

This document is an unofficial English-language translation of the draft tender offer document (*projet de note d'information*) which was filed with the French *Autorité des marchés financiers* on February 8, 2021 and which remains subject to its review. In the event of any differences between this unofficial English-language translation and the official French draft tender offer document, the official French draft tender offer document shall prevail.

This Offer and the Draft Offer Document remain subject to review by the AMF

CASH TENDER OFFER

for the shares of :



initiated by :



presented by :



Advising and presenting Bank and
Guarantor



Advising and presenting Bank and Guarantor

Morgan Stanley

Advising and presenting Bank

BANK OF AMERICA 

Advising and presenting Bank

Veolia is also advised by :



DRAFT OFFER DOCUMENT PREPARED BY VEOLIA

TERMS OF THE OFFER

18 euros per share of Suez (*cum dividend*)

OFFER PERIOD

The timetable of this Offer will be set out by the AMF in accordance with its General Regulation



This Draft Offer Document was prepared and filed with the AMF on February 8, 2021, in accordance with the provisions of Articles 231-13, 231-16 and 231-18 of the AMF General Regulation

**THIS OFFER AND THE DRAFT OFFER DOCUMENT REMAIN SUBJECT TO REVIEW
BY THE AMF**

IMPORTANT NOTICE

In the event the number of shares not tendered in the Offer by the minority shareholders of Suez does not represent, following the Offer, or, if applicable, of the Reopened Offer, more than 10% of the share capital and voting rights of Suez, Veolia intends, within a period of ten (10) trading days from the publication of the notice announcing the result of the Offer or, if applicable, at the latest within three (3) months following the closing of the Reopened Offer, in accordance with Article L. 433-4 II of the French Monetary and Financial Code and Articles 232-4 and 237-1 to 237-10 of the AMF General Regulation, to implement a squeeze-out to acquire the Suez shares not tendered in the Offer in exchange for compensation equal to the Offer price, after adjustments, where applicable.

The Draft Offer Document must be read together with all other documents published in relation to the Offer. In particular, in accordance with Article 231-28 of the AMF General Regulation, a description of the legal, financial and accounting characteristics of Veolia will be made available to the public no later than the day preceding the opening of the Offer. A press release will be issued to inform the public of the manner in which the information will be made available.

This Draft Offer Document is available on the websites of the AMF (www.amf-france.org) and Veolia (www.veolia.com) and may be obtained free of charge from:

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1 DESCRIPTION OF THE OFFER

Pursuant to Title III of Book II and more specifically Articles 231-13 and 232-1 *et seq.* of the General Regulation of the *Autorité des marchés financiers* (the “**AMF**”), Veolia Environnement, a limited liability corporation with a board of directors (*société anonyme à conseil d’administration*), having its registered office at 21, rue La Boetie, 75008 Paris, France, registered with the Paris Trade and Companies Register under number 403 210 032, the shares of which are traded on the Euronext regulated market in Paris (“**Euronext Paris**”) under ISIN Code FR0000124141 (ticker symbol “**VIE**”) (“**Veolia**” or the “**Offeror**”), makes an irrevocable offer to the holders of shares of Suez, a limited liability corporation with a board of directors (*société anonyme à conseil d’administration*) having its registered office at Tour CB21, 16, place de l’Iris, 92040 Paris La Defense Cedex, France, registered with the Nanterre Trade and Companies Register under number 433 466 570, the shares of which are traded on Euronext Paris (compartiment A) and Euronext in Brussels (“**Euronext Brussels**”) under ISIN Code FR0010613471 (ticker symbol “**SEV**” on Euronext Paris and “**SEVB**” on Euronext Brussels) (“**Suez**” or the “**Company**”), to acquire all of their Suez shares in the context of a tender offer, the terms and conditions of which are set forth in this draft offer document (the “**Draft Offer Document**”), and which may be followed by a squeeze-out, if applicable, in accordance with the provisions of Articles 237-1 to 237-10 of the AMF General Regulation (the “**Offer**”).

The Offer is for all the Suez shares not held by the Offeror¹:

- (i) that are currently issued and outstanding, i.e., to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum number of 440,552,579 Suez shares², and
- (ii) that may be issued prior to the closing of the Offer or the Reopened Offer (as such term is defined in paragraph 2.14 below), as a result of the vesting of the free shares granted by Suez (the “**Free Shares**”), i.e., to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum of 906,429 new Suez shares³,

altogether representing, to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum number of 441,459,008 Suez shares included in this Offer.

It is specified that the tender of the American Depositary Receipts under ISIN Code US8646912092 (“**Suez ADR**”) will not be accepted in the Offer or the Reopened Offer, and that the holders of Suez ADRs who wish to tender their shares to the Offer or the Reopened Offer will be prior required to exchange them for Suez shares, as indicated in paragraph 2.5 below.

To the best knowledge of the Offeror, there are no other equity securities, or other financial instruments issued by the Company or rights granted by the Company that could give access, either immediately or in the future, to the share capital or voting rights of the Company.

