 2021	**3,374.7**	**(29.1)**	**28.0**	**3,373.6**	**362.6**	**3,736.2**

(a) Main transactions are indicated in note 2.
NB: The values in the tables are generally expressed in millions of euros. Rounding may in some cases produce a non-material discrepancy in totals or variances.

1.1.5 Combined statements of cash flows

(in millions of euros)	Note	December 31, 2021	December 31, 2020
Net income		**187.8**	**(108.2)**
Share in net income (loss) of joint ventures	11.1	(45.2)	(36.6)
Share in net income (loss) of associates	11.2	(130.1)	(82.7)
Dividends received from joint ventures and associates		93.3	67.9
Depreciation, amortization and provisions		621.6	695.4
Scope effects, other gains and losses on disposal		15.8	11.4
Other items with no cash impact		19.7	0.3
Lease contracts impact		(1.8)	(0.1)
Income tax expense	7	100.0	44.8
Financial income	6	80.7	71.3
Cash flows from operations before financial income/(expense) and income tax		**941.8**	**663.5**
Tax paid including withholding tax on royalties		(6.9)	(44.5)
Change in working capital requirements		**11.4**	**62.2**
Cash flows from operating activities		**946.3**	**681.2**
Investments in property, plant and equipment and intangible assets		(409.2)	(455.0)
Takeover of subsidiaries net of cash and cash equivalents acquired		(7.8)	13.8
Acquisitions of interests in associates and joint-ventures		(37.3)	(25.6)
Acquisitions of equity instruments		(22.3)	(5.0)
Disposals of property, plant and equipment and intangible assets		29.9	15.1
Disposals of interests in associates and joint-ventures		-	59.1
Disposals of equity instruments		2.0	0.2
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		1.4	(0.9)
Other interest on financial assets, net		(23.9)	(1.0)
Dividends received on non-current financial assets		2.7	2.1
Change in loans and financial receivables		107.1	36.6
Change in financial assets at fair value through income		(2.9)	(23.5)
Financial interest received		5.1	16.3
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		(1.2)	5.1
Cash flows from investing activities		**(356.4)**	**(362.7)**
Net impact of restructuring operations to create the "new SUEZ" [a]		106.3	-
Capital increase/reduction of non controlling interests		(57.5)	44.5
Dividends paid to non-controlling interests		(128.7)	(210.9)
Increase in loans and financial debt	12.2.1	252.3	747.7
Repayment of lease liabilities	14	(144.0)	(151.6)
Repayment of borrowings and financial debts	12.2.1	(584.3)	(679.4)
Financial interest on lease liabilities	14	(7.5)	(8.8)
Other financial interest paid		(26.9)	(39.4)
Cash flows from financing activities		**(590.3)**	**(297.9)**
Impact of changes in exchange rates and other		127.4	(18.5)
Total cash flows for the period		**127.0**	**2.2**
Opening cash and cash equivalents		**1,031.0**	**1,028.8**
Closing cash and cash equivalents		**1,158.0**	**1,031.0**

(a) The main restructuring operations are indicated in note 2.
NB: The values in the tables are generally expressed in millions of euros. Rounding may in some cases produce a non-material discrepancy in totals or variances.

1.1.6 Notes to the combined financial statements

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Note 1 Basis of presentation, principles and accounting policies

1.1 Presentation of the New SUEZ

Creation of the New SUEZ

On June 29, 2021, the Board of Directors of SUEZ SA approved the proposed public tender offer launched by Veolia for SUEZ SA shares at a price of €20.50 per share, with coupon attached. At the same time, as provided for in the merger agreement concluded on May 14, 2021 between Veolia and SUEZ SA, a consortium of long-term investors consisting of the Meridiam, GIP funds, Caisse des Dépôts and CNP Assurances (hereinafter the Consortium) gaveVeolia and SUEZ SA a final binding offer to purchase the New SUEZ perimeter (hereinafter New SUEZ or the combined group) for an enterprise value of €10.4 billion, to which is attached a draft purchase agreement, known as the Share and Asset Purchase Agreement or SAPA.

On October 22, 2021, following the finalisation of the information-consultation procedures with the relevant SUEZ Group employee representative bodies, Veolia, SUEZ SA and the Consortium signed a finalised version of the SAPA, the terms and conditions of which are in line with those set out in the project publicly announced on 29 June 2021.

On December 14, 2021, Veolia received authorization from the European Union, along with a list of "remedies" in the hazardous waste and industrial water sectors, to launch its public tender offer for the shares of SUEZ SA, thereby lifting the last condition precedent to the sale of the New SUEZ perimeter to the Consortium.

Activities operated by the New SUEZ

The New SUEZ perimeter consists of controlled entities, assets held and liabilities borne directly or indirectly by SUEZ SA (the inventory of which is established in Appendix G1 of the SAPA). The activities included in this scope are:

- municipal water (Eau France) and solid waste (R&V France) in France (including the main research centre in France: CIRSEE);
- SUEZ activities, particularly in water and in the following geographies: Italy (including the shares held in Acea), Czech Republic, Africa (including Lydec in Morocco), Central Asia, India, China, Australia and the global digital and environmental activities (SES);
- two hazardous waste incinerators in mainland China: Shanghai Industrial Park and Suzhou Industrial Park.

Terminology

The entities, assets and liabilities of the New SUEZ perimeter are intended to be grouped together in successive legal reorganisation steps under the control of a company called SUEZ SA, indirectly controlled by the Consortium; this company is distinct from the head company of the former SUEZ Group, also called SUEZ SA and controlled by VEOLIA since the finalisation of its takeover bid. For the sake of clarity:

- the Former SUEZ Group, which was the subject of a takeover bid by Veolia, will be referred to hereinafter as "Former SUEZ". Its parent company SUEZ SA will be referred to hereinafter as "Former SUEZ Holding company" in the following document;
- the company SUEZ SA, which is controlled by the Consortium and which is intended to take over the New SUEZ perimeter, will be referred to hereinafter as the "New SUEZ Holding Company" . This company is not controlled by Former SUEZ or by VEOLIA.

1.2 Basis of presentation of the combined accounts

The entities, assets and liabilities of the New SUEZ perimeter are intended to be grouped together in successive steps of legal reorganisation under the control of the New SUEZ Holding Company. As of December 31, 2021, New SUEZ does not constitute an independent legal group. On that basis, and in the context of the refinancing of its acquisition debt by the New SUEZ Holding Company, the purpose of the combined accounts of New SUEZ is to present the income and financial position of all the entities, assets and liabilities constituting the operational activity of New SUEZ (as defined in the SAPA) prior to this legal reorganisation.

The combined accounts of New SUEZ as at December 31, 2021 are presented in millions of euros rounded to the nearest hundred thousand euros. They were prepared by the Managing Director, Sabrina Soussan and approved by the Board of Directors of SUEZ SA (New SUEZ Holding Company) on April 20, 2022.

These financial statements have been prepared as part of the company's proposed admission of debt securities on the regulated market of Euronext Paris pursuant to Regulation (EU) No. 2017/1129 as supplemented by Delegated Regulation (EU) No. 2019/980.

Scope of combination

The New SUEZ perimeter consists of all the controlled entities, assets held and liabilities borne directly or indirectly by the Former SUEZ, the inventory of which is established in Appendix G1 of the SAPA. Note 21 presents the scope of combination.

The consolidation methods are those used by Former SUEZ in its 2020 and 2021 IFRS accounts. They reflect the level of control in 2020 and 2021 of Former SUEZ over the various components of the New SUEZ scope.

The transfer of New SUEZ to the Consortium by Former took place on January 31, 2022. Nevertheless, as of this date, several transfers of subsidiaries or activities remain to be carried out once the contractually or legally required authorisations have been obtained. Note 20 sets out the key contributory data relating to the entities still to be transferred. As at the close of the accounts, the management of the New SUEZ considers that the completion of these operations is highly probable.

Autonomy of the New SUEZ perimeter

The financial statements reflect the autonomy of the New SUEZ perimeter ("costs of doing business").

Services rendered to New SUEZ by SUEZ Groupe and SUEZ SA, companies acquired by Veolia, are invoiced *via* (i) management fees, (ii) know-how fees, (iii) brand fees and (iv) direct rebilling. These historical billings are maintained in the combined accounts as they reflect the costs of doing business.

Management has not identified any additional historical costs to be allocated to the New SUEZ scope according to this principle.

- **Shared support functions (management fees):** The support functions provided by SUEZ Group and SUEZ SA on behalf of the New SUEZ perimeter are invoiced *via* management fees. They have been maintained in the combined accounts at their historical amount of invoicing to New SUEZ. They represent approximately €51m in 2021 and €47m in 2020.
- **Royalties for know-how, brands and intellectual property to be acquired by the New SUEZ perimeter**: the use of brands and intellectual property is invoiced to the New SUEZ perimeter. Consequently, these assets have not been integrated into the combined accounts. They have been maintained in the combined accounts at their historical invoicing amount to New SUEZ. They represent approximately €74m in 2021 and €72m in 2020.

The revenue generated by New SUEZ from the Former SUEZ represents approximately €67.3m in 2021 while the current operating income (COI) generated by New SUEZ from the Former SUEZ amounts to approximately €0.8m in 2021.

Approach to the preparation of the accounts

The accounting principles and methods and the major assumptions used are those of the Former SUEZ Group. They are detailed in Notes 1.3, 1.4 and 1.5.

The combined financial statements have been prepared using the values of assets (including goodwill and fair value adjustments (in accordance with IFRS 3) relating to the relevant activities) and liabilities as reported in the SUEZ Group's IFRS Consolidated Financial Statements for each of the periods presented.

The assets and liabilities that are not intended to join the New SUEZ perimeter in application of the SAPA, even if they are included in the legal assets of the combined entities on December 31, 2021, have been excluded from the combined accounts. The impacts on the income statement related to these assets and liabilities have been excluded from the combined result for all periods presented.

Leases (IFRS 16) from the SUEZ Group to New SUEZ are recognised in the combined accounts.

The hedging instruments included in the combined accounts are those in place in the entities in the combined scope.

The pension liabilities and plan assets included in the combined accounts are those of all the entities in the combined scope.

In 2021 as in 2020, the cash and cash equivalents presented in the combined accounts are all those legally owned by the entities of the combined scope. In particular, they include cash pooling with non-combined entities of the SUEZ Group. The amounts and maturities of loans and borrowings at December 31, 2021 and December 31, 2020 correspond to all the contracts concluded by the entities in the New SUEZ scope.

The tax charge for 2021, like that for 2020, has been recognised on a standalone basis, entity by entity, including for the entities in the SUEZ Group's tax consolidation scope (see Note 1.5.15).

The results presented do not necessarily reflect what they would have been had the combined group existed as a legally separate group for the years presented.

Consideration of subsequent events

The combined statement of financial position of the New SUEZ has been prepared using the values of assets and liabilities as stated in the Consolidated Financial Statements of the Former SUEZ Group as at December 31, 2021. No significant subsequent events call this valuation into question.

1.3 Accounting Standards

Pursuant to European Commission Regulation (EC) No. 809/2004 of April 29, 2004 on information contained in prospectuses, the financial information concerning the assets, financial situation and results of New SUEZ is provided for the financial years 2020 and 2021 and is prepared in accordance with Regulation (EC) No. 1606/2002 ofJuly 19, 2002 on the application of international accounting standards (IFRS). As at December 31, 2021, the combined financial statements of New SUEZ comply with the IFRS published by the IASB and adopted by the European Union [1].

The accounting principles used for the preparation of the financial statements as atDecember 31, 2021 have been used in the same way as for the year 2020.

1.3.1 Standards, amendments and interpretations applied from January 1, 2021

The texts applied for the first time from 1er January 2021 are the following:

- Amendment to IFRS 16 – Leases, dealing with Covid-19 rent relief, the impact of which is not significant for New SUEZ;
- Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest Rate Benchmark Reform phase 2, the impact of which is not significant for New SUEZ;
- IFRS IC decisions published during the year:
  - the IFRS IC issued a decision on May 24, 2021 on the timing of the recognition of normal service cost in defined benefit plans with all of the following characteristics:
    - entitlement to benefits is conditional on being in the company's employment at the time of retirement,
    - the amount of the benefits depends on length of service,
    - the amount of the benefit is capped, once the employee reaches a certain number of years of service.

    New SUEZ complied with the IFRIC decision in 2021. The decision led to a reduction in pension provisions of EUR 10 million recorded against equity,
  - on April 27, 2021, the IFRS IC published a decision on the accounting of configuration/adaptation costs in a Software as a Service (SaaS) contract. The decision clarifies the criteria for determining whether configuration/adaptation costs should be recognised in the statement of financial position as intangible assets, or as deferred expenses, or as expenses in the income statement. As atDecember 31, 2021, the Group is still analysing the application of this decision.

(1) Available on the European Commission's website http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_fr.htm.

1.3.2 IFRS standards and amendments applicable after 2021 and not adopted early

Standards, amendments and interpretations published by the IASB and adopted by the EU

- Amendment to IAS37 – Onerous Contracts: Cost of Fulfilling a Contract;
- Amendment to IAS16 – Property, Plant and Equipment: Proceeds before Intended;
- IFRS17- Insurance contracts.

The analysis of the possible impacts of these amendments is ongoing.

Standards, amendments and interpretations published by the IASB and not yet adopted by the EU

- Amendment to IAS 8 – Definition of Accounting Estimates;
- IAS1 amendment and IFRS practice statement 2 (practical application guidance on materiality – disclosure of accounting policies);
- Amendments to IFRS 1 and IAS12 – Deferred tax on assets and liabilities arising from a single transaction;
- Amendment to IAS1 – Presentation of Financial Statements: Classification of Liabilities as Current/Non-current.

The analysis of the possible impacts of these amendments is ongoing.

1.4 Use of estimates and judgement

The economic and financial environment leads New SUEZ to maintain its procedures for monitoring risks on financial instruments and operating assets. This environment leading to significant market volatility is taken into consideration by New SUEZ in estimates such as *business plans* and the different discount rates used for both value tests and provision calculations.

1.4.1 Estimates

The preparation of the Combined Financial Statements requires the use of estimates and assumptions in the determination of the value of assets and liabilities, the measurement of positive and negative contingencies at the balance sheet date, and the income and expenses for the period.

Due to the uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that the future results of the operations concerned may differ from these estimates.

The significant estimates made by New SUEZ for the preparation of the Combined Financial Statements relate mainly to:

- the measurement at fair value of assets acquired and liabilities assumed in a business combination (except for transactions relating to previously combined entities; see Note 2);
- the assessment of the recoverable amount of *goodwill*, property, plant and equipment and intangible assets (see Notes 1.4.1.2);
- the valuation of financial instruments (see Note 1.4.1.6);
- the valuation of provisions, in particular provisions for litigation and pension and similar commitments (see Notes 1.4.1.3 and 1.4.1.4);
- the assessment of turnover achieved and not recorded, known as "unmetered" (see Note 1.4.1.7);
- the valuation of margins at completion of construction contracts (see Note 1.4.1.7);
- the valuation of concession maintenance costs liabilities (see Note 1.4.1.5);
- the valuation of deferred tax assets on tax loss carry-forwards (see Note 1.4.1.9).

1.4.1.1 Fair value measurement of assets acquired and liabilities assumed in a business combination (except for transactions involving previously combined entities; see Note 2)

The main assumptions and estimates used to determine the fair value of the assets acquired and liabilities assumed include the market outlook necessary to value future cash flows and the discount rates to be applied. The values used reflect management's best estimates.

1.4.1.2 Recoverable amount of goodwill, property, plant and equipment and intangible assets (see Notes 8, 9 and 10)

Assumptions and estimates are made in determining the recoverable amount of *goodwill*, intangible assets and property, plant and equipment, which relate in particular to the market outlook, necessary for the assessment of cash flows and the discount rate to be applied. Any change in these assumptions could have a significant effect on the amount of recoverable amount and could result in the recognition of impairment losses.

1.4.1.3 Estimated provisions (see Note 16)

The parameters that have a significant influence on the amount of the provisions are, in addition to the level of the costs themselves, the timing of their occurrence and the discount rate applied to the cash flows. These parameters are established on the basis of the information and estimates that the Company considers to be the most appropriate at this time.

To the best of the Group's knowledge, there is currently no evidence to suggest that the parameters used as a whole are not appropriate and there are no known developments that would significantly affect the amounts provided for.

1.4.1.4 Pension liabilities (see Note 17)

The valuation of pension commitments is based on actuarial calculations. New SUEZ believes that the assumptions used to value the commitments are appropriate and justified. However, any change in assumptions could have a significant impact.

1.4.1.5 Concession maintenance costs liabilities (see Note 4.1.3)

This item includes the obligation to renew and restore the facilities by the concession companies. The basis for calculating these liabilities is an estimate of the cost of replacing or refurbishing the facilities within the concession's scope (in accordance with IFRIC 12), discounted each year by inflation. Expenses are calculated on a contract-by-contract basis by allocating probable renewal and refurbishment expenditure over the life of the contract.

1.4.1.6 Financial instruments (see Note 14)

In order to measure at fair value the financial instruments that are not listed on a market, New SUEZ has to use valuation models that are based on a number of assumptions, changes in which could have a significant impact.

1.4.1.7 Unmetered water revenue (see Notes 3.2 and 4.1.1)

The revenue generated by customer segments for which meters are read during the accounting period is estimated at the end of the year on the basis of historical data, consumption statistics and sales price estimates. New SUEZ has developed measurement and modelling tools that enable it to estimate revenue with a satisfactory degree of reliability and to verify a posteriori that the risks of error in estimating the quantities sold and the corresponding revenue can be considered insignificant. This so-called "unmetered" revenue estimate mainly concerns the Water operating segment.

1.4.1.8 Measurement of the margin at completion of construction contracts (see Note 4.1.3)

The determination of the margin at completion of construction contracts involves the use of significant estimates that depend on the technical solutions chosen, the duration of the project and the uncertainties inherent in its progress.

Management updates these estimates for the preparation of the combined financial statements on a quarterly basis or more frequently in the event of major changes in the progress of the project. Any significant change in the measurement of expenses and revenues at completion results in an immediate adjustment to the margin already recognised and modifies the future margin on work remaining to be completed (see Note 1.5.11.3).

1.4.1.9 Valuation of deferred tax assets on tax losses carried forward (see Note 7)

Deferred tax assets are recognised for tax loss carryforwards when it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The likelihood of future taxable profits is estimated by considering the existence of taxable temporary differences arising in the same tax entity and reversing over the same periods to the same tax authority, and estimates of future taxable profits. These forecasts of taxable profits and the resulting consumption of tax loss carry-forwards are based on profit forecasts as prepared within the framework of the medium-term plan and on additional forecasts where necessary.

Tax loss carryforwards that originated in New SUEZ entities but that belongs to non-combined entities due to the tax consolidation agreements in force in 2020 and 2021 do not give rise to the recognition of deferred tax assets in the combined accounts as they do not constitute assets of New SUEZ (see also Note 1.5.15).