In accordance with Article 231-13 of the AMF General Regulation, on February 8, 2021, Credit Agricole Corporate and Investment Bank, HSBC Continental Europe, Bank of America Europe DAC (branch in France) and Morgan Stanley Europe SE (together the “**Presenting Banks**”), in their capacity as banks presenting the Offer, filed the Offer and this Draft Offer Document with the AMF on behalf of the Offeror. Only Credit Agricole Corporate and Investment Bank and HSBC Continental Europe guarantee the content and the irrevocable nature of the undertakings made by the Offeror in connection with the Offer.

¹ As of the date of this Draft Offer Document, the Offeror holds 187,810,000 Suez shares (see paragraph 1.1.2) out of a total number of 628,362,579 issued and outstanding shares.

² On the basis of the information disclosed by the Company on its website as of December 31, 2020, in accordance with Article 223-16 of the AMF General Regulation, i.e., 628,362,579 shares representing 628,362,579 theoretical voting rights. Based on the same information, this also includes treasury shares, i.e., 187,161 shares.

³ See paragraph 2.4.

The Offer is subject to the validity threshold referred to in Article 231-9, I of the AMF General Regulation, as described in more detail in paragraph 2.6.1 of this Draft Offer Document.

In addition, as of the date of this Draft Offer Document, the Offer is subject to the condition precedent (as described in paragraph 2.6.2 of this Draft Offer Document) of obtaining the authorization of the combination with regard to merger control by the European Commission, in accordance with Article 6.1.b) of EC Regulation No. 139/2004 of January 20, 2004 (and/or, as the case may be, the competent national authorities in the European Union), it being specified that the Offeror reserves the right to waive this condition precedent.

The Offer is made on a voluntary basis and will be conducted following the standard procedure pursuant to Articles 232-1 *et seq.* of the AMF General Regulation.

As Suez shares are admitted to negotiation on Euronext Brussels, pursuant to the provisions of article 4,§4 of the Belgian statute dated April 1st, 2007 regarding tender offers in Belgium (*loi belge du 1^{er} avril 2007 relative aux offres publiques d'acquisition*), the Offer will be opened in Belgium. In that regard, the Offeror will request the recognition of the offer document by the Belgian financial services and markets authority (*autorité belge des services et marchés financiers*) pursuant to the provisions of article 20 of the aforementioned Belgian statute. A schedule regarding the opening of the Offer in Belgium will be appended to the offer document bearing AMF's visa. This schedule will describe the specific procedure for the extension of the Offer in Belgium.

1.1 Background and Reasons for the Offer

1.1.1 Background

Following the announcement by Engie on July 31, 2020 of the launch of a strategic review including its stake in Suez, Veolia made a firm offer to Engie on 30 August 2020 for the immediate acquisition of a block of Suez shares held by Engie representing approximately 29.9% of the share capital and voting rights of Suez. This offer was made at a price of 15.5 euros per share (*cum* dividend) and was valid until September 30, 2020.

Prior to submitting its offer to Engie, Veolia entered into an agreement with Meridam, a French infrastructure management company, on August 30, 2020, pursuant to which, in anticipation of the solutions identified as necessary for the execution of the combination between Veolia and Suez with respect to merger control, Meridam has committed to acquire at a market price all of the activities of Suez Eau France and its subsidiaries, including the business of designing and building water treatment installations in France and the R&D activity associated with that division, for those not owned by Suez Eau France. Digital, sludge treatment and piping work activities directly and mainly linked to operational activities of municipality waters in France would also be integrated. The advising and engineering activities located within Suez Safège, the group's advising and engineering subsidiary, will not be taken over by Meridam. The only conditions to this acquisition are the obtaining of the authorizations with respect to merger control and the settlement of Veolia's tender offer for Suez. Meridam's offer is valid until December 31, 2022.

The firm offer made to Engie and the agreement with Meridam were announced in a press release published by Veolia on August 30, 2020, available on Veolia's website (www.veolia.com).

On September 30, 2020, Veolia submitted an improved offer to Engie at a price of 18 euros per share (*cum* dividend) and extended until October 5, 2020. This improved offer and the extension of its validity period were announced in press releases published by Veolia on September 30, 2020, available on Veolia's website.

On October 5, 2020, the Board of Directors of Engie accepted Veolia's improved offer and, prior to the announcement of the Offer, Veolia and Engie entered into a share purchase agreement pursuant to which

Veolia acquired approximately 29.9% of the share capital and voting rights of Suez (as described in paragraph 1.1.3 below). On the same day, Veolia confirmed via press release (also available on Veolia's website) its intention to file a voluntary tender offer for the remaining share capital of Suez in order to complete the combination of the two companies. As a consequence, the AMF has noted the start of the pre-offer period the following day (D&I 220C4093 dated October 6, 2020).

On November 3, 2020, Veolia reiterated its intention to file a tender offer at a price per share (coupon attached) of 18 euros. Veolia specified that such filing would occur as soon as Suez's board of directors has issued a favorable opinion on this project and has deactivated the mechanism aiming at organizing the inalienability of the water activity in France.

Mr. Philippe Varin answered, on November 3, 2020, during its hearing before the French *Assemblée Nationale* "since October 5, we are waiting for a formal offer to be filed. We are inviting Antoine Frérot to do so", and in writing to Veolia on November 5th, 2020, indicating that "Suez's Board of directors can only acknowledge the absence of any formal offer received from you, detailed and comprehensive".

In line with its commitments, Veolia addressed to Suez's board of directors, on January 7, 2021, a tender offer proposal over the 70.1 % of Suez's share capital not owned by Veolia. This formal proposal described all of the elements of the industrial project, the social project and the financial conditions offered by Veolia. Veolia also highlighted to Suez the consequences of a renewed refusal to dialogue on the intentions published by Veolia as regard the filing of its offer. The letter addressed to Suez's board of directors and the preliminary offer document were made available to the public.

Despite this new proposal, Veolia continuously faced Suez's refusal to enter into any substantive discussions.

On January 17, 2021, Suez informed the market of the existence of a letter of intent addressed by Ardian and GIP, such letter having Suez's board of directors support and mentioning an alternative offer to Veolia's offer. Suez, Ardian and GIP's communication on the nature of this alternative offer was ambiguous, and did not allow to determine whether such offer was a friendly project towards Veolia conditioned upon Veolia's acceptance, or if such offer constituted a competing and hostile offer against Veolia's offer. Despite repeated clarification requests, Veolia never obtained any clear answer to that question.

Despite Suez's tangible hostility towards its offer, Veolia indicated (again by a press release dated February 2, 2021) that Veolia remained opened to a discussion with Suez' board of directors in the context of the combination project. On February 3, 2021, in a press release, Suez reiterated its interest to enter into discussions with Veolia "on the basis of the solution supported by Ardian-GIP". During a meeting organized on February 5, 2021, Mr. Bertrand Camus refused to enter into a substantive discussion and merely engaged into a stalling discussion about the organization of encounters.

In this context, in accordance with the regulation and with what had been announced to Suez's board of directors and disclosed to the public on January 7, 2021, Veolia's board of directors in a meeting held on February 7, 2021 acknowledged that its friendly attempts are bound to fail and decided to amend Veolia's declaration of intents dated October 5, 2020, to no longer condition the filing of a tender offer to a favorable support of Suez's board of directors. It also decided to file with the French *Autorité des marchés financiers* a cash tender offer relating to the outstanding Suez shares not owned by Veolia, at a price per share (coupon attached) of 18 euros.

1.1.2 Shares held by the Offeror

As of the date of this Draft Offer Document, the Offeror holds 187,810,000 shares and voting rights of the Company, i.e., to the knowledge of the Offeror, 29.89 % of the shares and of the voting rights of the Company⁴.

These shares were acquired as follows:

- on the market on January 28, 2016 for up to 100 shares;
- on the market on March 26, 2019 for 9,900 shares; and
- off-market on October 6, 2020 for up to 187,800,000 shares in the context of the Block Acquisition described in paragraph 1.1.3 below.

1.1.3 Acquisitions of Suez shares by the Offeror

On October 5, 2020, prior to the announcement of the Offer, Veolia and Engie entered into share purchase agreement pursuant to which Veolia acquired 187,800,000 Suez shares from Engie (the “**Block Acquisition**”). The effective completion of the Block Acquisition, entailing the transfer of ownership of the Suez shares to Veolia, occurred on October 6, 2020. The Block Acquisition was disclosed through thresholds crossing notifications and declarations of intents to the AMF and the Company, as specified in paragraph 1.1.4 below.

The Block Acquisition was made at a price of 18 euros per shares (*cum dividend*). Under the terms of the share purchase agreement, Engie benefits from a top-up right in the event that the market would benefit from an improved offer by Veolia, thus allowing Engie to benefit from all or part of such improved offer.

The Block Acquisition was financed out of Veolia’s group own resources.

1.1.4 Shareholding thresholds crossing notifications and related declaration of intents

In accordance with Article L. 233-7 of the French Commercial Code, by letters sent to the AMF and the Company on October 7 and 8, 2020, the Offeror disclosed the upwards crossing of the 5%, 10%, 15%, 20%, and 25% legal thresholds of the share capital and the theoretical voting rights of the Company, as well as its intents, following the Bloc Acquisition. The Offeror has also declared to the AMF the purchases made during a public offer in accordance with Article 231-46 of AMF General Regulation. These declarations were reported in a notice published by the AMF on October 8, 2020 (D&I 220C4173 dated October 8, 2020).

In accordance with Article 7.4 of the by-laws of Suez, by letter sent to the Company on October 7, 2020, the Offeror has also disclosed the upwards crossing of the thresholds set forth by the bylaws of the Company between 1% and 29% (included) of the share capital and the theoretical voting rights of the Company (i.e., the 1% threshold and all multiples of 1% between 1% and 29% (included)).

By letters sent on February 7, 2021, the Offeror declared to the AMF and to the Company the change of intents described in paragraph 1.1.1 above, pursuant to article L. 233-7 of the French Commercial Code. This new declaration was reported in a notice published by the AMF.

⁴ In accordance with Article 223-11 of the AMF General Regulation, the total number of voting rights is calculated on the basis of the number of shares to which voting rights are attached, including shares deprived of voting rights such as treasury shares, i.e., 628,362,579 theoretical voting rights in total as of December 31, 2020, on the basis of information published by the Company on its website pursuant to Article 223-16 of the AMF General Regulation.