1.4.2 Judgement

In addition to the use of estimates, management has made judgements in determining the appropriate accounting treatment for certain activities and transactions, particularly where the existing IFRS standards and interpretations do not specifically address the accounting issues concerned.

In particular, New SUEZ has exercised its judgment to:

- accounting for concession contracts;
- the classification of non-current assets held for sale and discontinued operations, in particular to determine whether their disposal is highly probable at the balance sheet date;
- the groupings of activities and entities to be used for the presentation of operating segments in relation to their economic characteristics.

In accordance with IAS 1, New SUEZ presents current and non-current assets and current and non-current liabilities separately in the statements of financial position. In view of the majority of the Group's activities, it was considered that the criterion to be used for classification is the time period for realisation of the asset or settlement of the liability: current if this period is less than 12 months and non-current if it is more than 12 months.

1.5 Accounting policies

1.5.1 Scope and methods of integration

The integration methods (full integration, equity accounting) and the percentages of ownership and interest are identical to those used by Former SUEZ in its accounts at 31 December 2021:

- companies exclusively controlled by Former are fully integrated;
- Joint activities over which joint control is exercised at the Former SUEZ Group level are combined in proportion to the direct rights over the assets and direct obligations over the liabilities;
- the equity method applies to:
  - joint ventures over which Former SUEZ has joint control but only a right to the net assets,
  - associates in which Former UEZ has a significant influence. Under this method, a specific line in the combined income statement entitled "Share in the result of associated companies" includes the share of the net result of the company combined by the equity method. The accounting principles applied by these companies are in accordance with IFRS and consistent with the accounting principles of New SUEZ.

The integration method is determined on a case-by-case basis and is based on an analysis of control, after taking into account the presumptions specified in IFRS 10, 11 and IAS 28 revised.

All intercompany transactions and positions are eliminated in the combined financial statements, according to the procedures specific to each integration method.

The scope of combination used for the preparation of these New SUEZ combined accounts is that presented in Appendix G- 1 of the Share and Asset Purchase Agreement (SAPA) signed between SUEZ, Veolia and the Consortium.

1.5.2 Conversion methods

1.5.2.1 Currency of presentation of the combined accounts

The combined financial statements of the Group are presented in euro (€).

1.5.2.2 Functional currency

The functional currency of an entity is the currency of the economic environment in which the entity principally operates. In the majority of cases, the functional currency is the local currency. However, in some entities, a functional currency other than the local currency may be used as long as it reflects the currency of the entity's primary transactions and economic environment.

1.5.2.3 Translation of foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the rate of the day of the transaction. At each balance sheet date:

- monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. The resulting exchange differences are recognised in the result for the period;
- non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical rate prevailing at the date of the transaction.

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

The statements of financial position are translated into euro at the year-end exchange rate. Income and cash flows are translated using the average exchange rates. Differences resulting from the translation of the financial statements of these combined companies are recorded as "translation differences" within "Other comprehensive income".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. They are therefore expressed in the functional currency of the entity and translated at the closing rate.

1.5.3 Business combinations

New SUEZ applies the acquisition method as described in IFRS 3 revised. Under this method, it recognises the identifiable assets acquired and liabilities assumed at the date of acquisition at their fair value, together with any non-controlling interests in the acquiree. These non-controlling interests are measured either at fair value or at the proportionate share in the identifiable net assets. New SUEZ determines on a case-by-case basis which option it wishes to apply to account for these non-controlling interests.

1.5.4 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses.

1.5.4.1 Goodwills

a) Definition of Cash Generating Units (CGUs and CGU gooodwill)

The allocation of goodwill to the CGUs corresponds to the allocation made by Former SUEZ for the purposes of its 2020 and 2021 consolidated accounts. Note 8.2 specifies the valuation of the CGU goodwill.

The two main goodwill CGUs are as follows:

- Water France;
- Recycling and Recovery France.

The other CGUs have goodwill of less than EUR 100 million per CGU.

All goodwills have been tested in 2020 and 2021.

b) Determination of *goodwill*

In accordance with IFRS 3, *goodwill is* measured as the excess of the total:

i. of the transferred consideration;

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

iii. in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree;

to the net carrying amount of the identifiable assets acquired and liabilities assumed.

The amount of *goodwill* recognised on acquisition of control cannot be adjusted after the end of the measurement period.

Goodwill relating to investments in associates and joint ventures is included in "Investments in associates" and "Investments in joint ventures" respectively.

c) Valuation of *goodwill*

Goodwill is not amortised but is tested for impairment annually or more frequently if there are indications of impairment. *Goodwill* is tested at the level of Cash Generating Units (CGUs) which are homogeneous groups of assets that together generate cash flows that are largely independent of the cash flows generated by other CGUs.

The methods used to perform these impairment tests are presented in Note 1.5.6 "Impairment of property, plant and equipment, intangible assets and *goodwill*".

Impairment losses relating to *goodwill* are not reversible and are presented on the line "Impairment of assets" in the income statement.

Impairment losses on *goodwill* relating to associates and joint ventures are reported under "share of net income of associates" and "share of net income of joint ventures" respectively.

1.5.4.2 Other intangible assets

a) Development costs

Research costs are expensed in the year in which they are incurred.

Development costs are recognised as assets when the criteria for recognition of an asset as set out in IAS 38 are met. In this case, the intangible asset arising from the development is amortised over its useful life. Given the Group's activities, the amounts recognised as development costs in the assets in the statements of financial position are not material.

b) Other intangible assets acquired or produced

Other intangible assets include:

- sums paid or to be paid in return for rights attached to the status of concessionaire or operator of public facilities;
- customer portfolios acquired in business combinations;
- surface and groundwater drawing rights, which are not amortised, as there is no time limit on their allocation;
- concession assets;
- exclusive rights to distribute drinking water in a defined geographical area without time limitation;
- software.

Amortisation of intangible assets is recognised on the basis of the expected pattern of consumption of the future economic benefits of the asset. If this cannot be reliably determined, the straight-line method is used, based on the useful lives presented in the table below:

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

Certain intangible assets (water rights, etc.), which have an indefinite useful life, are not amortised but are subject to an annual impairment test.

1.5.5 Property, plant and equipment

1.5.5.1 Property, plant and equipment – initial and subsequent valuation

Property, plant and equipment are stated at historical cost of acquisition, production or entry into the Group, less accumulated depreciation and any impairment losses.

The book value of tangible fixed assets is not subject to revaluation, as New SUEZ has not chosen the alternative method of regularly revaluing one or more categories of tangible fixed assets.

Investment grants are deducted from the gross value of the assets for which they were received.

In application of IAS 16, the cost of the asset includes, at the time of its initial recognition, the costs of restoring the site when there is a current legal or constructive obligation to restore the site at the date of entry. A provision is then recognised against a component of the "asset".

New SUEZ applies IAS 23, which consists of incorporating into the cost of the corresponding asset the borrowing costs incurred during the construction period of the qualifying asset.

1.5.5.2 Amortization

In application of the component approach, New SUEZ uses different depreciation periods for each of the significant components of the same fixed asset when one of these components has a useful life different from the main asset to which it relates.

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

The range of depreciation periods is the result of the diversity of the assets concerned and the contractual terms. The minimum periods concern small equipment and furniture, while the maximum periods apply to infrastructure networks.

The normal useful lives are as follows:

Main depreciation periods *(in years)*	
Constructions [a]	3 to 40 years
Plan and equipment	2 to 70 years
Transport equipment	3 to 14 years

(a) Including fittings.

Assets recognised against provisions for site restoration are depreciated according to the method specified in Note 16.4.

1.5.6 Impairment of property, plant and equipment, intangible assets and *goodwill*

In accordance with IAS 36, when events or changes in the market environment or internal factors indicate a risk of impairment of intangible assets, property, plant and equipment and *goodwill*, they are tested for impairment. In the case of non-amortisable intangible assets and *goodwill, impairment* tests are performed annually.

Impairment indicators

For property, plant and equipment and intangible assets with a finite useful life, this impairment test is only performed when there are indications that their value has been impaired. This is generally due to significant changes in the operating environment of the assets or to a lower than expected economic performance.

The main indicators of impairment retained by New SUEZ are:

- external source of information:
  - significant changes in the economic, technological, political or market environment in which the business operates or to which the asset is assigned,
  - lower demand;
- internal source of information:
  - obsolescence or material deterioration not foreseen in the depreciation plan,
  - performance below expectations.

Loss of value

Such property, plant and equipment or intangible assets are tested at the level of the relevant asset grouping (single asset or Cash Generating Unit) determined in accordance with the requirements of IAS 36. If the recoverable amount is less than the net book value, an impairment loss is recognised for the difference between these two amounts. The recognition of an impairment loss results in a revision of the depreciable base and possibly the depreciation schedule of the assets concerned.

Impairment losses in respect of property, plant and equipment or intangible assets may be reversed in the future if the recoverable amount becomes higher than the net book value. The value of the asset after reversal of the impairment loss is capped at the carrying amount that would have been determined net of depreciation if no impairment loss had been recognised in prior years.

Assessment of the recoverable amount

In order to examine the recoverable amount of property, plant and equipment, intangible assets and *goodwill*, these are, where appropriate, grouped into Cash Generating Units (CGUs) whose carrying amounts can be compared with their recoverable amounts.

For operating entities for which New SUEZ is a going concern and a long-term holding, the recoverable amount of a CGU corresponds to the higher of its value in use and fair value less costs to sell. Values in use are determined primarily on the basis of discounted operating cash flow projections and a terminal value. Standard valuation methods are used for which the main economic data used are:

- discount rates that depend on the particularities of the operating entities concerned;
- terminal values consistent with available market data specific to the operating segments concerned and growth rates linked to terminal values.

These discount rates are post-tax rates applied to post-tax cash flows. Their use results in the determination of recoverable amounts identical to those obtained by using pre-tax rates on untaxed cash flows, as required by IAS 36.

Assets for which a decision has been made to sell (within the meaning of IFRS 5) are measured and recognised at the lower of their carrying amount and their market value less costs to sell. Where negotiations are in progress, the latter is determined by reference to the best estimate that can be made, at the balance sheet date, of their outcome.

If there is an impairment loss, it is recognised in the income statement under "Impairment of assets".

1.5.7 Leases signed as lessee

The rental contracts signed by New SUEZ as lessee mainly concern real estate, vehicles and construction equipment. The duration of the contracts varies greatly depending on the nature of the leased goods.

The lessee applies a single accounting model which consists of recording the following items on the date a given lease takes effect:

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

The lease liability is equal to the present value of future lease payments.

Rents included in the calculation of the debt include fixed rents, rents that are fixed in substance i.e. unavoidable, variable rents whose variability is only due to the effect of an index or a rate, the exercise price of a purchase option if New SUEZ is reasonably certain that it will exercise this option, or early termination penalties if the accounting lease term takes this event into account.

New SUEZ also pays variable rents, which vary according to the degree of use of the leased assets. These variable rents are recognised as operating expenses in the period in which the event or condition that triggers the obligation occurs. The total amount for the year 2021 is disclosed in Note 14.

IFRS 16 recommends discounting future lease payments using the interest rate implicit in the contract if this rate can be readily determined, or failing that, using the incremental debt rate of the entity holding the relevant leases.

As the interest rates implicit in the contracts are not easily determined, New SUEZ has therefore used the marginal debt rates of the various entities carrying the leases to calculate the Group's lease debt. The interest rates determined in this way are those for amortised debt.

After the contracts come into effect, the lease liabilities are increased by the financial interests and decreased by the amounts of rent paid.

The carrying amounts of the liabilities are re-estimated whenever an amendment to a lease agreement or a significant change in facts and circumstances at the lessee's control leads to a change:

- the accounting period of the lease;
- the number or nature of the leased goods;
- of the amount of the rent;
- the valuation of the exercise of an option to purchase the leased property.

New SUEZ recognises the rights of use at their initial cost, at the effective date of the lease agreements.

The initial cost of the rights of use includes mainly the amount of the lease liability, the initial incremental direct costs that have been incurred to obtain the contracts and the prepaid rents. It is reduced by the benefits received from lessors at the inception of the contracts.

After the effective date, the rights of use are amortised on a straight-line basis over the accounting period of the contracts. As an exception, a right of use is depreciated over the useful life of the leased asset, when New SUEZ has reasonable certainty of exercising a purchase option on that asset.

The carrying amount of the rights of use is adjusted when a re-estimation of the lease liability is made.

Rights of use are impaired when there is an indicator of impairment at the limits of their Cash Generating Unit, using the same criteria as for other depreciable fixed assets.

Judgement exercised in determining the accounting term of leases

The lease term under IFRS 16 is the non-cancellable lease term plus:

- the extension period of the contract, if the contract includes an extension option in the hands of the lessee and the lessee has reasonable certainty of exercising it;
- the period during which the lessee may exercise an option to terminate the contract, if the lessee is reasonably certain not to exercise that option.

New SUEZ has the right to exercise options to extend or terminate certain lease agreements signed as lessee. New SUEZ uses its judgement to determine whether it has strong economic incentives to exercise them.

After the commencement of a lease agreement, New SUEZ shall re-evaluate its accounting period if a significant change in circumstances occurs and the change in circumstances:

- is in his hand;
- and leads New SUEZ to have a reasonable certainty of exercising an option that had not been taken into account at the time of the initial determination of the lease term; or that leads New SUEZ to no longer have a reasonable certainty of exercising an option that had initially been taken into account.

The enforceable period of a contract ends when the tenant and the landlord each have the right to terminate the tenancy agreement without the permission of the other party, and without incurring a more than negligible penalty.

As specified by the IFRIC, the penalties to be taken into account in determining the term of a lease include economic penalties, in particular the net book value of fixtures and fittings that are inseparable from the leased assets, which New SUEZ has paid for, and which it would lose if it terminated the lease in question. New SUEZ therefore includes the existence of fixtures and fittings that are not fully depreciated and would have to be abandoned in the event of termination of the lease in the assessment of the lease term.

The retroactive application of the IFRIC decision did not have a significant impact on the combined accounts of New SUEZ.

1.5.8 Stocks

Inventories mainly consist of recyclable materials awaiting processing or shipment, treatment products used in the water production and treatment cycle, and parts and consumables required for the maintenance of water networks and waste treatment assets.

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the expected costs of completion or realisation of the sale.

The cost of inventories is determined using either the first-in, first-out method or the weighted average cost method.

1.5.9 Financial instruments

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

1.5.9.1 Classification, measurement and impairment of financial assets

The financial assets are mainly cash, or rights to receive cash, or equity instruments of other entities.

They are listed as follows:

- assets whose cash flows are not interest and principal repayments (equity interests in non-integrated entities, derivative instruments);
- assets whose cash flows are interest and principal repayments (mainly loans and receivables);
- cash and cash equivalents.

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

a) Investments in non-integrated entities

New SUEZ's holdings in non-combined companies are classified as:

- either in the category of equity instruments measured at fair value through profit or loss. This category essentially comprises listed securities held in companies in which New SUEZ does not have significant influence;
- or in the category of Equity instruments measured at fair value through Other comprehensive income, following the irrevocable option taken by New SUEZ, security by security, and from the first recognition. Essentially, this category includes unlisted securities held in companies in which New SUEZ does not have significant influence.

In accordance with IFRS 9, equity instruments are recognised:

- at original cost plus transaction costs when measured at fair value through Other comprehensive income;
- at their initial cost when they are measured at fair value through profit or loss. Transaction costs are then recognised in the income statement at the date of acquisition.

At each balance sheet date, investments in non-integrated companies are measured and recognised at fair value. For shares in listed companies, this fair value is determined on the basis of the stock market price at the relevant balance sheet date. For unlisted companies, fair value is estimated using valuation models based mainly on recent market transactions, discounted dividends or cash flows, or failing that, on the net book value.

In accordance with the terms of IFRS 9:

- all impacts related to securities measured at fair value through profit or loss that have been generated after their acquisition date are recognised in the income statement: dividends, positive or negative differences between fair value and acquisition price throughout the holding of the securities, gains or losses on disposals in particular;
- impacts related to securities measured at fair value through Other comprehensive income are never recycled in the income statement. Positive or negative differences between fair values and acquisition prices are recognised in Other comprehensive income throughout the holding period. Gains and losses on disposals are classified as Other comprehensive income, and the total accumulated Other comprehensive income relating to the line of securities disposed of is reclassified to the Group's net contribution. Only dividends received impact the Group's result;
- there is no recognition of impairment of New SUEZ's holdings in non-integrated companies.

b) Derivative instruments

Derivatives are measured and recognised at fair value, with changes in fair value recognised in the income statement, except where derivatives are used as cash flow or net investment hedges (see Note 1.5.9.3).

c) Loans and receivables at amortised cost

The category mainly includes receivables and loans related to equity investments, current account advances to associated or non-combined entities, guarantee deposits, long-term receivables from customers under concession agreements (see section 1.5.11.4) and trade and other receivables due within one year.

On initial recognition, these loans and receivables are carried at fair value plus transaction costs, which in most cases is their nominal value. Subsequently, at each balance sheet date, these assets are measured at amortised cost using the effective interest rate method.

In accordance with the terms of IFRS 9, the New SUEZ entities have established an impairment approach by asset type for counterparty risk.

For trade and rental receivables, they have drawn up risk matrices for non-recovery by homogeneous category of customer, adapted to their local realities, with regard to the rates of non-payment observed in the recent past on receivables with a similar credit risk profile. They update their matrices at least once a year or more in the light of unforeseeable events with major consequences (in 2020, the effect of the Covid-19 pandemic). They use these matrices to calculate impairments now based on expected non payment rates for each of the homogeneous customer categories.

For loans to associates, current account advances to associates and deposits and guarantees, impairment losses are calculated based on the expected losses on the individual assets.

These assets are classified into three categories:

- situation 1: Assets with no significant deterioration in credit risk, where debtors pay on time or are less than 60 days late;
- situation 2: Assets with significant credit risk deterioration, where overdues at between 60 days and 180 days late;
- situation 3: Assets for which deterioration is such that loss is proven, with overdues excedding 180 days.

Assets classified as situation 1 are subject to impairment for expected losses over a 12-month period. Assets classified as situation 2 and 3 are subject to impairment for expected losses over their entire life. The amount of the impairment is calculated based on:

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

Impairment losses on loans to associates, current account advances to associates and deposits and guarantees are calculated based on the expected losses on the individual assets.

Receivables arising under concession agreements, where New SUEZ has obtained an unconditional right to receive cash, contain a financing component within the meaning of IFRS 15 since customers pay over several years for a service already provided. As permitted by IFRS 9, the impairment method used for the calculation of impairment losses on loans and advances in current accounts as described above is applied to these receivables.