1.1.5 Reasons for the Offer

The combination of the two groups Veolia and Suez will create a global champion group of ecological transformation, with French and European roots. The two groups joining forces within a new entity will make it possible to combine expertise to meet the fundamental challenges facing us today with even greater force than ever before, as demonstrated both by the various recovery plans and by the demands of our public and private clients. While the demand from citizens and consumers alike for ecological solutions has never been so strong, it is essential to translate this demand into concrete “industrial” solutions that are effective, efficient and affordable, for local authorities and major industries alike.

The market of solutions for ecological transformation (combating global warming, pollution treatment, recycling and circular economy to fight against the increasing scarcity of raw materials, digitalization of uses, etc.) is growing strongly but today also very fragmented: as an illustration, the new combined entity will have a market share of around 5% worldwide.

Consolidation of the sector appears to be inevitable, particularly in order to meet the challenges of financing the increasing Research & Development efforts essential to developing of new environmental technologies, of mobilizing the capital necessary to launch operations for the treatment of hazardous waste or the protection of water resources - both strongly growing sectors, or of developing solutions to enable industries to meet environmental standards - which are bound to become stricter in the next few decades. This consolidation has already begun, especially with the acquisition of strategic assets in Europe (Spain, Germany and the United Kingdom) by Chinese stakeholders and American investment funds.

Finally, this combination fits perfectly with the creation of a more powerful and sovereign Green Deal Europe capable of exporting an alternative to the model of the Chinese blocs - which have been particularly active in the last few years and especially ambitious in terms of future ecological transition activities - and those of America. It could become a major advantage in the implementation of the Green Deal and of the European recovery plan, and it is a perfect match for the ambitions of the European Commission.

Size is an asset for the development and deployment of these industrial solutions of ecological transformation: to offer a complete range of solutions in all the countries where our industrial customers are present, as well as to enable the funding of Research & Development for new solutions to the major problems we face. Today we probably have half of the solutions to the major environmental problems we face, which we must deploy as quickly as humanity is capable of doing so, and invent the other half.

The new group formed by the combination of Suez and Veolia will be able, thanks to its expertise, its technological lead, the level of excellence of its talents, its geographic footprint, the breadth of its range of offerings and its financial strength, to offer all its public and private clients more effective solutions, deployed on a large scale, to fight against major environmental disruptions and global warming.

This industrial project, which has a very high environmental impact, will create substantial value:

- for the planet and future generations, the success of the new group means accelerating the definition and implementation of environmental solutions: circular economy, treatment of difficult pollution, fight against global warming, etc.;
- for Suez shareholders, a significant premium is offered over the company’s unaffected share price, and for Veolia’s shareholders, operating synergies make it possible to forecast a significant accretion in net earnings per share;
- for the employees of both companies, who will be engaged in an exciting project to build a global champion of ecological transformation, with French and European roots. Prospects for personal development and mobility will be strengthened in this new, fast-growing, larger and

even more international company. However, this does not mean sacrificing the French roots of both groups, and employment in France is subject to firm and specific guarantees.

- for the territories. For the French territories, this project guarantees that it is in France, and for a long time to come, that we will maintain and develop a sector of excellence of ecological transformation. It is in France that most of the research and development resources will be based, that the industrial pilots will be installed, that tomorrow's talents will be trained; in short, that the "French school" of ecological transformation will be located, capable to then lead the export of a value chain of French suppliers and startups. These talents and technologies have indeed become a sovereignty issue clearly identified as such by China and the United States. In Europe, and beyond, the new entity will operate in a very multi-local mode, in which territorial anchoring and partnerships with local authorities are key, as the history of the two groups shows. The new ecological transformation solutions will create local service jobs, which cannot be relocated, in all the geographies in which the businesses will operate.
- for clients, the new entity extends the range of environmental solutions that can be offered to them, over an even larger geographic footprint, and increases efficiency by pooling know-how and expertise.

This project is fully in line with the *raison d'être* of Veolia and Suez. It ideally positions the new group to meet the main challenge of the century: ecological transformation.

1.1.5.1 Expertise, know-how and commercial offer consolidation

The strategies of Suez and Veolia are quite comparable in the water (operations, technologies, construction) and waste (solid and hazardous) businesses, with Veolia also having additional activities in energy efficiency and local energy loops (these activities have historically been carried out by Engie and not Suez).

The combination of the two companies will allow to accelerate these strategic plans, based on strong complementarities, and thus accelerate the creation of a true global champion of ecological transformation, for which each of these business components (water, waste, energy, for communities as well as industrial and tertiary clients) is essential. Gathered under the same brand and supported by teams united by the same values, they will offer a complete range of skills and solutions at a time when these clients are seeking to make their activities cleaner, more sober and more virtuous.

The complementarities between the two groups cover a number of areas:

- geographical complementarity. The geographic footprints of the two groups are almost perfectly complementary, with the exception of France and, to a lesser extent, the United Kingdom and Australia. When Veolia and Suez have a significant presence in the same country, it is usually in a different business. For example, in Spain, Suez is number 1 in municipal water, notably through Agbar, while Veolia is mainly present in energy and services for industrial and tertiary clients; in water technologies, Suez Water Technologies & Solutions has a strong presence in North and Latin America, while Veolia Water Technologies is more present in Europe and Africa and the Middle East.
- complementary client portfolio. Veolia and Suez have each developed a highly complementary portfolio of major industrial accounts (Veolia with Shell, Danone, Unilever, Arcelor Mittal, Sinopec, PSA, Suez with L'Oréal, Arkema, BP and Airbus), all of which benefit from the broad range of services developed by Veolia through on-site services for industrial clients (Total Waste Management, industrial utilities including energy, etc.). The combination of the two highly complementary commercial networks will give rise to an unparalleled set of references and strategic partnerships in terms of reducing the environmental footprint.

- complementarity of offers. First and foremost, Veolia's presence in the energy efficiency, local energy loops and industrial energy segments are major assets that Suez's current clients seeking to reduce their carbon footprint will benefit from. Furthermore, in water and waste, each of the groups has a number of specific features: in waste, Suez has developed the recycling of plastics such as LDPE and PVC, as well as recycled/virgin hybrid plastics, while Veolia has stepped up the pace in food-grade plastics, particularly PET and HDPE; in water, Suez has historically developed excellent skills in wastewater treatment and the reuse of water, and Veolia in sludge recovery.
- know-how complementarity. The know-how acquired locally by the Suez and Veolia teams complements each other perfectly. In waste (the waste sector), Veolia has succeeded in optimizing the production of energy from incineration plants or landfills, as well as the sale of electricity on the open market and through flexibility mechanisms. This know-how put at the service of Suez's assets is a strong leverage for productivity and operational synergies. In the water industry, the digital tools developed in particular by Agbar, are among the best on the market.
- technological complementarity. The combination of Suez's and Veolia's portfolios of proprietary patented technologies for treating industrial water is perfect for conceiving new solutions, such as treating new pollution or improving clients' performance. As for municipal water treatment technologies, they will be taken over by Meridiam with the CIRSEE and Lyre Research & Development centers.

1.1.5.2 Amplification of the investment and innovation capacities

In a particularly fragmented volume market, innovation is fundamental to invent and develop the technologies that are still missing to fully succeed the ecological transformation. However, the margins generated by environmental services are limited, and managing large volumes allows to finance the investments needed to deploy the infrastructure essential to the ecological transformation. The same is true for research expenditure, which is necessary to develop breakthrough innovations without which it will be difficult to meet the goals set to limit global warming. Bringing Veolia and Suez together will guarantee the productivity of these investments and the emergence of new solutions.

The six major innovation themes identified in Veolia's Impact 2023 strategic program (health and new pollutants, adaptation to climate change, new material loops, the food chain, new energy services and new digital offerings) will combine harmoniously with the nine innovation areas chosen by Suez (preserving ambient air quality, improving air quality in cities and industrial environments, reducing health and environmental risks, creating new water resources, optimizing the management of water and wastewater networks, transforming waste into secondary raw materials, contributing to the emergence of tomorrow's sustainable agriculture, harnessing the energy of water and waste, and putting digital technology at the service of the environment).

The combination of talents and research skills would accelerate the development of these solutions for the future and allow a better return on the necessary investments. This enhanced innovation capacity will be able to lean on innovative French SMEs in the fields of ecological transformation, through a support fund supported by the new entity.

Numerous acceleration opportunities have already been identified in terms of innovation.

On air quality, Veolia has entered into a research partnership with Airlab and has developed a range of indoor air quality services. Suez, for its part, is developing solutions for the treatment of outdoor pollution. The ambition will be to develop and deploy financially affordable solutions enabling people to live in a healthy environment inside and outside buildings.

Concerning the micropollutants in water, Veolia has developed treatment technologies adapted to a wide range of constraints and is involved in major partnerships for monitoring and research on micropollutants. For its part, Suez WTS has developed advanced treatment using membrane technologies and an ozonation technology that complements Veolia's activated carbon technology for the treatment of new pollutants in water. The ambition will be to take advantage of changes in regulatory standards by increasing knowledge of the effects of micropollutants on health and inventing new solutions to detect and treat micropollutants.

In the area of flood prevention and management, Veolia has excellent references, has developed an offer to diagnose local vulnerabilities, has positioned itself on innovative business models and has a mobile solutions offer, mainly in Europe. Suez, for its part, has innovative digital solutions, has developed a pond monitoring solution to prevent and manage floods and has a mobile solutions offer in North and Latin America. The ambition will be to develop an innovative global offer to assist territories and their various stakeholders in the prevention of shocks linked to climate change and rapid recovery following extreme weather events.

In water resources management and the fight against drought, Veolia is now offering technologies and solutions and has developed an “*irrigation as a service*” offer, covering the financing of the necessary equipment. Suez, for its part, has expertise in smart irrigation with real-time control technology and experience in various climates. The ambition will be to accelerate the development of the reuse of treated wastewater to serve the ecological transformation of agriculture, making it possible to secure and improve yields in the agricultural sector.

On CO₂ capture and use, Veolia has expertise and numerous references in the decarbonation of industries and has invested in R&D in CO₂ capture, storage and recovery. For its part, Suez is working on demonstrators (a carbon well based on microalgae is being developed with the Fermentalg company) and is developing partnerships with industry and local authorities (project with BP for carbon capture and storage from energy coming from waste in the United Kingdom). The ambition will be to develop efficient service offers for CO₂ capture at an attractive cost.