The gross values of the receivables are transferred to losses on bad debts in the income statement, when the remedies available to New SUEZ to recover these assets are exhausted. The accumulated depreciation on the receivables concerned is then also reversed to the income statement.

Contract assets with customers include amounts due from customers under construction contracts, the calculation of which is specified in Note 1.5.11.3. These assets are tested for impairment in accordance with the same rules as trade receivables.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments that are considered liquid, convertible to a known amount of cash, subject to an insignificant risk of change in value in accordance with the criteria set out in IAS 7 and held for the purpose of meeting short-term cash commitments.

Bank overdrafts are excluded from the concept of cash and cash equivalents and are recognised as current financial liabilities in the statement of financial position.

1.5.9.2 Classification and measurement of financial liabilities

Financial liabilities include financial debts (including bank overdrafts), trade payables, derivative financial instruments and other financial liabilities.

Financial liabilities are broken down in the statements of financial position into non-current and current liabilities. Current financial liabilities mainly include:

- financial liabilities maturing within 12 months of the balance sheet date;
- derivative financial instruments qualifying as hedges;
- derivative financial instruments not qualifying as hedges.

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

On initial recognition, issue premiums/discounts, redemption premiums/discounts and issuance costs are recognised as an increase or decrease in the nominal value of the loans concerned. These premiums and discounts are taken into account in the calculation of the effective interest rate and are then recognised in the income statement over the life of the borrowings using the amortized cost method.

New SUEZ treats restructurings of financial debts that are not between identical lenders and borrowers as an extinguishment of the original debt and a recognition of the new debt.

Similarly, a renegotiated debt whose value of future cash flows under the new terms (including fees paid to the counterparty bank, discounted using the original effective interest rate) differs by more than 10 per cent from the present value of the remaining cash flows of the original financial liability, is accounted for as a new debt, because the contractual change is material within the meaning of IFRS 9. The original liability is then considered extinguished and removed from the statement of financial position. On this occasion, all costs related to the old debt that have not yet been amortised are transferred to the income statement.

When the change is not material within the meaning of IFRS 9, the initial debt remains recognised in the statement of financial position, including the related costs not yet amortised. However, the application of the standard leads New SUEZ to revalue the carrying amount of this debt, to take into account the new future cash flows expected over its residual term. The effect of the revaluation is recognised in the income statement.

1.5.9.3 Derivatives and hedge accounting

New SUEZ uses derivative financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, exchange rates and commodity prices. The use of derivatives is carried out within the framework of a Group policy for managing interest rate, exchange rate and commodity price risks.

a) Definition and scope of derivative financial instruments

Derivative financial instruments are contracts whose value is affected by changes in one or more observable parameters, which do not require a significant initial investment and which provide for settlement at a future date.

Derivative financial instruments include swaps, forward purchases and forward sales.

b) Accounting and presentation of hedging derivatives

Derivative financial instruments that qualify as hedging instruments are systematically recognised in the statements of financial position at their fair value. However, their accounting treatment varies depending on whether they are qualified as:

- fair value hedge of an asset or liability;
- cash flow hedging;
- hedge of a net investment in a foreign entity.

Fair value hedge

A fair value hedge hedges the risk arising from changes in the fair value of assets or liabilities, such as fixed rate loans and borrowings, or firm foreign currency assets, liabilities or commitments.

Changes in the fair value of the hedging instrument are recognised in profit or loss for the period. Symmetrically, the hedged item is remeasured for the hedged risk through profit or loss for the period even if the hedged item is normally in a category in which changes in fair value are recognised in Other comprehensive income or if it is normally carried at amortised cost in the absence of a hedge. These two remeasurements offset each other in the income statement, except for the ineffective portion of the hedge.

Cash flow hedging

It is the hedging of an exposure arising from the risk of future changes in one or more cash flows affecting the combined result. The cash flows hedged may arise from contracts on financial or non-financial assets already reflected in the statements of financial position or from future transactions not yet reflected in the statements of financial position, provided that these future flows are highly probable.

Changes in the fair value of the derivative financial instrument are recognised net of tax in Other comprehensive income for the effective portion and in profit or loss for the period for the ineffective portion. Gains or losses accumulated in equity must be reclassified to profit or loss when the cash flows relating to the hedged item (financial asset or liability) themselves affect the income statement. These gains or losses on hedging instruments must be transferred to the same line in the income statement as the impacts related to the hedged item, i.e. current operating income for operating flow hedges and financial income for other hedges.

If the hedging relationship is terminated, in particular because it is no longer considered effective, the gains or losses accumulated in respect of the derivative instrument are maintained in equity until the hedged transaction matures, unless the entity expects that the forecast transaction will not occur, in which case the gains and losses recognised in equity are reclassified immediately to the income statement.

Hedge of a net investment in a foreign entity

Similar to cash flow hedging, changes in the fair value of the derivative financial instrument are recognised net of tax in Other comprehensive income for the effective portion attributable to the hedged foreign currency risk and in profit or loss for the ineffective portion. Gains or losses accumulated in equity are reversed through profit or loss at the date of liquidation or disposal of the net investment.

c) Identification and documentation of hedging relationships

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

This methodology is consistent with the terms of IFRS 9.

New SUEZ demonstrates and documents the effectiveness of the hedging relationship from the outset and on an ongoing basis throughout the financial years for which the hedge has been designated.

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

- there is an economic link between the hedged item and the hedging item; this link exists when the characteristics of the hedging instrument (notably the notional amount and maturity date) are highly correlated with those of the hedged item and/or when the change in value of the hedging instrument is itself highly correlated with the change in value of the hedged item;
- the hedge ratio is consistent with the risk management strategy of the company carrying the hedged item;
- the value of the hedging instrument is virtually uncorrelated with the credit risk of the debtor.

The effectiveness of hedges is demonstrated prospectively and retrospectively. It is established by using different methodologies, mainly based on the comparison between changes in fair value or cash flows of the hedged item and the hedging instrument. New SUEZ also uses methods based on statistical correlation analysis between historical prices.

d) Accounting and presentation of non-hedging derivatives

This includes derivative financial instruments that are economic hedges but have not been or are no longer documented in accounting hedging relationships.

When a derivative financial instrument has not been (or is no longer) qualified as a hedge, its successive changes in fair value are recognised directly in profit or loss for the period, within a specific *Mark-to-Market* or "MtM on financial instruments of an operational nature" heading under current operating income for derivatives on non-financial assets and in financial income or loss for foreign exchange, interest rate or equity derivatives.

Derivative financial instruments that do not qualify as hedges are presented in the statement of financial position as current for derivatives with a maturity of less than 12 months and as non-current for others.

e) Fair value measurement

The fair value of instruments quoted in an active market is determined by reference to their quoted price. In this case, these instruments are presented in Level 1 fair value measurement.

The fair value of unlisted financial instruments for which observable market data exists is determined using, among other things, the discounted cash flow method. Counterparty risk is taken into account in the valuation of derivative instruments.

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

- the fair value of interest rate swaps is calculated on the basis of discounted future cash flows;
- the fair value of forward foreign exchange contracts and currency swaps is calculated by reference to current prices for contracts with similar maturity profiles by discounting the difference in future cash flows (the difference between the forward price of the contract and the forward price recalculated according to the new market conditions applied to the notional amount);
- commodity derivative contracts are valued according to market quotations based on discounted future cash flows (firm contracts: *commodity swap* or *commodity forward*), and option pricing models (option contracts) for which it may be necessary to observe the volatility of market prices. For contracts with maturities exceeding the depth of transactions for which prices are observable or which are particularly complex, valuations may be based on internal assumptions;
- in the case of complex contracts negotiated with independent financial institutions, New SUEZ exceptionally uses valuations made by the counterparties.

These instruments are presented in Level 2 fair value measurement, except where their measurement is significantly dependent on unobservable inputs. In the latter case, they are presented in level 3 fair value measurement. These are most often derivative financial instruments whose maturity exceeds the observability horizon of the forward prices of the underlying asset of liability or for which certain parameters such as the volatility of the underlying were not observable.

1.5.10 Provisions

1.5.10.1 Provisions for post-employment and other long-term employee benefits

Depending on the laws and practices of each country, New SUEZ companies have obligations in terms of retirement, early retirement, severance pay and other similar benefits. These obligations generally exist for all employees of the companies concerned.

The measurement and accounting methods used by New SUEZ for pension and other employee benefit obligations are those set out in IAS 19 Revised. As a result:

- the cost of defined contribution plans is recognized in the income statement on the basis of contributions payable for the period;
- the valuation of the amount of pension and similar commitments, when they represent defined benefits, is carried out on the basis of actuarial valuations. These calculations include assumptions on mortality, staff turnover and salary projections that take into account the economic conditions specific to each country or company. Discount rates are determined by reference to the yield, at the valuation date, on bonds issued by senior companies (or by the government if there is no representative market for private debt) in the area concerned. A discount rate curve has been selected by currency area and applied to the debt and to the components of the current expense (*Service Cost* and *Net Interest*).

The IFRS IC issued a decision on 24 May 2021 on the timing of normal service cost recognition in defined benefit plans with all of the following characteristics:

- the definitive acquisition of the benefits is conditional on the presence in the company at the time of retirement;
- the amount of benefits depends on seniority;
- the amount of the benefit is capped once the employee reaches a certain number of years of service.

New SUEZ has complied with the IFRIC decision in 2021.

The decision has been applied retroactively as a change in accounting policy under the terms of IAS8.

Amounts relating to plans where the obligation less unrecognised past service costs exceeds the fair value of the plan assets are included in liabilities under provisions. When the value of the planned assets (capped, if applicable) exceeds the obligations, the net amount is presented on the assets side of the statements of financial position under current or non-current "Other assets".

For post-employment benefits, New SUEZ recognises actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments directly in Other comprehensive income. Where applicable, adjustments arising from the capping of net assets relating to overfunded plans follow the same method.

For other long-term benefits such as long-service awards, actuarial gains and losses continue to be recognised immediately in the income statement.

The net interest cost (income) in respect of defined benefit plans is recognised in the financial result.

1.5.10.2 Other provisions

New SUEZ recognises a provision when there is a present obligation (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation without any expected consideration.

A provision for restructuring is recognised when the general criteria for establishing a provision are met, there is a detailed formal plan and New SUEZ has created a valid expectation among those affected that it will implement the restructuring either by starting to execute the plan or by announcing its main features to them.

Provisions with a maturity of more than 12 months are discounted when the effect of discounting is significant. The main types of long-term provisions, excluding provisions for post-employment benefits, are provisions for site restoration (Recycling and Recovery business). The discount rates used reflect current market assessments of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the unwinding of the discount on long-term provisions are recognised in the financial result (under "other financial income and expenses").

Whenever there is a current legal or constructive obligation to restore a site, New SUEZ records a provision for site restoration. The counterpart of the provision for reconstitution is included in the book value of the asset concerned. Adjustments to the amount of the provision resulting from a subsequent revision of the amount of the resource outflow, the date of occurrence of the restoration or the discount rate are symmetrically deducted from or added to the cost of the corresponding asset. The effects of the unwinding of discounting are recognised in profit or loss for the year.

1.5.11 Turnover

Revenue corresponds to income from contracts signed with customers. It is calculated and recognised in accordance with the principles of IFRS 15.

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

Where a contract includes both a construction activity and a facility operation activity, two performance obligations are distinguished. The overall contract revenue is then split between construction and operation activities in accordance with IFRS 15.

New SUEZ only recognises the variable part of turnover, depending on the degree of achievement of contractual targets (bonuses or penalties), if it is highly unlikely that there will be a significant downward adjustment in future accounting periods.

New SUEZ recognises its revenue when control of the goods or services promised to the customer is transferred, which occurs either on delivery (i.e. when control is transferred to the buyer) or on an ongoing basis (services and construction activity recognised on a percentage of completion basis), often under long-term contracts.

It only records the turnover of his co-contractors as the main actor if he:

- bears primary responsibility for the conduct and completion of the overall service;
- carries out a major task of integrating the various works carried out by the co-contractors;
- and carries out extensive technical supervision work so that it takes control of all the goods or services performed, before transferring that control to the client.

Turnover includes revenues from the following businesses:

- Water;
- Recycling and Recovery;
- Engineering contracts, construction contracts and services.

1.5.11.1 Water

Revenue is recognised on the basis of volumes delivered to the customer in the water supply business, whether these volumes have been specifically billed ("metered") or estimated on the basis of the performance of the supply networks. As permitted by IFRS 15 and for simplification purposes, revenue corresponds to volumes delivered multiplied by a tariff per m^3 (see Note 1.4.1.7).

For sanitation or effluent treatment, the price of the service is either included in the water supply bill or is billed specifically to the local authority or industrial customer.

The revenue recognition rules for concession contracts are detailed in Note 1.5.11.4.

1.5.11.2 Recycling and Recovery

Turnover is recognised:

- according to the tonnages collected and the service provided by New SUEZ, in the waste collection activity;
- according to the volumes of waste treated and the related income from waste recovery, in incineration (sale of heat and electricity in particular) and sorting (sale of raw materials – paper, cardboard, glass, metals, plastics).

As allowed under IFRS 15 and for simplification purposes, revenue is calculated as the tonnage of waste processed multiplied by a price per tonne.

The revenue recognition rules for concession contracts are detailed in Note 1.5.11.4.

1.5.11.3 Engineering contracts, construction contracts and service contracts

Revenue is recognised, based on the stage of completion of costs, in the engineering, construction and equipment sales activities.

When it is likely that the total unavoidable direct costs of the contract will exceed the total expected economic benefits to be received from the contract, New SUEZ immediately recognises a loss on completion as an expense for the period. Possible losses on completion are calculated at the contract level by applying IAS 37 and not for each service obligation.

Partial payments received on these so-called construction contracts, before the related work has been performed, are recognised as advances and deposits received within contract liabilities (see also Note 1.5.13).

The positive difference between the cumulative amount of recognised revenue and progress billings is recorded as "amounts due from customers on construction contracts" within contract assets (see Note 1.5.13). If negative, this difference is recognised in "amounts due to customers on construction contracts" within contract liabilities.

1.5.11.4 Concession contracts

A significant portion of the activities in the Water and Recycling & Recovery businesses are carried out under concession contracts, in particular to operate drinking water production and distribution, wastewater treatment and waste incineration facilities.

SIC 29 – Service Concession Arrangements – Disclosures deals with the disclosures to be made in the notes to the financial statements regarding concession arrangements.

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

- the concession grantor, usually a public authority, is obliged to provide a public service which it delegates to New SUEZ acting as the concessionaire (decisive criterion);
- the concessionaire New SUEZ is responsible for the management of the associated infrastructure and the provision of the public service itself, not just an agent acting on orders;
- the concessionaire New SUEZ has more or less extensive obligations to expand or improve the existing infrastructure, and in any case an obligation to maintain this infrastructure in good condition;
- the price and the conditions (regulation) of price revision are fixed at the origin of the contract.

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

- the grantor controls or regulates the public service, i.e. it controls or regulates the services to be provided by the infrastructure under concession and determines to whom and at what price they are to be provided; and
- the grantor controls any residual interest in the infrastructure at the end of the contract. This control is most often reflected in the grantor's right to take over the infrastructure at the end of the contract.

IFRIC 12 applies in the context of IFRS 15. Concession contracts usually include two performance obligations: construction and operation:

- construction services include the creation of new infrastructure, the extension or improvement of existing infrastructure, financed by the concessionaire, and which allow future economic benefits to be created. Revenue from construction services is recognised in all cases using the percentage-of-completion method, since the infrastructure is built on the customer's site. The customer takes control of the infrastructure as it is built. The accounting counterpart of the revenue is a contract asset (see Note 1.6.15), as long as construction is in progress. At the date of commissioning, the contract asset is reclassified, depending on how New SUEZ is remunerated for the service.

  Thus:

  - the asset becomes a receivable, and therefore a financial asset, when the concessionaire obtains the unconditional right to receive a predetermined amount of cash, either directly from the concession grantor, or indirectly through guarantees given by the concession grantor on the amount of cash received from the users of the public service (*via*, for example, a contractually guaranteed Internal Rate of Return) The receivable contains a financing component within the meaning of IFRS 15 since the customer pays over several years for a service already provided by New SUEZ. This accounting scheme applies in particular to BOT (*Build Operate Transfer*) contracts signed with local authorities and relating to public services (water treatment, household waste incineration),
  - when the concessionaire does not obtain an unconditional right to receive a predetermined amount of cash, the asset becomes an intangible asset: the concessionaire then benefits from a simple right to invoice the users of the public service; the concessionaire is paid in substance by the user. This scheme corresponds to the majority of New SUEZ concession contracts,
  - finally, when the concessionaire obtains this unconditional right to receive cash only for part of its construction service, the counterpart of the turnover is a financial asset for this part, and an intangible asset for the remaining amount;
- the operating service includes the day-to-day operation of the infrastructure, the provision of the operating service to the customer (drinking water distribution; waste treatment, etc.) and the provision of replacement services to maintain the facilities in good condition.

The amounts received from the customer under the concession agreement are split between construction fees and operating fees in accordance with IFRS 15 and IFRIC 12:

- when the asset created is a receivable, the amounts received from the client in compensation for the construction service are recorded partly as interest income in revenue, and partly as repayment of the principal of the receivable; the amount received in compensation for the operating service is recorded in revenue;
- when the asset created is an intangible asset, it is amortised over the term of the concession agreement. All amounts received from the customer are fully recognised as revenue.

Fixed assets received free of charge from the grantor, as items of infrastructure to which the concessionaire is given access for the purposes of the service agreement, which cannot be sold and which are returned free of charge to the grantor at the end of the contract, are not included in the statement of financial position.

New SUEZ may be liable to make payments to the grantor in certain circumstances. If these payments are not made in exchange for goods or services that are separate from the concession agreement, these payments constitute, by application of IFRIC 12:

- a reduction in the selling price of the infrastructure, recognised as an operating expense, when the consideration for the construction service is a financial asset;
- an increase in the intangible asset when the consideration for the construction work is an intangible asset, and the payments to the grantor are fixed; the amount of this increase in the intangible asset is the present value of the future fixed payments;
- an operating expense when the consideration for the construction service is an intangible asset, and the payments to the grantor are variable.

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

They are recognised either as an asset in the statement of financial position as an intangible asset or a financial asset according to the model applicable to the contract if they generate future economic benefits (renewal with improvement), or as an expense in the opposite case (identical renewal).

A concession asset or liability is recognised for replacement expenditure when, at a given date, there is a time lag between the contractual commitment and its realisation.

The amounts are calculated per contract according to the obligations of each contract.

1.5.12 Costs of obtaining and enforcing contracts

IFRS 15 also establishes principles for accounting for the costs of obtaining and performing contracts with customers.

New SUEZ recognises as an asset in the statement of financial position all significant incremental costs of obtaining contracts signed with customers, when these costs were incurred after the date on which it obtained virtual certainty of being awarded the contracts. These incremental costs are the costs it incurs to obtain a contract with a customer that it would not have incurred had it not been awarded the contract (e.g. commissions paid to sales staff when obtaining contracts).