The recycling of electric vehicle batteries could be accelerated. While the number of end-of-life vehicle batteries is estimated at 1.1 million units by 2030, Veolia has developed an innovative and differentiating hydrometallurgy process that can recover up to 95% of the metals present in the cathode. In addition, Veolia has developed a partnership with Solvay on the production of high-purity metal salts and has developed upstream knowledge, in particular on battery diagnostics. Suez, for its part, launched in 2019 with BASF and Eramet the ReLieVe project for closed-loop battery recycling, positioning itself at the upstream end of the value chain (collection and dismantling). The ambition is to become a champion in electric vehicle battery recycling in France and Europe, targeting a 20% market share, and to be a significant player in China.

The recovery of organic materials for agriculture could also be accelerated. While the Farm to Fork strategy aims to reduce soil nutrient losses by 50% and reduce the use of inorganic fertilizers by 30% by 2030, natural and organic fertilizers represent only 5% of the market. Veolia has expertise in agricultural fertilizers, is broadening and accelerating its organic fertilizer offer, is working on deploying fertigation and reuse offers, and is supporting startups that are pioneers in bioconversion. For its part, Suez is positioned in the recovery of agricultural waste and the recovery of phosphorus from sludge, has innovative digital solutions and has defined a range of services for agriculture, including assistance with financing. The ambition will be to contribute to the ecological transformation of agriculture by offering a whole range of services: organic fertilizers, securing water needs, insect-based animal feed, using soil as a carbon well, etc.

1.1.5.3 Strengthened geographical positions

As a result of the geographical complementarities of the two groups and the consolidation of the key geographies where both groups are present, the international footprint of the new group would be strengthened, with a significantly increased share in fast-growing regions of the world.

Following the divestments undertaken by Suez and those that may be required by the competition authorities, the new group will change significantly in size: approximately €40 billion in revenues compared to €27 billion currently for Veolia and €18 billion for Suez.

The new group will be far more international, with France representing around 23% of the newly combined entity, the rest of Europe around 34%, the rest of the world around 29% and the global specialty companies (water treatment and construction technologies) around 14%.

In total, the group will generate revenues in excess of €1 billion in ten countries, and the fifteen largest countries will account for almost three quarters of consolidated revenues.

In France, even after divestments that may be anticipated for competitive reasons, revenues are expected to exceed €10 billion, and the potential for operational synergies will be significant.

In the United Kingdom, Veolia is a major player in waste management, operating in the municipal sector as well as in the tertiary and industrial sectors. It is also present in municipal water, energy services to buildings and services to industry. Suez has a portfolio of around ten private finance initiative (PFI) or public-private partnership (PPP) contracts in waste, comparable to that of Veolia but geographically complementary, and a significant presence in the collection of ordinary industrial waste (OIW), again complementary to that of Veolia. The potential for value creation through operating synergies (internalization, plant availability rates, electricity sales, etc.) resulting from these geographical complementarities is significant.

In Northern Europe, Veolia is present in Germany (waste, energy, municipal water), Belgium (energy services to buildings and industries, Brussels wastewater treatment plant), the Netherlands (waste, plastic recycling, energy services to buildings) and the Nordic countries (recycling, energy services to buildings and industries). Following the sale of activities to the Schwarz group, Suez will remain present in Belgium (solid waste), the Netherlands (plastic recycling) and Germany (waste sorting and plastic trade/recycling). Potential synergies exist in the packaging recycling sector in the latter country, where the two groups have complementary positions.

In Central and Eastern Europe, Veolia has a strong and diversified presence in heating systems (Poland, Czech Republic, Hungary, Romania), municipal water (Czech Republic, Poland, Romania, Armenia) and, to a lesser extent, waste. Suez is less present, with its activities concentrated mainly in water and solid waste in the Czech Republic, water in Croatia and waste in Serbia. It also conducts metal recycling activities (Metalimpex) in various countries. The addition of Suez's solid recovered fuel (SRF) production capacity will accelerate the substitution of coal in Veolia's heating networks in this region. The development of a hazardous waste activity could be an interesting opportunity.

In Southern Europe, Veolia is mainly present in energy services to buildings (Spain, Italy, Portugal) and possesses a number of solid waste operations, including plastic recycling (Spain). Suez, with its subsidiary Sociedad General de Aguas de Barcelona (Agbar), is a major private water operator in Spain, where it has also developed some hazardous waste operations. It also has a minority stake in the water, waste and energy utility in Rome and five water companies in Tuscany. In Greece, it owns 5% of the Thessaloniki water company.

In North America, Veolia is mainly active in hazardous waste (United States, Canada) and industrial services (United States) and has an unregulated municipal water business (operators of public infrastructure under an operation and maintenance contract or, more rarely, a concession, a low capital-

intensive activity with low margins) and in energy services to buildings (United States). Suez is present in the regulated (stable and low risk but capital intensive) and unregulated water sector in the United States and has a small organic and hazardous waste management business in Canada. In the United States, the complementary technologies and solutions of Suez WTS should accelerate development in industrial water, and in Canada, complementarities should be found in industrial services and hazardous waste.

In Latin America, the two company's positions are highly complementary and offer development opportunities. Veolia has a balanced presence in terms of geography and business. It is present in water (concessions) in Ecuador, Colombia and Mexico and to a lesser extent (services) in Peru, in solid and hazardous waste (collection and treatment) in Argentina, Colombia, Brazil, Chile and Mexico, in energy, and in Argentina, Chile (building services) and Colombia (industry). On the subcontinent, Suez is mainly present in water and wastewater treatment through Agbar subsidiaries, especially Aguas Andinas in Chile. However, it is also present in industrial water (via WTS) and, to a more limited extent, in solid and hazardous waste. The complementary positions of the two groups in water and waste offer opportunities for development.

In Asia, Veolia has a strong presence in China and Hong Kong (municipal and industrial water, solid and hazardous waste, municipal and industrial heating systems, biomass power plants, energy services to buildings), Japan and Korea (municipal and industrial water, plastic recycling, hazardous waste, biomass power plants and services to buildings), and Southeast Asia (plastic recycling in Indonesia, bioconversion in Malaysia, hazardous waste in Singapore, municipal water and industrial services in India). Suez is mainly present in the municipal market in China, Hong Kong, Macao and Taiwan (water, waste incineration, landfills, collection), in the mainly municipal water market in India, Sri Lanka and Bangladesh, and in plastic recycling in Thailand. The complementary geographic positions of the two groups in hazardous waste around the main industrial zones should enable them to continue to develop at a high pace in a high-potential market. The joint development of innovative activities (bioconversion, recycling of electric vehicle batteries) should help to accelerate them.

In Africa and the Middle East, the Group's positions are highly complementary in Africa and offer opportunities for acceleration in the Middle East. Veolia distributes water and electricity in Rabat and Tangiers in Morocco, and has operations in Niger (water) and South Africa (water and waste). It is present in the major water markets (Saudi Arabia, United Arab Emirates), is growing in industrial services (United Arab Emirates), has recently made an entry in hazardous waste (Saudi Arabia) and is present in energy efficiency (United Arab Emirates). Suez is present in Morocco in water and electricity distribution (Casablanca) and in waste (Tangiers, Oujda and Tetouan) and has been managing drinking water in Senegalese cities since 2020; it is present in Oman in municipal waste, in the United Arab Emirates in waste collection and has recently entered the hazardous waste sector in Saudi Arabia. In the Middle East, complementarities are expected to accelerate in hazardous waste in Saudi Arabia and the United Arab Emirates and in water, desalination and municipal and industrial waste in Oman and Qatar.

In Australia and New Zealand, Suez and Veolia present strong complementarities in a rapidly changing geography in sustainable waste management and intelligent water management. The two groups have highly complementary positions in water in Australia (Veolia's position on the east coast and Suez's position in the south of the country) and in waste (activities and geographic locations, except for the Sydney region where both groups have a strong presence). The potential for operational synergies (internalization of metric tons and rationalization of OIW collection in waste, extensive and differentiating technological and digital offerings in water) is significant.

In summary, the main areas of complementarity are geographic in the United Kingdom, Australia, Africa, China (hazardous waste) and France (waste), and relate to business lines in Spain, Belgium, Italy, Latin America, the Middle East and the United States.

1.1.5.4 Dynamics of team building

Suez and Veolia have much in common.

They share a common culture of technical excellence, entrepreneurial determination, customer focus, a taste for innovation, service to the environment, and a culture of French engineers and entrepreneurs who have successfully deployed their expertise internationally.

Their *raison d'être*, developed using very similar methods, feature significantly convergent content, with a common reference to historical know-how, an identical promise in terms of customer benefits (public health, quality of life, essential services, resources, territories) and a strong emphasis on innovation.

Their respective values (responsibility, solidarity, respect, innovation and customer focus for Veolia, passion for the environment, customer priority, respect and team spirit for Suez) are extremely close.

Their structures are currently very similar, with a focus on geographic management that favors local roots and proximity to customers and cross-functional support functions (finance, human resources, operational performance, strategy and innovation, etc.).

The reorganizations carried out in recent years by the two groups make them more compatible and complementary than ever. Their new strategic plans, *Shaping 2030* for Suez and *Impact 2023* for Veolia, are highly convergent and both radically focused on markets and technologies with high growth and potential for innovation.

1.2 INTEREST OF THE OFFER FOR THE OFFEROR, THE COMPANY, AND THEIR SHAREHOLDERS

The shareholders of Suez who tender their shares in the Offer will receive immediate liquidity and a premium corresponding to:

- (i) 75% over the closing price of the Suez share immediately prior to Engie's announcement of its strategic review including its investment in Suez on July 30, 2020;
- (ii) 72% over the volume-weighted average price for the last month preceding Engie's announcement of its strategic review including its investment in Suez;
- (iii) 73% over the volume-weighted average price for the last three months preceding Engie's announcement of its strategic review including its investment in Suez;
- (iv) 47% over the closing price of the Suez share immediately prior to the delivery by Veolia to Engie of a firm offer for the Block Acquisition on August 30, 2020;
- (v) 64% over the volume-weighted average price for the last three months prior to the delivery by Veolia to Engie of a firm offer for the Block Acquisition on August 30, 2020;
- (vi) 38% over the volume-weighted average price for the last three months preceding the delivery by Veolia to Engie of its improved offer for the Block Acquisition on September 30, 2020; and
- (vii) 58% over the analyst consensus target price as of August 28, 2020.