New SUEZ also recognises the costs of executing contracts as an asset in the statement of financial position, when these costs:

- are directly linked to a specific contract (direct labour costs, costs that can be re-invoiced to the client, raw material costs);
- provide the Group with new or increased resources that will be used to meet, or continue to meet, a performance obligation in the future;
- and that it expects to recover these costs.

The assets thus recognised on the costs of obtaining and executing contracts are then amortised in the income statement as the services are provided to the client. They appear under the heading "Depreciation, amortisation and provisions" in the combined income statement and are thus included in current operating income.

1.5.13 Contract assets and liabilities

New SUEZ presents the trade receivables corresponding to the unconditional right to receive cash in exchange for contractual obligations already fulfilled as an isolated asset in the statement of financial position.

There are also situations where it has partially fulfilled its obligations under contracts signed with customers but has not yet obtained an unconditional right to collect, for example because a technical milestone has not been reached at the balance sheet date. These situations lead to the presentation of the assets concerned on two separate lines in the statement of financial position: "Non-current contract assets" and "Current contract assets". Contract assets are impaired, as soon as impairment losses on these assets are expected, by applying the same principles as those described in Note 1.5.9 for impairment losses on trade receivables.

There are also contract liabilities with customers, incurred because the customers have already paid for services that New SUEZ has not yet performed (advance payments received for services not yet performed; deferred income). They are isolated on two separate lines: "Non-current contract liabilities" and "Current contract liabilities".

1.5.14 Current operating profit (COI)

Current Operating Income is an indicator used by New SUEZ that makes it possible to present "a level of operating performance that can be used for a forward-looking approach to recurring performance" (in accordance with Recommendation ANC 2013-03, relating to the format of financial statements of companies under international accounting standards). Indeed, the COI is a management balance that facilitates the understanding of the Group's performance by excluding items that, by nature, have an insufficient degree of predictability, given their unusual, abnormal or infrequent nature. For the Group, these items correspond to impairment losses on assets, restructuring charges, scope effects, other disposal results and non-recurring items. They are defined as follows:

- impairment losses on assets: this heading includes impairment losses on *goodwill*, intangible assets, property, plant and equipment, investments in associates and equity instruments;
- restructuring costs: These are costs corresponding to a programme planned and controlled by management, which significantly modifies either the scope of the company's activity or the way in which this activity is managed, in accordance with the criteria provided for by IAS 37; Also included in 2021 are:
  - the one-off impact of bonuses distributed to employees of the combined scope by the combined companies and linked to the completion of the VEOLIA takeover bid over the former SUEZ,
  - and the early payment of deferred compensation schemes set up within the Former SUEZ, and from which the employees of the combined companies benefited;
- perimeter effects. This line includes:
  - direct acquisition costs in the event of a takeover,
  - the effects of revaluations, at acquisition date fair value, of previously held interests in the case of step acquisitions,
  - subsequent changes in the fair value of earn-outs,
  - the results of disposals of shareholdings that lead to a change in the method of combination and, where applicable, the effects of revaluation of retained interests;
- other gains and losses on disposals and non-recurring items: this heading includes in particular gains and losses on disposals of non-current assets and equity instruments;
- other non-recurring operations.

1.5.15 Cash flow statements

The statements of cash flows are prepared using the indirect method from net income.

Interest received from non-current financial assets" is classified as a flow from investing activities because it represents a return on investment. Interest received on cash and cash equivalents" is classified as a flow from financing activities because it reduces the cost of obtaining financial resources.

Impairment losses on current assets are treated as definitive losses; consequently, the change in current assets is presented net of impairment.

The flows related to the payment of taxes are isolated.

In accordance with the terms of IAS 7 "Statement of Cash Flows", the cash and cash equivalents item in the statement of cash flows includes bank overdrafts when the counterparty bank can demand repayment on demand of the negative balance and when the balance of the accounts concerned regularly changes from a negative to a positive position. In this case, the 'combined statement of cash flows' includes explanations of the reconciling items to the cash and cash equivalents item in the statement of financial position.

1.5.16 Taxes

New SUEZ calculates its income taxes in accordance with the tax legislation in force in the countries where the results are taxable.

The tax charge at 31 December 2021 has been recognised on a standalone basis, entity by entity, including for entities included in the tax consolidation groups.

In application of the French tax consolidation agreement, the deficits recognised during the period of membership of the French tax consolidation of the former SUEZ are the property of the Former SUEZ. As a result, no deferred tax assets have been recognised in respect of these deficits in the combined financial statements presented.

All of each entity's temporary differences (which form the basis of deferred tax assets and liabilities) are recognised in the combined financial statements.

In accordance with IAS 12, temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and their tax bases result in the recognition of deferred tax using the liability method at tax rates enacted or substantively enacted at the balance sheet date.

However, in accordance with the requirements of IAS 12, no deferred tax is recognised on temporary differences arising from *goodwill* whose impairment is not deductible or from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit at the transaction date.

New SUEZ does not recognise deferred tax at the date of first recognition of the leases, since at this date the temporary differences relating to the lease assets and liabilities are fully offset. However, deferred taxes are recognised after the effective date of the leases in the amount of the temporary differences between the book value and the tax value that are no longer offset due to the differences in the book value of the lease assets and liabilities.

Furthermore, a deferred tax asset is only recognised if it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

Deferred tax balances are determined on the basis of the tax position of each company or the aggregate result of the companies included in the relevant tax consolidation group and are presented as assets or liabilities in the statements of financial position for their net position by tax entity.

Deferred taxes are reviewed at each balance sheet date to take into account the impact of changes in tax legislation and the prospects for recovery of deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

Note 2 Major operations

2.1 Main internal reorganisations within the SUEZ Group during the 2021 financial year and impacting the entities of the New SUEZ combination scope

In view of the acquisition by the Consortium of New SUEZ, several acquisition and disposal transactions within Former SUEZ were carried out between the combined and non-combined perimeters. The transactions that impact the combined accounts consist of:

- purchases by combined companies of shares in already combined companies;
- disposals by combined companies of shares in non-combined companies.

The impact on the combined net assets of the acquisition by combined companies of the previously combined entities corresponds mainly to:

- €404.9m to acquire the shares of Acea (previously combined entity) from Former SUEZ Holding (uncombined entity);
- €251.4m to acquire the shares of R&V Réunion (previously combined entity) from SUEZ Groupe (non-combined entity);
- €69.4m to acquire the Ovak shares (previously combined entity) from SUEZ Groupe (non-combined entity);
- €27.8m to acquire the Vak shares (previously combined entity) from SUEZ Groupe (non-combined entity);
- €26.4m to acquire the BVK shares (previously combined entity) from SUEZ Groupe (non-combined entity);
- €514.9m to acquire the shares of companies in the Water Asia perimeter (previously combined entities) from SITA Asia Pacific (non-combined entity).

These amounts make up the bulk of the "Decrease in combined net assets" line, which amounts to €1,268.3m on the statement of changes in combined net assets.

The impact on the combined net assets of the disposal of non-combined entities by combined companies is mainly due to:

- €464.8m to dispose of the shares of IWS (non-combined entity) by R&V France (combined entity);
- €244.6m to dispose of the shares in SUEZ Australia (non-combined entity) by SUEZ International (combined entity);
- €267.4m to dispose of the OSIS shares (non-combined entity) by R&V France (combined entity). This transaction is not related to the acquisition by the Consortium.

These amounts make up the bulk of the line "Increases in combined net assets" which amounts to €1061.4m in the statement of changes in combined net assets.

The impact of these transactions on cash and cash equivalents is presented under the heading "Net effect of reorganisation operations for the creation of New SUEZ" in statements of combined cash flow for a total of €106.3m.

The difference between this positive cash flow and the sum of the increases and decreases in combined net assets (negative cash flow of €207m) is mainly explained by the part of the acquisition price that remained unpaid at closing date and is recorded under current liabilities in the statements of financial position.

2.2 Acquisition by SUEZ Asia Ltd (non-combined entity) of minority interests in SUEZ NWS (combined entity) and Suyu (combined entity) in China

On January 11, 2021, Former SUEZ announced the signing of an agreement with its historical partner NWS Holdings Limited (NWS) to acquire NWS's minority interests in all of the two Groups' joint operations in Greater China. These acquisitions strengthen Former SUEZ presence in Greater China and simplify the structure of its activities in the region. Upon completion of the transaction, Former SUEZ owned 100% of SUEZ NWS and Suyu.

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

Following the acquisition of the indirect 50% stake in NWS, Former SUEZ owned 100% of Suyu.

On 15 November 2021, the acquisition of the entire 42% minority stake in SUEZ NWS was finalised.

These acquisitions were made by SUEZ Asia Ltd, which is not included in the scope of combination. These operations had an impact on the combined net assets, group share, of €494.7m.

Note 3 Operating segments information

3.1 Reportable segments

In both 2020 and 2021, the New SUEZ perimeter was part of the Former SUEZ. The reportable segments presented below are therefore those that were used by the Former SUEZ.

In accordance with the provisions of IFRS 8 – Segment Reporting, four reportable segments grouping the activities of the various regions and/or *business units* have been retained by Former SUEZ to present its segment reporting; they have been identified on the basis of internal reporting, in particular those monitored by the Executive Committee of Former SUEZ, made up of Former SUEZ's main operational decision makers:

The subsidiaries of New SUEZ are thus divided into the following reportable segments:

- **Water**: water distribution and treatment services, particularly under concession contracts (water management). They are delivered to individuals, local authorities or industrial clients;
- **Recycling and Recovery**: services and treatment of waste *vis-à-vis* local authorities and industrial clients. They include collection, sorting, recycling, composting, energy recovery and landfill, for ordinary waste;
- **ETS**: This segment includes all water services for the industrial customer segment, hazardous Waste Services and treatment as well as services, technologies and solutions (SMART) tailored to the specific needs of industrial or municipal customers (Advanced Solutions) and Consulting services;
- segment "**Other**".

3.2 Key indicators by reportable segments

In both 2020 and 2021, the New SUEZ perimeter was part of the Former SUEZ. The key indicators presented below are therefore those used by the former SUEZ. EBITDA, EBIT, Capital Employed and Investments indicators are reconciled to the combined financial statements.

Turnover

(in millions of euros)	December 31, 2021			December 31, 2020		
	Non-Group	Group	Total	Non-Group	Group	Total
Water	3,679.3	2.3	3,681.6	3,515.5	13.3	3,528.8
Recycling and Recovery	3,441.8	44.5	3,486.3	2,733.6	48.7	2,782.3
ETS	360.9	38.5	399.4	323.8	87.2	411.0
Other	52.2	-	52.2	35.8	89.4	125.2
Intercompany eliminations		(85.3)	(85.3)		(238.6)	(238.6)
Total revenues	**7,534.2**	**-**	**7,534.2**	**6,608.7**	**-**	**6,608.7**

EBITDA

(in millions of euros)	December 31, 2021	December 31, 2020
Water	907.1	812.2
Recycling and Recovery	489.8	349.8
ETS	36.1	19.4
Other	21.2	1.3
Total EBITDA	**1,454.2**	**1,182.7**

EBIT

(in millions of euros)	December 31, 2021	December 31, 2020
Water	379.2	256.8
Recycling and Recovery	170.5	(3.5)
ETS	4.7	(13.2)
Other	(9.4)	(23.7)
Total EBIT	**545.0**	**216.4**

Depreciation and amortization

(in millions of euros)	December 31, 2021	December 31, 2020
Water	(295.2)	(284.2)
Recycling and Recovery	(250.8)	(264.8)
ETS	(30.3)	(28.0)
Other	(9.3)	(17.5)
Total depreciation and amortization	**(585.6)**	**(594.5)**

Capital employed

(in millions of euros)	December 31, 2021	December 31, 2020
Water	3,405.3	3,915.1
Recycling and Recovery	1,500.7	1,595.3
ETS	291.3	228.0
Other	14.2	(422.8)
Total Capital employed	**5,211.5**	**5,315.6**

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

(in millions of euros)	December 31, 2021	December 31, 2020
Water	(224.2)	(256.1)
Recycling and Recovery	(189.6)	(226.6)
ETS	(77.3)	(23.5)
Other	14.4	34.3
Total investments	**(476.6)**	**(471.8)**

3.3 Key indicators by geographical area

The indicators below are broken down:

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

	Revenues		Capital Employed	
(in millions of euros)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
France	4,601.3	4,183.2	2,063.6	2,340.9
Europe	1,061.1	719.7	892.5	849.8
Rest of the world	1,871.8	1,705.8	2,255.4	2,124.9
Total	**7,534.2**	**6,608.7**	**5,211.5**	**5,315.6**

3.4 Reconciliation of indicators with financial statements

3.4.1 Reconciliation of EBIT and EBITDA to current operating income

(in millions of euros)	December 31, 2021	December 31, 2020
Current operating income	**296.2**	**25.0**
(+) Share in net income of equity-accounted companies considered as core business	175.2	119.3
(-) Others	73.5	72.1
EBIT	**544.9**	**216.4**
(-) Net depreciation, amortization and provisions	608.3	690.1
(-) Share-based payments [a]	19.5	-
(-) Disbursements under concession contracts	281.6	276.2
EBITDA	**1,454.2**	**1,182.7**

(a) Excluding cash compensation plans (granting performance units plan and long-term incentive plan).

3.4.2 Cost of doing Business

Former SUEZ did not include in the definition of its EBIT and EBITDA indicators the know-how and brand royalties invoiced to its subsidiaries. However, according to the Management of New SUEZ, these represent a part of the cost of doing business. The table below shows the impact that the integration of these amounts would have on EBIT and EBITDA.

(in millions of euros)	December 31, 2021	December 31, 2020
EBIT	**544.9**	**216.4**
(-) Know-how and brand royalties	73.5	72.2
EBIT including royalties	**471.4**	**144.2**

(in millions of euros)	December 31, 2021	December 31, 2020
EBITDA	**1,454.2**	**1,182.7**
(-) Know-how and brand royalties	73.5	72.2
EBITDA including royalties	**1,380.7**	**1,110.5**

3.4.3 Reconciliation of capital employed to the statement of financial position headings

(in millions of euros)	December 31, 2021	December 31, 2020
(+) Tangible and intangible assets, net	2,927.6	2,962.0
(+) Goodwill, net	999.4	959.6
(+) Rights of use	467.5	573.8
(+) Equity instrument (excluding marketable securities and impact of revaluation to fair value)	88.8	123.6
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	757.2	795.7
(+) Investments in joint ventures (excluding Other comprehensive income net of taxes)	626.7	851.4
(+) Investments in associates (excluding Other comprehensive income net of taxes)	1,677.0	778.3
(+) Trade and other receivables	2,491.9	2,327.3
(+) Inventories	209.8	192.5
(+) Contracts assets	363.4	333.9
(+) Other current and non-current assets	918.5	1,037.7
(-) Provisions and actuarial losses/gains on pensions plans	(802.4)	(747.0)
(-) Trade and other payables	(2,225.9)	(1,660.7)
(-) Contracts liabilities	(726.4)	(755.2)
(-) Other current and non-current liabilities	(2,555.2)	(2,456.6)
(-) Other financial liabilities	(6.5)	(0.7)
Capital employed	**5,211.5**	**5,315.6**

3.4.4 Reconciliation of investments with the statement of cash flows

(in millions of euros)	December 31, 2021	December 31, 2020
Investments in property, plant and equipment and intangible assets	(409.2)	(455.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	(7.8)	13.8
Acquisitions of interests in associates and joint-ventures	(37.3)	(25.6)
Acquisitions of equity instruments	(22.3)	(5.0)
Total investments	**(476.6)**	**(471.8)**

Note 4 Current operating income

4.1 Turnover

4.1.1 Turnover by nature

The breakdown of New SUEZ's turnover by type of service is as follows:

(in millions of euros)	December 31, 2021	December 31, 2020
Water, Recycling and Recovery	429.1	406.7
Construction contracts, equipment sales, engineering and other services	6,314.0	5,545.6
Sale of chemical treatments for industrial water	791.1	656.4
Total	**7 534.2**	**6 608.7**

4.1.2 Backlog

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

The breakdown of the order book is as follows:

(in millions of euros)	Total	Less than a year	From 1 to 5 years	Beyond 5 years
December 31, 2021	1,159.6	582.5	538.1	39
December 31, 2020	1,221.8	509.4	642.2	70.2

4.1.3 Contract assets and liabilities

Contract assets and liabilities include balances due to or from customers under construction contracts:

	December 31, 2021		December 31, 2020	
(in millions of euros)	Non current	Current	Non current	Current
Contracts assets	67.2	296.1	66.2	267.7
Contracts liabilities	133.8	592.6	103.6	651.6

Contract assets and liabilities include balances due to or from customers under construction contracts:

(in millions of euros)	December 31, 2021	December 31, 2020
Amounts due from customers under construction contracts	168.6	128.4
Amounts due to customers under construction contracts	239.5	154.6
Net position	**(70.9)**	**(26.2)**

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

(in millions of euros)	December 31, 2021	December 31, 2020
Cumulated costs incurred and margins recognized	4,352.0	3,898.4
Advances received	174.0	210.3
Retentions	47.1	21.7

4.2 Personnel costs

(in millions of euros)	December 31, 2021	December 31, 2020
Short-term benefits	(1,807.2)	(1,709.4)
Share-based payments or by cash payment	(30.9)	1.4
Post-employment benefit obligations and other long-term benefits	(9.8)	(46.8)
Total	**(1 847.9)**	**(1,754.8)**

Short-term benefits correspond to salaries and costs recognised during the period. Their variation between 2020 and 2021 is mainly explained by the mechanisms for reducing social security charges and short-time working implemented by the authorities in France in 2020 (COVID impacts).

Post-employment and other long-term benefits are disclosed in Note 17. The amount corresponds to the expenses for defined benefit pension plans (see Note 17.2.3).

4.3 Depreciation, amortisation and provisions

The amounts shown below are net of reversals.

(in millions of euros)	December 31, 2021	December 31, 2020
Amortization	(585.6)	(594.3)
Depreciation of inventories, trade receivables and other assets	(7.5)	(62.8)
Net change in provisions [a]	(15.2)	(33.0)
Total	**(608.3)**	**(690.1)**

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

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

(in millions of euros)	December 31, 2021	December 31, 2020
Other operating income	**231.2**	**210.9**
Other operating expenses	**(2,755.8)**	**(2,857.7)**
Sub-contracting	(1,231.4)	(1,068.8)
Taxes excluding corporate income tax	(289.0)	(251.4)
Other expenses	(1,235.4)	(1,537.5)
Total	**(2 524.6)**	**(2 646.7)**

Subcontracting essentially corresponds to expenses incurred in the context of outsourcing part of the production cycle.

Other expenses mainly include the following types of costs: external personnel, maintenance expenses for industrial assets and fees.

Note 5 Income from operating activities

5.1 Impairment losses on tangible, intangible and financial assets

(in millions of euros)	December 31, 2021	December 31, 2020
Impairments		
Property, plant and equipment and other intangible assets	(15.5)	(99.1)
Rights of use	(5.1)	-
Financial assets	(20.8)	(28.4)
Total	**(41.4)**	**(127.5)**
Write-back of impairments		
Property, plant and equipment and other intangible assets	9.4	10.6
Financial assets	11.3	18.9
Total	**20.7**	**29.5**
Total	**(20.7)**	**(98.0)**

5.1.1 Impairment of goodwill

At December 31, 2021, as at December 31, 2020, the tests carried out on goodwill in accordance with the procedure described in Note 8.3 did not reveal any impairment.

5.1.2 Impairment of tangible and intangible assets

In 2021, this item mainly includes individually non material amounts.

In 2020, this item mainly includes site impairments in the Recycling and Recovery operating segment in France.

5.1.3 Impairment of financial assets

In both 2021 and 2020, these losses correspond mainly to impairments of financial receivables in France.

5.2 Restructuring

At December 31, 2021, restructuring expenses correspond mainly to costs related to the implementation of various restructuring plans within the New SUEZ as well as, for €29m, the impact of the early payment by the combined entities to their employees of the deferred compensation plans in place within the Former SUEZ and the impact of the special bonuses put in place as part of the creation of the New SUEZ.

At December 31, 2020, these restructurings mainly correspond to costs related to the implementation of the Shaping SUEZ 2030 strategic plan in France.

5.3 Profit or loss on disposal of tangible and intangible assets

As at December 31, 2021, disposals of property, plant and equipment and intangible assets are not material.

Note 6 Net financial income/loss

	December 31, 2021			December 31, 2020		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(39.0)	8.4	(30.6)	(61.5)	29.1	(32.4)
Other financial income and expenses	(76.6)	26.5	(50.1)	(52.0)	13.1	(38.9)
Financial income/(loss)	**(115.6)**	**34.9**	**(80.7)**	**(113.5)**	**42.2**	**(71.3)**

6.1 Cost of net debt

This item mainly includes interest expense (calculated at the effective interest rate – EIR) on gross debt, the result of foreign exchange and currency hedging on gross debt, interest income on cash investments and the change in fair value of financial assets measured at fair value through profit or loss.

	December 31, 2021			December 31, 2020		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total
Interest expense on gross borrowings	(29.3)	-	(29.3)	(38.3)	-	(38.3)
Interest expense on lease liabilities	(7.5)	-	(7.5)	(8.8)	-	(8.8)
Exchange gain/(loss) on borrowings and hedges	(1.2)	2.6	1.4	(2.5)	5.1	2.6
Unrealized income/(expense) from economic hedges on borrowings	-	-	-	-	0.6	0.6
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	5.2	5.2	-	16.4	16.4
Capitalized borrowing costs	-	0.4	0.4	-	1.0	1.0
Financial income (expense) relating to a financial debt or receivable restructuring	(1.0)	0.2	(0.8)	(11.9)	6.0	(5.9)
Cost of net debt	**(39.0)**	**8.4**	**(30.6)**	**(61.5)**	**29.1**	**(32.4)**

6.2 Other financial income and expenses

(in millions of euros)	December 31, 2021			December 31, 2020		
	Expenses	Income	Total	Expenses	Income	Total
Net interest expenses related to post employment and other long term benefits	(4.2)	0.1	(4.1)	(4.7)	0.1	(4.6)
Unwinding of discounting adjustment to long term provisions (except post employment)	(27.4)	-	(27.4)	(29.3)	-	(29.3)
Change in fair value of derivatives not included in net debt	-	-	-	-	-	-
Income from equity instruments	-	2.0	2.0	-	1.9	1.9
Other	(45.0)	24.4	(20.6)	(18.0)	11.1	(6.9)
Other Financial Income and Expenses	**(76.6)**	**26.5**	**(50.1)**	**(52.0)**	**13.1**	**(38.9)**

Note 7 Income tax

7.1 Income tax expense in the income statement

7.1.1 Breakdown of the tax expense in the income statement

The tax expense recognised in profit or loss for the year is EUR 100.0 million in 2021 compared to a charge of EUR 44.7 million in 2020. The breakdown of this tax charge is as follows:

(in millions of euros)	December 31, 2021	December 31, 2020
Current income tax	(97.6)	(71.1)
Deferred taxes	(2.4)	26.4
Total income tax expense recognized in income	**(100.0)**	**(44.8)**

7.1.2 Theoretical tax expense and recognised tax expense

The reconciliation between the theoretical tax expense and the actual tax expense recognised is presented in the following table:

(in millions of euros)	December 31, 2021
Net income	**187.7**
– Share in net income of associates and joint ventures	175.2
– Income tax expense	(100.0)
Income before income tax and share in net income of associates and joint ventures (A)	**112.5**
Statutory income tax rate of SUEZ (B)	28.4%
Theoretical income tax expense (C) = (A) X (B)	**(32.1)**
In fact:	
Difference between the normal tax rate applicable to SUEZ and the normal tax rate applicable in jurisdictions in France and outside France	13.1
Permanent differences	(91.8)
Income taxed at a reduced rate or tax-exempt	4.0
Additional tax expense	(2.1)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences	(12.0)
Recognition or utilization of tax assets on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences	13.4
Impact of changes in tax rates	5.0
Tax savings and credits	1.8
Other	0.7
Actual income tax expense	**(100.0)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates and joint ventures)	**88.9%**

Permanent differences of (91.8) million euros mainly correspond to a tax effect resulting from internal reorganisations.

7.1.3 Analysis of deferred tax income in the income statement by temporary difference category

(in millions of euros)	December 31, 2021	December 31, 2020
Deferred tax assets		
Loss carryforwards	12.1	1.2
Pension obligations	(1.2)	(4.8)
Concessions arrangements	(1.1)	3.8
Non-deductible provisions	(7.7)	12.8
Differences between the carrying amount of PPE and their tax bases	0.2	0.9
Measurement of financial instruments at fair value	0.3	(0.5)
Other	(9.2)	(2.5)
Total	**(6.6)**	**10.9**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	13.3	12.3
Concessions arrangements	6.6	(14.4)
Tax-driven provisions	(7.8)	(0.5)
Measurement of assets and liabilities at fair value	(10.4)	(6.7)
Other	2.5	24.8
Total	**4.2**	**15.5**
Net Deferred Taxes	**(2.4)**	**26.4**

7.2 Deferred tax income and expense recognised in Other comprehensive income

Deferred tax income and expenses recognised in "Other comprehensive income" are broken down by type of underlying asset as follows:

(in millions of euros)	December 31, 2021	December 31, 2020
Actuarial gains and losses	3.6	0.4
Cash flow hedges	0.1	(2.5)
Total excluding share of associates and joint ventures	**3.7**	**(2.1)**
Share of associates	(2.7)	4.3
Total	**1.0**	**2.3**

7.3 Deferred taxes in the combined statements of financial position

7.3.1 Change in deferred taxes

The change in deferred taxes recognised in the statement of financial position, after offsetting deferred tax assets and liabilities by tax entity, is broken down as follows:

(in millions of euros)	Assets	Liabilities	Net Balances
At January 1, 2021	**374.7**	**(180.0)**	**194.7**
From income statement	(6.6)	4.2	(2.4)
From Other comprehensive income [a]	4.1	(0.1)	4.0
Scope effects	(14.5)	(81.3)	(95.8)
Translation adjustments	7.0	(12.6)	(5.6)
Other impacts	(41.0)	(0.5)	(41.5)
Deferred tax netting off by tax entity	(7.2)	7.2	-
At December 31, 2021	**316.6**	**(263.1)**	**53.5**

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

7.3.2 Analysis by temporary difference category of the net deferred tax position reported in the combined statements of financial position (before offsetting deferred tax assets and liabilities by tax entity)

(in millions of euros)	December 31, 2021	December 31, 2020
Deferred tax assets		
Loss carry-forwards and tax credit	41.8	17.8
Pension obligations	97.1	93.2
Concessions arrangements	41.9	39.3
Non-deductible provisions	56.8	59.9
Differences between the carrying amount of PPE and their tax bases	88.6	85.7
Measurement of financial instruments at fair value	7.3	6.5
Other	65.0	51.8
Total	**398.5**	**354.2**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(299.3)	(307.2)
Concessions arrangements	(92.7)	(99.2)
Tax-driven provisions	(22.8)	(15.0)
Measurement of assets and liabilities at fair value	(40.5)	(28.7)
Other	110.3	290.7
Total	**(345.0)**	**(159.4)**
Net Deferred Taxes	**53.5**	**194.8**

7.4 Unrecognised deferred taxes

7.4.1 Unrecognised deductible temporary differences

► **Time differences on loss carry-forwards**

As at December 31, 2021, the amount of deferred tax on unused tax losses not recognised in the combined financial statements (as they do not meet the criteria for recognition as a deferred tax asset) is EUR 62.6 million, compared to EUR 70.1 million as at December 31, 2020.

► **Other unrecognised timing differences**

The amount of deferred tax assets on other unrecognised temporary differences is EUR 17.2 million at December 31, 2021, compared to EUR 12.2 million at December 31, 2020.

7.4.2 Unrecognised deferred taxes on taxable temporary differences relating to investments in subsidiaries

A significant deferred tax liability is recognised in respect of temporary differences for which New SUEZ is able to control the timing of the reversal of the temporary difference, and to the extent that it is probable that the temporary difference will reverse in the foreseeable future.

Note 8 Goodwills

8.1 Movements in the carrying amount of goodwill

(in millions of euros)	Gross amount	Impairment Losses	Carrying amount
At December 31, 2020	**967.4**	**(7.8)**	**959.6**
Scope effects	10.9	-	10.9
Impairment losses	-	-	-
Translation adjustments	8.5	-	8.5
Other	20.4	-	20.4
At December 31, 2021	**1,007.2**	**(7.8)**	**999.4**

In 2021, the net change in *goodwill* amounts to EUR +39.8 million and results mainly from:

- the impact of translation differences, notably the Hong Kong dollar for +€3.9 million and the Yuan +€2.9 million;
- the entry of an Australian entity into the scope of integration for +12.9 million euros.

8.2 Main goodwill CGUs

The breakdown of *goodwill* by CGU *goodwill* is as follows:

(in millions of euros)	Operating segment	December 31, 2021	December 31, 2020
Material CGUs			
Water France	Water	341.5	341.4
R&R France	Recycling and Recovery	492.0	495.6
Other CGUs			
(individual goodwill of less than EUR 80 million)		165.9	122.7
Total		**999.4**	**959.6**

8.3 Impairment test

All significant Cash Generating Units (CGUs) are tested for impairment at based on the end of June data, the last reporting period of the current year adjusted for the review of upcoming events for the second half of the year, the budget for the following year and the four year Medium Term Plan (MTP) for the remainder of the *business plan*.

The recoverable amount of goodwill CGUs is assessed by applying various methods, mainly discounted cash flow (DCF). The discounted cash flow method is based on:

- cash flow forecasts established during the period of the Medium Term Plan. They are linked to the operating conditions forecast by the Executive Committee, in particular the duration of the contracts carried by the entities in the relevant CGU, changes in tariff regulations, future market prospects;
- a terminal value, for the period beyond the MTP, determined by applying the long-term growth rate, ranging from 1.6% to 4.3% depending on the business, to the "Free Cash Flow" [1] normative (definition specific to impairment testing) of the last year of the forecast;
- a discount rate corresponding to the CGU based on the business, country and currency risks associated with each CGU. The discount rates, after tax, used in 2021 are between 4.1% and 4.6%.

When this method is used, the assessment of the recoverable amount of the CGU *goodwill* is based on three scenarios ("low", "medium" and "high") differentiated by changes in key assumptions: the discount rate and the long-term growth rate of normative free cash flow. The "medium" scenario is preferred.

The valuations obtained in this way are systematically compared with those obtained using market multiples or stock market values where applicable.

New SUEZ believes, based on events reasonably foreseeable to date, that there is no reason to recognise a material impairment loss on the goodwill presented in the statement of financial position, and that any changes in the key assumptions described below would not result in a shortfall in the recoverable amount compared to the carrying amount.

At 31 December 2021, New SUEZ also considered the value of the transactions to be carried out (Consortium transaction) in the context of the recoverable amount tests.

Main assumptions used on significant goodwill

The table below describes the method and discount rate used in the review of the recoverable amount of Cash Generating Units with significant *goodwill*:

Cash-generating units	Measurement method	Discount rates
Water France	DCF	4.3%
R&R France	DCF	4.3%

8.4 Sensitivity to interest rate and operational assumptions

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

	Discount rates		Growth rate of normalized Free Cash Flow	
Impact in % on excess of recoverable value over book value	50 pb	+ 50 pb	- 50 pb	+ 50 pb
Water France	27%	-18%	-18%	27%
R&R France	53%	-34%	-33%	50%

In addition, New SUEZ has ensured that a reasonable decrease (less than or equal to 5%) in cash flows over the duration of the medium-term plan and in the terminal value would not call into question the value of the *goodwill* of the various significant CGUs.

(1) The "normative" Free Cash Flow used in the impairment tests differs from the Free Cash Flow in the following respects: no financial interest, use of a normative tax, taking into account all investment flows (maintenance and financial disposals, development and financial acquisitions already committed).

8.5 Segment information

The breakdown by reportable segment of the carrying amount of *goodwill* is as follows:

(in millions of euros)	December 31, 2021	January 1, 2021
Water	419.9	409.1
Recycling and Recovery	506.3	495.6
ETS	73.3	54.9
Total	**999.4**	**959.6**

Note 9 Intangible assets

9.1 Movements in the carrying amount of intangible assets

(in millions of euros)	Softwares	Intangible rights arising on concession contracts	Other	Total
A. Gross amount				
At December 31, 2020	**529.3**	**2,827.1**	**513.2**	**3,869.6**
Acquisitions	32.9	135.3	41.9	210.1
Disposals	(6.5)	(212.6) [a]	(3.8)	(222.9)
Translation adjustments	0.8	62.7	1.4	64.9
Changes in scope of consolidation	(1.6)	-	6.3	4.7
Other	27.1	-	(32.2)	(5.1)
At December 31, 2021	**582.0**	**2,812.5**	**526.8**	**3,921.3**
B. Accumulated depreciation and impairment				
At December 31, 2020	**(371.5)**	**(1,671.3)**	**(351.9)**	**(2,394.7)**
Depreciation	(43.2)	(179.4)	(19.6)	(242.2)
Impairment losses	-	(1.7)	-	(1.7)
Disposals	5.6	204.3 [a]	3.8	213.7
Translation adjustments	(0.7)	(27.6)	(0.7)	(29.0)
Changes in scope of consolidation	1.1	-	(3.0)	(1.9)
Other	(1.3)	(4.1)	(0.3)	(5.7)
At December 31, 2021	**(410.0)**	**(1,679.8)**	**(371.7)**	**(2,461.5)**
C. Carrying Amount				
At December 31, 2020	**157.8**	**1,155.8**	**161.3**	**1,474.9**
At December 31, 2021	**172.0**	**1,132.7**	**155.1**	**1,459.8**

(a) At the end of concession contract, intangible assets falling within the scope of IFRIC 12 are sold, in gross value, amortizations and impairments by disposal flows.

9.2 Information on intangible assets

Intangible rights on concession contracts

New SUEZ manages concession contracts within the meaning of SIC 29 (see Notes 1.4.11.3), in the areas of drinking water distribution, wastewater treatment and waste processing. The rights given to New SUEZ as concessionaire over infrastructure, falling within the scope of IFRIC 12 and corresponding to the intangible model, are recognised under this heading. They include in particular the rights to invoice users in application of the IFRIC 12 intangible asset model.

Research and development costs

Research and Development activities involve carrying out various studies relating to technological innovation, improving the efficiency of installations, safety, environmental protection and quality of service.

Research and development costs that do not meet the measurement criteria defined by IAS 38 are expensed, with a decrease of 33.7 million euros at 31 December 2021. This decrease is justified by the effect of the Covid-19 pandemic and the postponement of related innovation and research and development projects.

Expenditure on internal projects in the development phase that meet the criteria for recognition as an intangible asset is not material for the year 2021.

Note 10 Property, plant and equipment

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

(in millions of euros)	Lands	Constructions	Plant and equipment	transport equipment	Capitalized dismanting and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
At December 31, 2020	**826.7**	**997.7**	**2,049.3**	**340.7**	**306.7**	**223.9**	**123.8**	**4,868.8**
Acquisitions	3.0	16.0	46.4	3.1	-	145.3	4.2	218.0
Disposals	(2.3)	(15.2)	(68.8)	(27.1)	-	-	(8.8)	(122.2)
Translation adjustments	0.1	2.0	20.6	1.2	-	0.8	1.7	26.4
Changes in scope of consolidation	-	(0.4)	(43.5)	5.3	(3.5)	5.0	1.4	(35.7)
Other	(16.7)	15.3	50.4	2.0	5.2	(69.2)	2.1	(10.9)
At December 31, 2021	**810.8**	**1,015.4**	**2,054.4**	**325.2**	**308.4**	**305.8**	**124.4**	**4,944.4**
B. Accumulated depreciation and impairment								
At December 31, 2020	**(563.3)**	**(685.1)**	**(1,405.9)**	**(310.5)**	**(306.7)**	**(6.1)**	**(104.1)**	**(3,381.7)**
Depreciation	(41.5)	(35.0)	(101.9)	(14.9)	-		(6.0)	(199.3)
Impairment losses	(9.9)	(1.8)	(0.1)	-		(0.5)	(1.5)	(13.8)
Disposals	3.3	16.3	50.0	25.5	-	2.7	8.2	106.0
Translation adjustments	-	(0.7)	(9.4)	(1.1)	-	-	(1.4)	(12.6)
Changes in scope of consolidation	-	0.3	19.1	(4.2)	3.5	-	(1.1)	17.6
Other	3.5	7.7	(0.8)	2.2	(5.3)	-	(0.1)	7.2
At December 31, 2021	**(607.9)**	**(698.3)**	**(1,449.0)**	**(303.0)**	**(308.5)**	**(3.9)**	**(106.0)**	**(3,476.6)**
C. Carrying Amount								
At December 31, 2020	**263.4**	**312.6**	**643.4**	**30.2**	**-**	**217.8**	**19.7**	**1,487.1**
At December 31, 2021	**202.9**	**317.1**	**605.4**	**22.2**	**(0.1)**	**301.9**	**18.4**	**1,467.8**

In 2021, the main changes correspond to acquisitions of assets under construction (+145.3 million euros), mainly in France.

10.2 Tangible assets pledged as security

Tangible assets pledged as collateral for financial liabilities are stable and amount to EUR 5.1 million at 31 December 2021.

10.3 Contractual commitments to acquire property, plant and equipment

In the normal course of their activities, some New SUEZ companies have undertaken to invest in technical facilities which the third parties concerned undertake to deliver in return.

The contractual commitments for investment in tangible assets made by New SUEZ amount to 111.8 million euros as at 31 December 2021.

Note 11 Investments in joint ventures and associates

11.1 Interests in joint ventures

The most significant shareholdings are the Chinese joint ventures, 50% of which are held by the Hong Kong-based SUEZ NWS Limited group and 50% by the local authorities granting the concession. Given the full integration of SUEZ NWS Limited into the Former SUEZ, the shares of all the joint ventures held (including the aforementioned Chinese joint ventures) are accounted for using the equity method based on the percentage held by SUEZ NWS Limited (50% for the Chinese joint ventures) and represent 620.5 million euros as of 31 December 2021.

The other significant holding at 31 December 2020, the Suyu Group, is no longer presented as a joint venture at 31 December 2021. The completion on 11 May 2021 of the acquisition of NWS's (NWS Holdings Limited) 50% stake in Suyu brought Former SUEZ's holding in the latter to 100%. In addition, this transaction led to the reclassification of Derun Environnement, which was 25.1% owned and previously classified as a joint venture through the Suyu group, as an "associated company".

	Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures	
(in millions of euros)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
SUEZ NWS Limited Group	620.5	532.0	45.2	33.8
Suyu Group	0.0	313.2	0.0	1.4
Other	6.2	6.3	(0.1)	1.4
Total	**626.7**	**851.4**	**45.2**	**36.6**

(in millions of euros)	December 31, 2021	December 31, 2021
Net income	45.2	36.6
Other comprehensive income (OCI)	28.9	4.3
Comprehensive income	**74.1**	**40.9**

The following are the summarised financial statements (at 100%) of the Chinese joint ventures accounted for by the equity method at SUEZ NWS Limited on the one hand, and of the Suyu Group, for the 2020 financial year only, on the other hand, as these holdings remain the most significant at the level of New SUEZ.

Summary financial statements

(in millions of euros)	December 31, 2021 Chinese joint ventures	December 31, 2020 Chinese joint ventures	Suyu Group [a]
Non-current assets	1,514.4	1,347.0	844.4
Current assets	593.6	535.3	7.7
of which Cash and cash equivalents	*289.8*	*266.5*	*7.7*
Total assets	**2,108.1**	**1,882.3**	**852.1**
Shareholders' equity, Group share	1,122.3	975.2	626.4
Non-controlling interests	9.6	8.0	-
Total shareholders' equity	**1,131.9**	**983.2**	**626.4**
Non-current liabilities	355.8	311.0	192.4
Current liabilities	620.4	588.1	33.3
Total shareholders' equity and liabilities	**2,108.1**	**1,882.3**	**852.1**
100% dividends paid in the previous financial year	**39.3**	**63.2**	**-**

(a) In 2021, the Group, through its subsidiary SUEZ Asia, acquired an additional 50% in the Suyu Group (see Note 2.3). Following this transaction, SUEZ no longer consolidates the Suyu Group as a joint venture. SUEZ now directly owns 25.1% of Derun Environnement, which is now classified as an associate. It was previously classified as a joint venture through the Suyu group.

Summary income statements

(in millions of euros)	December 31, 2021 Chinese joint ventures	December 31, 2020 Chinese joint ventures	Suyu Group
Revenues	601.2	541.1	-
Current operating income	116.1	111.7	(0.1)
Net income – group share	90.9	70.5	2.9
Net income – non-controlling interests	1.0	1.1	-
Net income	**91.9**	**71.6**	**2,9** [a]
Other comprehensive income (OCI) [b]	96.3	(24.7)	(12.5)
Comprehensive income	**188.1**	**46.9**	**(9.6)**

(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.

11.2 Investments in associates

Investments and share of profit in associates break down as follows:

(in millions of euros)	Carrying amount of investments in associates December 31, 2021	December 31, 2020	Share in net income/(loss) of associates December 31, 2021	December 31, 2020
Acea Group	658.8	624.3	70.3	65.0
Derun	782.4	-	37.1	-
Other (individual contributions less than 10% of the total)	235.8	154.0	22.7	17.7
Total	**1,677.0**	**778.3**	**130.1**	**82.7**

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

(in millions of euros)	December 31, 2021	December 31, 2020
Net income	130.1	82.7
Other comprehensive income (OCI)	83.6	(3.3)
Comprehensive income	**213.7**	**79.4**

The information presented below for the Acea Group represents 100% of the summarised statements of financial position and income statements.

At the date of publication of the combined annual accounts 2021 of New SUEZ, the combined financial statements as at 31 December 2021 of the Acea Group are not available. In compliance with IAS 28 "Investments in Associates and joint ventures", the condensed statement of financial position and income statement as at 30 September 2021 correspond to the most recent accounts available.

Summary financial statements of the Acea Group

(in millions of euros)	September 30, 2021	December 31, 2020
Non-current assets	7,660.0	7,311.0
Current assets	2,736.4	2,362.6
of which Cash and cash equivalents	*746.5*	*642.2*
Total assets	**10,396.4**	**9,673.6**
Shareholders' equity, Group share	2,067.9	1,964.9
Non-controlling interests	381.7	358.4
Total shareholders' equity	**2,449.6**	**2,323.3**
Non-current liabilities	5,614.3	4,839.0
Current liabilities	2,332.5	2,511.3
Total shareholders' equity and liabilities	**10,396.4**	**9,673.6**
100% dividends paid in the previous financial year	**170.0**	**166.1**

Summary income statement for the first nine months of the Acea Group

(in millions of euros)	September 30, 2021	September 30, 2020
Revenues	2,765.8	2,471.60
Gross operating profit	930.2	858.7
Operating profit/(loss)	459.7	426
Net income – group share	248.6	218.7
Net income – non-controlling interests	31.7	32.4
Net income	**280.3**	**251.1**
Other comprehensive income (OCI)	27.2	(3.2)
Comprehensive income	**307.5**	**247.9**

Note 12 Financial instruments

12.1 Financial assets

The different categories of financial assets and their breakdown between their "non-current" and "current" portions are presented in the table below:

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Equity instruments at fair value	52.7	-	52.7	82.9	-	82.9
Loans and receivables carried at amortized cost	606.4	2,642.7	3,249.1	741.9	2,381.2	3,123.1
Loans and receivables carried at amortized cost (excluding trade and other receivables)	606.4	150.8	757.2	741.9	53.9	795.8
Trade and other receivables	-	2,491.9	2,491.9	-	2,327.3	2,327.3
Financial assets measured at fair value	0.1	36.9	37.0	-	30.5	30.5
Derivative financial instruments	0.1	9.7	9.8	-	7.1	7.1
Financial assets measured at fair value through income	-	27.2	27.2	-	23.4	23.4
Cash and cash equivalents	-	1,157.9	1,157.9	-	1,031.0	1,031.0
Liquid financial investments	-	-	-	-	-	-
Other cash and cash equivalents	-	1,157.9	1,157.9	-	1,031.0	1,031.0
Total	**659.2**	**3,837.5**	**4,496.7**	**824.8**	**3,442.7**	**4,267.5**

12.1.1 Equity instruments at fair value

Movements in equity instruments at fair value can be analysed as follows:

(in millions of euros)	Equity instruments at FV through OCI	Equity instruments at FV through income
At December 31, 2020	**82.8**	**0.1**
Acquisitions	21.4	-
Net book value of disposals	(9.1)	-
Changes in fair value posted to equity as Other comprehensive income	25.1	-
Changes in fair value posted to income statement	-	-
Changes in scope, exchange rates and other	(67.8)	0.2
At December 31, 2021	**52.4**	**0.3**

The equity instruments at fair value through OCI and through profit or loss held by the Group at 31 December 2021 are unlisted securities.

12.1.2 Loans and receivables at amortised cost

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**606.4**	**150.8**	**757.2**	**741.9**	**53.9**	**795.8**
Loans granted to affiliated companies [a]	582.0	13.9	595.9	557.1	27.6	584.7
Other receivables at amortized cost	-	-	-	-	-	-
Concession receivables	24.4	136.9	161.3	184.8	26.3	211.1
Finance lease receivables	-	-	-	-	-	-
Trade and other receivables	**-**	**2,491.9**	**2,491.9**	**-**	**2,327.3**	**2,327.3**
Total	**606.4**	**2,642.7**	**3,249.1**	**741.9**	**2,381.2**	**3,123.1**

(a) This item primarily includes loans granted to associates accounted for under the equity method and/or to non-consolidated companies, and amount to EUR 64.6 million as of December 31, 2021, versus EUR 55.3 million as of December 31, 2020.

Impairments and losses on loans and receivables at amortised cost are presented below:

(in millions of euros)	December 31, 2021 Gross	December 31, 2021 Depreciation and impairment	December 31, 2021 Net	December 31, 2020 Gross	December 31, 2020 Depreciation and impairment	December 31, 2020 Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	784.4	(27.2)	757.2	820.3	(24.5)	795.8
Trade and other receivables	2,701.5	(209.6)	2,491.9	2,543.4	(216.1)	2,327.3
Total	**3,485.9**	**(236.8)**	**3,249.1**	**3,363.7**	**(240.6)**	**3,123.1**

Information on the ageing of past due receivables not impaired and the monitoring of counterparty risk on loans and receivables at amortised cost (including trade and other receivables) is presented in Note 13.2 "Counterparty risk".

The net gains and losses recognised in profit or loss on loans and receivables at amortised cost are as follows (including trade receivables):

(in millions of euros)	Interests	Remeasurement post-acquisition Translation adjustment	Remeasurement post-acquisition Impairment
At December 31, 2020	16.6	(0.6)	(68.5)
At December 31, 2021	**13.8**	**0.4**	**(9.1)**

Trade and other receivables

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

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

12.1.3 Financial assets measured at fair value

This item, consisting of derivative financial instruments and financial assets measured at fair value through profit or loss excluding derivatives, is analysed as follows:

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Derivative financial instruments	**0.1**	**9.7**	**9.8**	**-**	**7.1**	**7.1**
Debt-related derivatives (see Note 12.3.1)	-	0.5	0.5	-	0.5	0.5
Derivative hedging commodities	0.1	2.1	2.2	,	,	,
Derivative hedging other items	-	7.1	7.1	-	6.6	6.6
Financial assets at fair value through income exluding derivatives	**-**	**27.2**	**27.2**	**-**	**23.4**	**23.4**
Financial assets measured at fair value through income (See Note 12.3.1)	-	27.2	27.2	-	23.4	23.4
Total	**0.1**	**36.9**	**37.0**	**-**	**30.5**	**30.5**

Commodity derivatives and debt and other derivatives are set up as part of the Group's risk management policy.

Financial assets measured at fair value through profit or loss (excluding derivatives) mainly correspond to mutual fund shares and medium-term notes; they are included in the calculation of the Group's net financial debt (see Note 12.3).

The result recorded on all financial assets measured at fair value through profit or loss at 31 December 2021 is not material.

12.1.4 Cash and cash equivalents

The risk management policy for financial instruments is presented in Note 13.

Cash and Cash Equivalents amounted to 1,157.9 million at 31 December 2021 compared to 1,031.0 million at 31 December 2020.

At 31 December 2021, it mainly comprises term deposits of EUR 85.3 million compared with EUR 86.6 million at 31 December 2020, cash and cash equivalents of EUR 491.5 million compared with EUR 452.2 million and cash current accounts of EUR 580.9 million compared with EUR 491.9 million in 2020.

The result recorded on "cash and cash equivalents" as at 31 December 2021 is EUR 5.0 million compared to EUR 16.3 million as at 31 December 2020.

12.1.5 Other assets

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Other tax receivables	-	438.1	438.1	-	461.4	461.4
Income tax receivables	-	25.8	25.8	-	27.2	27.2
Inter-company account for tax consolidation	-	58.4	58.4	-	100.0	100.0
Employee-related receivables	-	6.6	6.6	-	6.5	6.5
Other miscellaneous receivables	135.6	254.1	389.7	153.0	289.7	442.7
Total	**135.6**	**783.0**	**918.6**	**153.0**	**884.8**	**1,037.8**

12.2 Financial liabilities

Financial liabilities are recognised:

- in 'liabilities at amortised cost' for financial debts, trade and other payables and other financial liabilities;
- or in "liabilities measured at fair value" for derivative financial instruments.

The various financial liabilities, as well as their breakdown between their "non-current" and "current" portions, are presented in the table below:

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Borrowings	644.4	1,396.4	2,040.8	777.7	1,427.3	2,205.0
Lease liabilities	362.4	124.5	486.9	454.1	136.0	590.1
Derivative financial instruments	0.1	7.9	8.0	0.4	7.4	7.8
Trade and other payables	-	2,225.9	2,225.9	-	1,660.8	1,660.8
Other financial liabilities	6.5	-	6.5	0.7	-	0.7
Total	**1,013.4**	**3,754.7**	**4,768.1**	**1,232.9**	**3,231.5**	**4,464.4**

12.2.1 Financial debts

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Bonds issues	51.4	17.1	68.5	66.2	16.6	82.8
Commercial paper	-	-	-	-	-	-
Draw downs on credit facilities	23.5	-	23.5	13.0	-	13.0
Other bank borrowings	143.9	23.8	167.7	160.9	25.0	185.9
Other borrowings	426.5	835.5	1,262.0	541.2	58.3	599.5
Borrowings (gross amounts)	**645.3**	**876.4**	**1,521.7**	**781.3**	**99.9**	**881.2**
Overdrafts and current cash accounts	-	519.2	519.2	-	1,323.4	1,323.4
Outstanding financial debt	**645.3**	**1,395.6**	**2,040.9**	**781.3**	**1,423.3**	**2,204.6**
Impact of measurement at amortized cost	(0.9)	0.8	(0.1)	(3.6)	4.0	0.4
Impact of fair value hedge	-	-	-	-	-	-
Borrowings and debt	**644.4**	**1,396.4**	**2,040.8**	**777.7**	**1,427.3**	**2,205.0**

The fair value of financial liabilities at 31 December 2021 is EUR 2,064.7 million, with a net book value of EUR 2,040.8 million (see analysis of fair value by level in Note 12.4.2).

Financial liabilities are analysed in Note 12.3 "Net financial debt".

Changes in financial liabilities by flow are shown below:

(in millions of euros)	December 31, 2020	Cash flows	Non cash flows: Forex effect	Non cash flows: Scope effect	Non cash flows: Change in fair value and amortized cost	Others	December 31, 2021
Bond issues	82.8	(16.9)	2.6	-	-	-	68.5
Commercial paper	-	-	-	-	-	-	-
Draw downs on credit facilities	13.0	10.5	-	-	-	-	23.5
Other bank borrowings	185.9	(24.6)	6.3	-	-	0.1	167.7
Other borrowings	599.5	571.1	23.9	77.0	-	(9.5)	1,262.0
Borrowings (gross amounts)	**881.2**	**540.1**	**32.8**	**77.0**	**-**	**(9.4)**	**1,521.7**
Overdrafts and current cash accounts	1,323.4	(865.3)	0.7	7.4	-	53.0	519.2
Outstanding financial debt	**2,204.6**	**(325.2)**	**33.5**	**84.4**	**-**	**43.6**	**2,040.9**
Impact of measurement at amortized cost	0.4	(6.8)	-	0.4	2.7	3.2	(0.1)
Impact of fair value hedge	-	-	-	-	-	-	-
Borrowings and debt	**2,205.0**	**(332.0)**	**33.5**	**84.8**	**2.7**	**46.8**	**2,040.8**
Lease liabilities	**590.1**	**(144.0)**	**1.6**	**(6.9)**	**(68.1)**	**114.2**	**486.9**

12.2.2 Suppliers and other creditors

(in millions of euros)	December 31, 2021	December 31, 2020
Trade payables	1,487.1	1,498.6
Payables on fixed assets	738.8	162.2
Total	**2,225.9**	**1,660.8**

The fair value of trade and other payables is equal to their carrying amount in the combined statements of financial position.

12.2.3 Other liabilities

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Employee-related payables	1.2	486.4	487.6	1.4	410.1	411.5
Income taxes payables	-	133.6	133.6	-	56.4	56.4
Other taxes payables	-	497.7	497.7	-	519.7	519.7
Amounts collected on behalf of third parties	-	810.1	810.1	-	817.1	817.1
Other miscellaneous payables	242.4	383.8	626.2	234.4	417.5	651.9
Total	**243.6**	**2,311.6**	**2,555.2**	**235.8**	**2,220.8**	**2,456.6**

12.3 Net financial debt

12.3.1 Net financial debt by nature

(in millions of euros)	December 31, 2021 Non-current	December 31, 2021 Current	December 31, 2021 Total	December 31, 2020 Non-current	December 31, 2020 Current	December 31, 2020 Total
Outstanding borrowings	645.3	1,395.6	2,040.9	781.3	1,423.3	2,204.6
Impact of measurement at amortized cost [a]	(0.9)	0.8	(0.1)	(3.7)	4.0	0.3
Impact of fair value hedge [b]	-	-	-	-	-	-
Borrowings and debts	**644.4**	**1,396.4**	**2,040.8**	**777.6**	**1,427.3**	**2,204.9**
Lease liabilities	**362.4**	**124.5**	**486.9**	**454.1**	**136.0**	**590.1**
Debt-related derivatives under liabilities [c]	-	0.5	0.5	-	0.5	0.5
Gross debt	**1,006.8**	**1,521.4**	**2,528.2**	**1,231.7**	**1,563.8**	**2,795.5**
Financial assets measured at fair value through income excluding financial derivative instruments	-	(27.2)	(27.2)	-	(23.4)	(23.4)
Cash management assets	-	-	-	-	-	-
Other cash and cash equivalents	-	(1,157.9)	(1,157.9)	-	(1,031.0)	(1,031.0)
Debt-related derivatives under assets [c]	-	(0.5)	(0.5)	-	(0.5)	(0.5)
Net cash	**-**	**(1,185.6)**	**(1,185.6)**	**-**	**(1,054.9)**	**(1,054.9)**
Net debt	**1,006.8**	**335.8**	**1,342.6**	**1,231.7**	**508.9**	**1,740.6**
Outstanding borrowings	645.3	1,395.6	2,040.9	781.3	1,423.3	2,204.6
Lease liabilities	362.4	124.5	486.9	454.1	136.0	590.1
Financial assets measured at fair value through income excluding financial derivative instruments	-	(27.2)	(27.2)	-	(23.4)	(23.4)
Cash management assets	-	-	-	-	-	-
Other cash and cash equivalents	-	(1,157.9)	(1,157.9)	-	(1,031.0)	(1,031.0)
Net debt excluding amortized cost and impact of derivative financial instruments	**1,007.7**	**335.0**	**1,342.7**	**1,235.4**	**504.9**	**1,740.3**

(a) This item includes accrued interest on gross financial debt as well as premiums and set-up costs for loans still to be amortised.
(b) This item corresponds to the revaluation of the interest rate component of the debts hedged as part of a fair value hedging strategy.
(c) This is the fair value of debt-related derivatives, whether or not they qualify as hedges.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate and currency risk is presented in Note 13.

12.3.2 Change in net financial debt

In 2021, net financial debt decreased by EUR 398.0 million. This change is mainly due to:

- to the payment of dividends paid in cash to the minority shareholders of the subsidiaries in the amount of EUR 128.7 million;
- to the postive effect of the reorganisation operations for the creation of New SUEZ amounting to 106,3 million euros;
- to the cash surplus generated by the Group's activities in the amount of EUR 374.1 million;
- 15.9 million increase in net financial debt.

12.3.3 Debt ratio

(in millions of euros)	December 31, 2021	December 31, 2020
Net debt	1,342.6	1,740.6
Total equity	3,736.2	3,586.2
Debt/equity ratio	**35.9%**	**48.5%**

12.4 Fair value of financial instruments by level

12.4.1 Financial assets

Equity instruments at fair value

60.7 million as at 31 December 2021, are valued using valuation models based mainly on recent transactions, discounted dividends or cash flows and net asset value (level 3 fair value).

At 31 December 2021, the change in Level 3 equity instruments at fair value is analysed as follows:

(in millions of euros)	Equity instruments at FV through OCI	Equity instruments at FV through income
At December 31, 2020	**52.6**	**0.1**
Acquisitions	21.4	-
Net book value of disposals	(9.1)	-
Changes in fair value posted to equity as Other comprehensive income	25.1	-
Changes in fair value posted to income statement	-	-
Changes in scope, exchange rates and other	(29.6)	0.2
At December 31, 2021	**60.4**	**0.3**

Loans and receivables at amortised cost (excluding trade and other receivables)

Loans and receivables at amortised cost (excluding trade and other receivables), with a carrying amount of EUR 757,2 million at 31 December 2021, may include items that are part of a fair value hedging relationship. As at 31 December 2021 and 31 December 2020, no hedges were in place.

Derivative financial instruments

The portfolio of derivative financial instruments used by the Group as part of its risk management mainly comprises interest rate and currency swaps, currency options and forward currency purchases and sales. It is recognised at fair value at 31 December 2021 for EUR 9.8 million. The fair value of substantially all of these contracts is determined using internal valuation models based on observable inputs. These instruments are presented in Level 2.

Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss, which amounted to EUR 27.2 million at 31 December 2021, are level 2 financial assets, as their fair value is determined using observable inputs.

12.4.2 Financial liabilities

The fair value of financial debts and financial instruments positioned as liabilities is broken down into different fair value levels as follows (the definition of the fair value levels is presented in Note 1.5.9.2 and 1.5.9.3):

	December 31, 2021			
(in millions of euros)	Total	Level 1	Level 2	Level 3
Borrowings	**2 064.7**	**-**	**2 064.7**	**-**
Derivative financial instruments	**8.0**	**-**	**8.0**	**-**
Debt-related derivatives	0.5	-	0.5	-
Derivatives hedging commodities	-	-	-	-
Derivatives hedging other items	7.5	-	7.5	-
Total	**2,072.7**	**-**	**2,072.7**	**-**

Financial debts

Only listed bonds issued by SUEZ are presented in this table in level 1. The other bonds are presented in level 2. All of these bonds are valued taking into account the interest rate risk (interest rate component); their fair value is determined on the basis of observable data.

Derivative financial instruments

Refer to the description in Note 12.4.1 to justify the level of fair value.

Note 13 Risk management of financial instruments

The Group mainly uses derivatives to hedge its exposure to market risks.

13.1 Foreign exchange risk

The Group's subsidiaries operate mainly locally and in their own currency, and the Group's exposure to transaction risk associated with purchases and sales is therefore limited.

The translation risk is mainly concentrated in the holdings in China and Australia.

Among the hedging instruments used, the most natural hedge is the subscription of loans in the currency concerned. The Group also uses foreign exchange derivatives (currency swaps, cross currency swaps, etc.) which enable foreign currency debts to be created synthetically.

13.2 Counterparty risk

The Group is exposed, through its operational and financial activities, to the risk of default by its counterparties (customers, suppliers, partners, intermediaries, banks) when they are unable to honour their contractual commitments. This risk results from the combination of a payment risk (non-payment of services or deliveries made), a delivery risk (non-delivery of services or supplies paid for) and a risk of replacement of defaulting contracts (known as *Mark to Market* exposure corresponding to replacement under conditions different from those initially planned).

13.2.1 Operational activities

Trade and other receivables

The gross outstanding trade and other receivables that are past their due date are analysed below:

Trade and other receivables	Past-due non impaired assets at closing date				Impaired assets [a]	Non-impaired and not past-due assets	
(in millions of euros)	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2021	97.0	13.6	31.2	141.8	405.1	2,154.6	2,701.5
At December 31, 2020	113.7	31.7	39.5	184.9	457.3	1,901.2	2,543.4

The ageing of past due receivables that have not been written down may vary significantly depending on the category of customers with which the Group companies operate, whether they are private companies, individuals or public authorities. In accordance with the terms of IFRS 9, SUEZ Group entities establish risk matrices for non-recovery of their trade receivables by homogeneous category of customers, adapted to their local realities, with regard to the rates of non-payment 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 charges based on the expected default rates for each homogeneous category of customers (see Note 1.5.9.1).

Changes in impairment of trade and other receivables:

(in millions of euros)	Impairment on trade and other receivables
At December 31, 2020	**(216.1)**
Additional credit risk allowances	(95.7)
Reversals for risk surplus/extinction	51.9
Reversal by the counterpart of loss on bad trade receivables	37.3
Change in scope, exchange rates and other	13.0
At December 31, 2021	**(209.6)**

Other assets

With regard to "Other assets", the proportion of impaired assets remains insignificant in relation to the total amount of the item. The Group considers that it is not exposed to any counterparty risk on these assets.

13.2.2 Financial activities

The Group's maximum exposure to counterparty risk on financial activities can be assessed as the carrying amount of financial assets excluding equity instruments, and the fair value of derivatives recognised as assets in the statements of financial position (i.e. EUR 4,444,0 million at 31 December 2021 and EUR 4,184.6 million at 31 December 2020).

13.2.2.1 Counterparty risk on loans and receivables at amortised cost (excluding trade and other receivables)

In accordance with the application of IFRS 9 and in accordance with the method detailed in Note 1.5.9.1, the counterparty risk of gross outstandings and impairment of loans and receivables at amortised cost (excluding trade and other receivables) that have passed their due date is analysed below:

(in millions of euros)	Not unpaid/no overdue more than 60 days	Unpaid/overdue 60 days to 180 days	Overdues of more than 180 days	December 31, 2021 Total
Loans, deposits and guarantees – gross	779.2	0.1	6.1	785.4
Loans, deposits and guarantees – impairment	(16.7)	-	(10.5)	(27.2)

Gross loans and receivables at amortised cost (excluding trade and other receivables) do not include amortised cost items (EUR 1.0 million).

Changes in impairment and amortised cost items are presented in Note 12.1.2 "Loans and receivables at amortised cost".

13.2.2.2 Counterparty risk related to investment activities and the use of derivative financial instruments

The Group is exposed to counterparty risk on the investment of its surplus funds (cash and cash equivalents) and through the use of derivative financial instruments. Counterparty risk is the loss that the Group could incur if counterparties fail to meet their contractual obligations. In the case of derivatives, this risk corresponds to the positive fair value.

The Group invests the majority of its cash surpluses 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 based, on the one hand, on the approval of counterparties according to their external ratings, their financial situation and objective market factors (credit default swaps, market capitalisation) and, on the other, on the definition of risk limits.

At 31 December 2021, "Cash and cash equivalents" and derivative financial instrument assets are the most significant items subject to counterparty risk. The breakdown of counterparties by type of rating on these items is as follows:

Counterparty risk arising from investing activities	December 31, 2021 Total	Investment Grade [a]	Unrated [b] [c]	Non Investment Grade [b]
% of exposure	1,187.6	43%	52%	5%

(a) Counterparties with a minimum rating of BBB- by Standard & Poor's or Baa3 by Moody's.
(b) The bulk of these two exposures are carried by combined companies in which there are non-controlling interests or by Group companies operating in emerging countries, where cash is not centralisable and is therefore invested locally.
(c) Including 46% of unrated counterparts concerning entities in the former SUEZ perimeter and 6% of other.

13.3 Liquidity risk

In the course of its operational and financial activities, the Group may be exposed to the risk of a lack of liquidity preventing it from meeting its contractual commitments.

13.3.1 Available cash

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

- diversification of funding sources between the banking and capital markets;
- balanced financial debt repayment profile.

At December 31, 2021, 1 185.6 million euros, financial assets at fair value through profit or loss for 27.2 million euros, and derivative financial instruments relating to debt and recorded as assets for 0.5 million euros. Almost all of the surplus is invested in short-term bank deposits and interest-bearing accounts.

In addition, the Group has at 31 December 2021 confirmed credit facilities totalling EUR 36.2 million, of which EUR 23.5 million are drawn; undrawn credit facilities therefore amount to EUR 12.7 million, of which EUR 0.2 million will mature during 2022.

At December 31, 2021, bank resources represent 12.6% of outstanding financial debt (excluding bank overdrafts and cash current accounts, as these items do not constitute a permanent source of financing). Capital market financing represents 4.5% of outstanding financial debt (excluding bank overdrafts and cash current accounts).

Available cash, consisting of cash and cash equivalents (1,157.9 million), financial assets measured at fair value through profit or loss ('27.2 million), net of bank overdrafts and cash current accounts ('519.2 million), amounted to €665.9 million at 31 December 2021.

13.3.2 Undiscounted contractual flows to financial activities

In order to reflect the economic reality of the operations as closely as possible, the flows linked to derivatives recorded on the liabilities and assets side presented below correspond to net positions. Furthermore, the values presented have a positive sign in the case of liabilities and a negative sign in the case of assets.

The undiscounted contractual flows on outstanding financial debt by maturity date and nature are as follows:

At December 31, 2021 *(in millions of euros)*	Total	2022	2023	2024	2025	2026	Beyond 5 years
Bonds issues	68.5	17.1	17.1	17.1	17.2	-	-
Draw downs on credit facilities	23.5	-	11.1	-	3.5	-	8.9
Other bank borrowings	167.7	23.8	26.3	36.3	37.8	22.4	21.1
Other borrowings	1,262.0	835.5	321.1	3.2	2.5	1.9	97.8
Borrowings	**1,521.7**	**876.4**	**375.6**	**56.6**	**61.0**	**24.3**	**127.8**
Overdrafts and current accounts	519.2	519.2	-	-	-	-	-
Outstanding borrowings	**2,040.9**	**1,395.6**	**375.6**	**56.6**	**61.0**	**24.3**	**127.8**
Financial assets measured at fair value through income	(27.2)	(27.2)	-	-	-	-	-
Other cash and cash equivalents	(1,157.9)	(1,157.9)	-	-	-	-	-
Net debt excluding lease liabilities and excluding amortized cost and impact of derivative financial instruments	**855.8**	**210.5**	**375.6**	**56.6**	**61.0**	**24.3**	**127.8**

The undiscounted contractual interest flows on outstanding financial debt by maturity date are as follows:

At December 31, 2021 *(in millions of euros)*	Total	2022	2023	2024	2025	2026	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	69.9	13.4	10.9	9.5	7.9	5.6	22.6

Note 14 Information on leases

The following analyses show the main items under leases.

14.1 Rights of use

The following table shows the rights of use by category:

(in millions of euros)	Lands	Buildings	Plant machinery and technical equipment	Vehicles	Others	Total
At January 1st, 2020	**45.7**	**245.6**	**11.8**	**268.8**	**1.9**	**573.8**
Asset inflows	7.3	33.9	9.4	62.2	0.1	112.9
Impairment loss	-	0.7	-	-	-	0.7
Amortization	(6.4)	(55.6)	(4.1)	(76.7)	(0.9)	(143.7)
Termination	-	(12.1)	-	(60.0)	-	(72.1)
Scope effects	-	(5.4)	(0.1)	(1.4)	-	(6.9)
Translation effects and other	0.1	1.0	0.1	1.5	0.1	2.8
At December 31, 2020	**46.7**	**208.1**	**17.1**	**194.4**	**1.2**	**467.5**

14.2 Rental expenses exempted under IFRS 16

As at 31 December 2021 and 2020, the following items continue to be reported as rental expenses:

(in millions of euros)	December 31, 2021	December 31, 2020
Short term leases	29.6	21.4
Leases of low value assets	15.7	31.3
Expenses on variable leases	0.4	0.1
Others	20.1	5.3
Total	**65.8**	**58.1**

14.3 Lease debt

At 31 December 2021 and 2020, the discounted cash flows on outstanding lease debt by maturity date are as follows:

At December 31, 2021 *(in millions of euros)*	Total	2022	2023	2024	2025	2026	Beyond 2026
Lease obligation	486.9	124.5	105.9	80.0	51.0	31.4	94.1

At December 31, 2020 *(in millions of euros)*	Total	2021	2022	2023	2024	2025	Beyond 2025
Lease obligation	590.0	136.0	93.2	80.7	63.2	43.1	173.8

The cash outflows from leases are as follows:

(in millions of euros)	December 31, 2021	December 31, 2020
Repayment of the lease debt	144.0	151.6
Interest expense related to lease liabilities	7.5	8.8
Rental expenses benefiting from exemptions under IFRS 16	65.8	58.1
Cash outflows related to leases	**217.3**	**218.5**

Note 15 Non-controlling interests

Non controlling interests amount to 362.6 million at 31 December 2021 compared to 803.6 millions euros at 31 December 2020.

They mainly concern:

(in millions of euros)	December 31, 2021	December 31, 2020
SUEZ NWS	146.6	641

Details of changes in non-controlling interests are shown in the statement of changes in combined net assets.

The decrease in non-controlling interests in SUEZ NWS results from the acquisition of the 42% stake held by the New World Group in SUEZ NWS on 15 November 2021.

Note 16 Provisions

(in millions of euros)	December 31, 2020	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments [a]	Translation adjustments	Other	December 31, 2021
Post-employment benefit obligations and other long-term benefits	366.7	13.9	(19.7)	-	2.4	4.1	3.5	15.0	385.9
Sector-related risks	14.6	22.8	(14.9)	-	0.2	-	-	(0.3)	22.4
Warranties	5.0	0.5	(1.6)	-	-	-	-	-	3.9
Tax risks, other disputes and claims	43.9	11.9	(19.1)	-	(3.5)	-	0.1	0.8	34.1
Site restoration	300.3	40.1	(50.7)	-	(3.5)	15.1	-	-	301.3
Restructuring costs	19.0	15.4	(9.5)	-	(0.8)	-	0.1	(0.2)	24.0
Other contingencies	139.3	76.3	(42.2)	-	5.9	0.1	-	3.3	182.7
Total provisions	**888.8**	**180.9**	**(157.7)**	**-**	**0.7**	**19.3**	**3.7**	**18.6**	**954.3**
Total current provisions	123.3	95.3	(67.1)	-	(1.0)	-	0.5	(8.6)	142.4
Total non-current provisions	765.8	85.7	(90.6)	-	1.7	19.3	3.3	26.7	811.8

(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.

The total amount of provisions increased by EUR 65.2 million over the period. This change is mainly due to:

- the change in provisions for post-employment and other long-term benefits for EUR +19.2 million mainly related to the change in actuarial gains and losses in the "Other" column (see Note 17);
- the change in provisions for other risks of EUR +43.4 million is mainly due changes in the provisions for losses at completion on construction contracts.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the combined income statement at 31 December 2021:

(in millions of euros)	2021
Income from operating activities	21.5
Other financial income and expenses	19.3
Income tax expense	1.8
Total	**42.6**

The analysis by nature of the provisions and the principles applicable to their calculation are set out below.

16.1 Post-employment and other long-term benefits

The evolution of this item is presented in Note 17.

16.2 Sector related risks

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

16.3 Tax risks, other disputes and claims

This item includes provisions related to ongoing procedures concerning employees or social security bodies (adjustment of social security contributions, etc.), ongoing disputes arising from the Company's normal activity (customer complaints, supplier disputes), tax adjustments and tax disputes.

16.4 Site reconstruction

The European Directive of June 1998 on landfills introduced obligations for the closure and long-term monitoring of landfills. These obligations imposed on the holder of the operating permit (or, failing that, on the owner of the land in the event of the operator's default) set out rules and conditions to be observed in terms of the design and sizing of storage centres, the collection and treatment of liquid (leachate) and gaseous (biogas) effluents, and the establishment of a 30-year monitoring system for these sites.

These provisions of two types (redevelopment and long-term monitoring) are calculated site by site and are constituted during the period of operation of the site in proportion to the consumption of the excavation void (linking of expenses and income). These costs, which will have to be incurred when the site is closed or during the long-term monitoring period (generally 30 years in the European Union after the site is closed, 20 years in France pursuant to the ministerial order of 15 February 2016 followed by a renewable 5-year monitoring period), are discounted. An asset is recognised against the provision. It is amortised at the rate of consumption of the excavation void or the need for cover, i.e. during the financial year.

The calculation of the provision for rehabilitation (when the storage facility closes) depends on the type of cover chosen: semi-permeable, semi-permeable with drain, or impermeable. This choice has a strong impact on the level of future leachate production and consequently on the future costs of treating these effluents. The calculation of this provision requires an assessment of the cost of reclaiming the remaining area to be covered. The provision recorded in the statement of financial position at the end of the period must allow for the redevelopment of the part not yet treated (difference between the filling rate and the percentage of the site surface already redeveloped). Each year, the provision is re-evaluated on the basis of the work carried out and that to be carried out.

The calculation of the provision for long-term monitoring depends on the costs of leachate and biogas production on the one hand, and on the recovery of biogas on the other. This biogas recovery is a source of income and reduces the long-term monitoring expenses. The main items of expenditure for long-term monitoring are:

- construction of infrastructure (biogas recovery unit, leachate treatment facility) and demolition works of facilities used during the operational period;
- maintenance and repair of roofing and infrastructure (surface water collection);
- control and monitoring of surface water, groundwater and leachate;
- replacement and repair of control points (piezometers);
- leachate treatment costs;
- the expenses related to the collection and treatment of biogas (but taking into account the income generated by its recovery).

The long-term monitoring provision to be disclosed in the period-end statement of financial position is based on the filling rate of the storage facility at the end of the period, the estimated total expenditure per year and per item (based on standard or specific costs), the expected date of closure of the site and the discount rate used for each site (based on its remaining life).

Note 17 Post-employment and other long-term benefits

17.1 Description of the main pension plans and similar benefits

Most of the New SUEZ companies provide their employees with post-employment benefits (pension plans and end-of-career indemnities, medical coverage, benefits in kind, etc.), as well as other long-term benefits such as long-service awards.

17.1.1 Main pension schemes

Employees benefit from defined contribution pension schemes such as the basic social security scheme or supplementary pension schemes. Some employees also benefit from voluntary pension schemes, some of which are defined benefit schemes through which the employer undertakes to pay its employees, or a category of its employees, retirement pensions the amount of which is fixed contractually.

17.1.2 Other post-employment and long-term benefits

In addition to the pension supplements mentioned above, most of the New SUEZ entities grant their employees long-service awards, which correspond to bonuses paid during the period of activity to the employees concerned, when they meet certain seniority conditions. In addition, several New SUEZ companies undertake to finance part of the costs incurred by their employees and/or retirees in the event of specific events (illnesses, etc.) and in addition to the amounts paid under the defined contribution plans.

These obligations are under defined benefit plans. They are presented in the following tables under "other post-employment benefits" and "other long-term benefits".

17.2 Defined benefit plans

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

In accordance with IAS 19, the information presented in the statement of financial position for post-employment and other long-term benefits is the difference between the defined benefit obligation (gross obligation) and the fair value of the plan assets. Where this difference is positive, a provision is recorded (net liability). When the difference is negative, a net asset is recognised as long as it meets the conditions for recognition of a plan asset.

The changes in provisions and assets for pensions and similar commitments recognised in the statement of financial position are as follows:

(in millions of euros)	Assets	Liabilities	Total
Balance at December 31, 2020	**0.3**	**(366.7)**	**(366.4)**
Translation gains and losses	-	(3.8)	(3.8)
Actuarial gains and losses [a]	(0.2)	(14.1)	(14.3)
Changes in scope of consolidation and other	(0.2)	(1.9)	(2.1)
Expense of the period [b]	-	(13.9)	(13.9)
Contributions	0.3	14.5	14.8
Balance at December 31, 2021	**0.2**	**(385.9)**	**(385.7)**

(a) Actuarial gains and losses on employee benefits.
(b) Including actuarial gains and losses on long-term benefits (particularly long-service awards).

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

The impact of the financial year 2021 brings out a cost of (13,9) million euros *versus* a net income of 1,7 million euros in 2020. The main components of this cost for 2021 are presented in Note 17.2.3.

Actuarial gains and losses on post-employment benefits recognised in equity amount to (151.9) million euros at 31 December 2021 compared to (142.1) million euros at 31 December 2020. (142.1) million at 31 December 2020. They are presented here excluding the translation adjustment and the tax effect, the latter being presented separately in the statement of comprehensive income.

(in millions of euros)	December 31, 2021	December 31, 2020
Opening balance	**(142.1)**	**(137.6)**
Actuarial gains and (losses) generated during the year [a]	(14.3)	2.3
Changes in scope of consolidation and other	4.5	(6.8)
Closing balance	**(151.9)**	**(142.1)**

(a) On employee benefits.

The closing balance of actuarial gains and losses presented above includes actuarial gains and losses recognised in companies accounted for using the equity method.

17.2.2 Changes in the amount of liabilities and plan assets

The table below shows the amount of New SUEZ's defined benefit obligation and plan assets, their evolution over the years, and a reconciliation with the amounts recognised in the statement of financial position.

(in millions of euros)		December 31, 2021 Pension benefit obligations [a]	Other post-employment benefits [b]	Other long term benefits [c]	Total
Change in Projected Benefit Obligation					
Projected Benefit Obligation at the beginning of the period		**(244.2)**	**(127.0)**	**(10.1)**	**(381.3)**
Service Cost		(13.3)	(1.7)	(0.8)	(15.8)
Interest cost		(1.9)	(2.3)	-	(4.2)
Contributions paid		-	-	-	-
Amendments		(0.1)	-	-	(0.1)
Acquisitions/Disposals of subsidiaries		(1.4)	-	(0.1)	(1.5)
Curtailments/settlements		5.4	0.2	0.2	5.8
Special terminations		-	-	-	-
Financial actuarial gains and losses		2.6	2.0	-	4.6
Demographic actuarial gains and losses		(18.4)	(0.7)	0.4	(18.7)
Benefits paid		9.0	5.4	0.7	15.1
Other		0.3	(2.6)	-	(2.3)
Projected Benefit Obligation at the end of period	**(A)**	**(262.0)**	**(126.7)**	**(9.7)**	**(398.4)**
Change in fair value of plan assets					
Fair value of plan assets at the beginning of the period		**14.9**	**-**	**-**	**14.9**
Expected return on plan assets		0.1	-	-	0.1
Contributions received		8.0	5.4	0.6	14.0
Curtailments/settlements		-	-	-	-
Actuarial gains and losses		0.1	-	-	0.1
Benefits paid		(8.4)	(5.4)	(0.6)	(14.4)
Other		(1.9)	-	-	(1.9)
Fair value of plan assets at the end of period	**(B)**	**12.8**	**-**	**-**	**12.8**
Funded status	**(A+B)**	**(249.2)**	**(126.7)**	**(9.7)**	**(385.6)**
Net benefit obligation		**(249.2)**	**(126.7)**	**(9.7)**	**(385.6)**
Total Liabilities		**(249.3)**	**(126.8)**	**(9.8)**	**(385.9)**
Total Assets		**0.1**	**0.1**	**0.1**	**0.3**

(a) Pensions and retirement bonuses.
(b) Medical coverage, gratuities and other post-employment benefits.
(c) Long-service awards and other long-term benefits.

17.2.3 Component of the cost for the year

The cost recognised for pensions and similar defined benefit obligations in 2021 and 2020 is as follows:

(in millions of euros)	Exercice 2021	December 31, 2020
Current service cost	(15.8)	(15.5)
Net interest expense on the net defined benefit liability	(4.1)	(4.5)
Actuarial gains or losses	0.4	0.4
Past service cost/amendments	(0.1)	11.7
Gains or losses on Pension Plan curtailments, terminations and settlements	5.7	9.6
Total	**(13.9)**	**1.7**
of which recognized in current operating income	*(9.8)*	*6.2*
of which recognized in financial income/(loss)	*(4.1)*	*(4.5)*

17.2.4 Policy and strategy for covering pension and similar commitments

Where defined benefit plans are financially backed, the assets are invested through pension funds and/or insurance companies. The allocation between these broad categories differs for each plan according to the investment practices of the countries concerned. The investment strategies of defined benefit plans aim to strike a good balance between the return on investment and the associated risks.

The investment objectives are:

- maintain sufficient liquidity to pay pensions or other lump sum payments; and
- within a framework of controlled risk, to achieve a long-term rate of return remunerating the discount rate or, where appropriate, at least equal to the future returns requested.

The coverage of the liabilities is analysed as follows:

(in millions of euros)	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past service	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(35.1)	14.1	-	-	(21.0)
Overfunded plans	(0.7)	0.8	-	-	0.1
Unfunded plans	(345.5)	-	-	-	(345.5)
Total December 31, 2020	**(381.3)**	**14.9**	**-**	**-**	**(366.4)**
Underfunded plans	(29.7)	11.9	-	-	(17.8)
Overfunded plans	(0.6)	0.9	-	-	0.3
Unfunded plans	(368.1)	-	-	-	(368.1)
Total December 31, 2021	**(398.4)**	**12.8**	**-**	**-**	**(385.6)**

The breakdown of the cover assets into the main asset categories is as follows:

	2021	2020
Securities	5%	7%
Bonds	69%	67%
Real Estate	7%	5%
Other (including money market securities)	19%	21%
Total	**100%**	**100%**

17.2.5 Actuarial assumptions

Actuarial assumptions have been determined by country and company in conjunction with independent actuaries.

The weighted rates are presented as follows:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate	0.6%	0.5%	2.2%	2.5%	1.1%	0.8%	1.5%	1.9%
Estimated future increase in salaries	1.3%	0.9%	2.5%	3.6%	1.6%	1.5%	2.2%	2.6%
Inflation Rate	0.9%	0.8%	2.1%	2.3%	1.5%	1.7%	1.5%	2.1%
Average remaining working lives of participating employees	15 ans	15 ans	14 ans	14 ans	6 ans	8 ans	15 ans	15 ans

The discount and salary increase rates are presented including inflation.

The discount rate used is determined by reference to the yield, at the valuation date, on bonds issued by senior companies, for a maturity corresponding to the duration of the commitment.

Similarly to 31 December 2020, the rates at the end of 2021 have been determined for each currency area using data on either the yield on high quality corporate bonds or the yield on government bonds for countries where there is no deep market for high quality corporate bonds. A discount rate curve has been selected per currency area and applied to the debt and to the components of the current expense (Service Cost and Net Interest).

Note 18 Share-based payments or cash payments

The amounts recognised for share-based and cash-based payments are as follows:

(in millions of euros)	Note	(Expense) for the period 2021	2020
Performance share and units plans	18.1	(11.4)	(2.1)
Employees share issues	18.2	(19.5)	-
Long-term incentive plan [a]		-	3.8
Total		**(30.9)**	**1.7**

(a) In 2020, this line included a reversal of a provision relating to the 2017 plan for which the grant period had expired. This reversal of the provision was the counterpart of the amount paid to the beneficiaries and was recorded in personnel expenses.

These expenses are accounted for in accordance with the provisions of IFRS 2 and IAS 19 (revised).

18.1 Free share and performance unit plans

Free share and performance unit plans are those set up in the Former SUEZ. The costs presented below are correspond to the benefits awarded to NEW SUEZ employees and either paid by combined entities or directly by the Former SUEZ holding Company.

18.1.1 Devices and allocations

No new free share and performance unit plans were granted during the year.

18.1.2 Accounting expenses

(in millions of euros)	Weighted average fair value	(Expense) for the period 2021	2020
July 2018 – Performance units plan	7.2 €	0.8	(0.8)
October 2019 -Performance units plan	19.7 €	(11.5)	(4.5)
November 2020 – Performance units plan	19.7 €	(8.8)	(0.6)
Total		**(19.5)**	**(5.9)**

The costs of the plans, including social security charges, are spread over the vesting period of the rights against equity for the performance share plan and against social security liabilities for the performance unit plans.

The Board of Directors of Former SUEZ, on July 28, 2021 lifted the initial presence conditions of the performance unit plans granted in 2019 and 2020 so that the payments to the beneficiaries would take place in the month following the closing of Veolia S.A.'s takeover bid for the SUEZ S.A. shares.

The performance share and performance unit plans granted in 2018 vested on 30 September 2021 and 31 October 2021 respectively.

The provisions relating to the Free Share and Performance Unit Plans are described in detail in the previous Universal Registration Documents and Reference Documents of SUEZ.

18.2 Capital increases reserved for employees employees

The costs recorded in 2021 and 2020 on the current plans is as follows:

(in millions of euros)			(Expense) for the period 2021	2020
SUEZ Sharing 2020 Plan	Discount in France	January 2021	(19.5)	-
Total			**(19.5)**	**-**

18.2.1 Sharing 2020 Plan

On 6 January 2021, Former SUEZ launched its fifth employee shareholding plan called Sharing 2021. This capital increase reserved for the Group's employees in France is part of a policy to develop employee shareholding.

The proposed formula was a "Multiple" formula allowing employees to benefit from a leverage effect to complete their personal contribution as well as a discounted subscription price. Through a swap agreement with the bank structuring the discount formula, employees benefit from a guarantee on their personal contribution and a minimum return guarantee.

18.2.1.1 Accounting impact of the capital increase in France

The subscription price corresponds to the average of the opening price of the SUEZ (Former SUEZ) share during the 20 trading days preceding the date of the decision of the Chief Executive Officer of Former SUEZ fixing the opening of the subscription/withdrawal period, less 15%, i.e. 14.59 euros.

In application of IFRS 2, an expense is recognised in the accounts of NEW SUEZ against combined net assets, even if the plan is mostly financed by non combined entities. For the discount granted on the share price, the accounting charge corresponds to the difference between the fair value of the share subscribed and the subscription price. The fair value takes into account the condition of non-transferability of the shares over a period of 5 years, provided for by French legislation, as well as the opportunity gain implicitly borne by SUEZ by allowing its employees to benefit from more favourable pricing conditions than those they could obtain as individuals.

The assumptions made are as follows:

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

(19.5) million in the year 2021.

		Sharing Multiple
Amount subscribed *(in millions of euros)*		149.8
Number of shares subscribed *(in millions)*	(a)	8.7
Gross value of the employee benefit *(euros/share)*	b1	2.57
Lock-in cost for the employee *(euros/share)*	b2	(0.68)
Measure of opportunity gain *(euros/share)*	b3	0.33
Total benefit granted to employees* *(euros/share)*	(b) = b1+b2+b3	2.23
Book expense	**- (a) X (b)**	**(19.5)**

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

The net contribution received by the employees was paid in cash by SUEZ and was recorded in personnel expenses.

The valuation of the expense recognised depends, among other things, on the assessment of the opportunity gain. A variation of +/-0.5 points in these rates would have the following impacts on the recognised expense:

Sensitivity *(change in expense in millions of euros)*	Total
Increase in opportunity gain +0.5%	(0.7)

Note 19 Court and arbitration proceedings

New SUEZ is involved in the normal course of business in a number of disputes and arbitrations with third parties or with the tax authorities of certain countries. Provisions are made for these disputes and arbitrations when there is an obligation (legal, contractual or implicit) to a third party at the balance sheet date, it is probable that an outflow of resources without consideration will be required to settle the obligation, and the amount of this outflow of resources can be estimated with sufficient reliability. The amount of provisions set aside for this purpose at 31 December 2021 is EUR 34.1 million.

Note 20 Events after the balance sheet date

During the month of January 2022, several transfers of shares took place between the combined scope and the non-combined scope of Former SUEZ in order to prepare for the finalisation of the buyout by the Consortium of the New SUEZ scope. This mainly concerns the purchase of "Sino-French (SCIP) Sewage Company Limited" by "Sino French Water Development" from SUEZ Asia (the first two companies are in the combined scope, while the last one is not.

The transfer by SUEZ to the Consortium of the New SUEZ perimeter took place on 31 January 2022. Nevertheless, at this date, several transfers of subsidiaries or activities remain to be carried out once the contractually or legally required authorisations have been obtained.

This mainly concerns the transfer by SUEZ to the Consortium of LYDEC; the other activities awaiting transfer present a non-material contribution to the combined accounts.

Management considers it likely that these transactions will be completed.

The table below shows LYDEC's contribution to the combined accounts:

(in millions of euros)	December 31, 2021	December 31, 2020
Non-current assets	469.4	506.1
Current assets	300.5	289.0
of which cash and cash equivalents	*25.1*	*6.1*
Total Assets	**769.9**	**795.1**
Shareholders' equity, Group share	(7.9)	(11.6)
Non-controlling interests	(7.6)	(11.1)
Total shareholders' equity	**(15.5)**	**(22.7)**
Non-current liabilities	389.8	430.2
Current liabilities	395.6	387.6
Total shareholders' equity and liabilities	**769.9**	**795.1**

(in millions of euros)	December 31, 2021	December 31, 2020
Revenues	668.1	629.2
Current operating income	40.4	26.2
Net income	**10.0**	**1.2**
of which: Group share	5.1	0.6

(in millions of euros)	December 31, 2021	December 31, 2020
EBITDA	103.1	91.1
EBIT	40.4	26.2

(in millions of euros)	December 31, 2021	December 31, 2020
Cash flows from operating activities	70.5	4.1
Cash flows from investing activities	(29.1)	(31.7)
Cash flows from financing activities	(22.7)	14.8
Net debt	103.8	133.4

Note 21 List of major combined companies as at 31 December 2021 and 2020

Names	Headquarters address	% interest		% control		Consolidation methods[a]	
		Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020	Dec. 2021	Dec. 2020
Water							
SUEZ Eau France	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100,0	100,0	100,0	100,0	FC	FC
SUEZ Australia Holding Pty Ltd	Level 3, 3 Rider Boulevard 2138 Rhodes, NSW – Australie	100,0	100,0	100,0	100,0	FC	FC
Sociedade de Abastecimento de Aguas de Macau	718 avenida do Conselheiro borja, Macao – Chine	49,3	49,3	85,0	85,0	FC	FC
SUEZ International	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100,0	100,0	100,0	100,0	FC	FC
LYDEC	48, Boulevard Mohamed Diouri, Casablanca – Maroc	51,0	51,0	51,0	51,0	FC	FC
ACEA Spa	P.le Ostiense, 2 – 00154 Roma – Italie	23,3	23,3	23,3	23,3	EM	EM
Chongqing Derun Environment Company Limited	NO. 20-1, Block 3, 101 Cypress Road Springfield Road Chongqing – Chine	25,1	12,6	25,1	12,6	EM	EM
RECYCLING AND RECOVERY							
SUEZ RV France	Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex – France	100,0	100,0	100,0	100,0	FC	FC
Environmental Technology & Solutions – ETS							
Safège	15, rue du Port, 92022 Nanterre – France	100,0	100,0	100,0	100,0	FC	FC

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

MAZARS ERNST & YOUNG Audit

New SUEZ

Year ended December 31, 2021

Report of the statutory auditors of SUEZ SA on the combined financial statements of the New SUEZ scope

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S.A. à directoire et conseil de surveillance au capital de € 8 320 000
784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

ERNST & YOUNG Audit
Tour First
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92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

New SUEZ

Year ended December 31, 2021

Report of the statutory auditors of SUEZ SA on the combined financial statements of the New SUEZ scope

To the members of the Board of Directors,

In our capacity as statutory auditors of SUEZ SA (the New SUEZ holding company), and in accordance with Regulation (EU) 2017/1129 supplemented by Commission Delegated Regulation (EU) 2019/980, within the framework of the proposed admission to trading of debt securities on the Euronext Paris regulated market, we have audited the accompanying combined financial statements of the New SUEZ scope as defined in the notes to the combined financial statements, for the year ended December 31, 2021, prepared for the purposes of the prospectus.

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

These combined financial statements were approved by the Board of Directors of SUEZ SA (New SUEZ holding company). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and with the professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* (CNCC) relating to this type of engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance that the combined financial statements are free of material misstatement. An audit consists of performing procedures, using sampling techniques or other selection methods, to obtain audit evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant estimates made by Management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have gathered is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the combined financial statements of the New SUEZ scope, prepared for the purposes of the prospectus, give a true and fair view of the assets and liabilities and of the financial position of the combined scope as at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to Note 1.2 "Basis of preparation of the combined accounts" which presents the New SUEZ scope of combination and the approach used for the preparation of the combined financial statements.

Paris-La Défense, April 27, 2022

The Statutory Auditors

MAZARS	ERNST & YOUNG Audit
Julien Huvé	Jean-Christophe Goudard