Valuation criteria used to determine the Offer price are presented in Section 3 of this Draft Offer Document.

Veolia believes that its investment in Suez as a result of the Offer will be in the interest of the Company, given the intentions indicated in the reasons for the Offer (see paragraph 1.1.5 above).

The advantages for the Offeror and its Shareholders resulting from such a transaction are detailed in the reasons for the Offer (see paragraph 1.1.5 above).

1.3 INTENTIONS OF THE OFFEROR OVER THE NEXT TWELVE MONTHS

1.3.1 Industrial, commercial and financial strategy and policy

The intentions of the Offeror with respect to the industrial, commercial and financial strategy and policy are described in the reasons for the Offer (see paragraph 1.1.3 above).

1.3.2 Synergies – Economic gains

The transaction would create value for Veolia's shareholders as early as the first year, thanks in particular to operational and purchasing synergies estimated at €500 million, 20% of which would be achieved in the first year and more than 60% during the second year following the implementation of the Offer. Among those synergies, the synergies relating to the implementation of improved operational practices are estimated at 300 million euros, and the synergies stemming from savings in purchasing made by the new group are estimated at 200 million euros. These expected synergies should be fully achieved within a four-year time frame while fully respecting the social commitments described in paragraph 1.3.4.

The aforementioned geographical, technological, expertise and know-how complementarities of the two groups constitute a source of strong value creation for the benefit of all stakeholders of the new group. They will allow a cross-fertilization encouraging each business segment in each country to gain in productivity and operational efficiency.

By way of illustration, the operational synergies will include, *inter alia*, rationalization of waste collection, internalization of the treatment of collected waste streams, optimization of the availability rate and efficiency of the various plants operated by the two groups, energy performances etc.

These potential synergies are in essence of a notional and essentially prospective nature and their amount is provided for information purposes only. In this respect, it is specified that this synergy potential is only an estimate by Veolia in the absence of a business plan prepared jointly with Suez's management. These synergies have been taken into account in the Offer price.

1.3.3 Composition of the management bodies of Suez

Subject to the success of the Offer, the Offeror intends to request to the shareholders' general meeting of the Company the appointment of its representatives to the board of directors of the Company, in order to reflect the new composition of the shareholding, as well as the renewal or the appointment of directors unrelated to the Veolia group, for a period at least equal to the period during which the shares of the Company will remain listed on Euronext Paris.

1.3.4 Employment policy

The Offer is part of a development strategy of the group formed by the combination of Veolia and Suez. The Offeror publicly undertakes towards Suez, its employees and the governmental authorities that this combination will not have any negative impact on employment in France. The entire workforce of Suez and its controlled subsidiaries engaged in salaried activity in France will retain their position and their social benefits, subject of course to voluntary departures and individual decisions in the normal course of business. Excluding disposals resulting from competition authorities' decisions and Suez SA's headquarters which will be combined with Veolia's headquarter, to which Veolia's employment undertakings will be applicable, there will be no foreseeable change in the workforce structure of Suez

group. This undertaking will be valid until at least the second half of 2023, it being understood that the ambition of this project is to have a sustainably net positive impact on employment in France.

Meridiam (see paragraphs 1.1.1 and 1.3.5) has already publicly committed to retaining all the employees of the “Water” activity of Suez in France, guaranteeing to each of them portability of all of their social rights and benefits and to recruiting more than 1,000 additional apprentices as early as the first year.

More generally, with regards to activities in France that will have to be sold to obtain regulatory approvals, Veolia also undertakes that the chosen purchasers, prior to the takeover, take the same commitments in terms of employment with respect to employees working in France of the companies (or activities) taken over. The purchasers will have to meet all of the four following criteria, in decreasing order of importance, (i) the aforementioned social guarantees, (ii) the quality of the industrial project and the investment and innovation capacity, (iii) the acceptability of the purchaser by the clients and the capacity to develop genuine and serious competition on the market and (iv) the sale price. A joint committee made up of the same number of representatives of Suez and Veolia including employee representatives will be set up to ensure compliance with these criteria in the process of selecting the purchasers.

The new entity’s development ambition, in promising business lines, as well as the very specific nature of its activities - services that cannot be relocated - confirm that these commitments are fully compatible with the search for operational synergies as mentioned above.

For management position, the principle of appointing the best candidate for each position will be applied. An assessment system, with external expertise, will be put in place to ensure objectivity in choosing the best between professionals from the two companies and to build an appropriate career path within the group for each unsuccessful candidate for a given position.

As regards employees at Suez’s headquarters who do not join Suez Eau France perimeters or the other activities not taken over by Veolia because of the remedies requested by competition authorities, a support and internal career path plan will be offered.

Following this objective assessment process, Veolia could include up to four or five executives from Suez on its executive committee out of the dozen of members that will make up the body. Similarly, between fifteen to twenty country managers would be drawn from Suez’s workforce out of the forty or so countries in which the group will be represented after the operation.

1.3.5 Merger – Other reorganizations

In accordance with the terms of the Meridiam Agreement, and in anticipation of remedies identified as necessary to implement the combination with respect to merger control, Veolia intends to sell to Meridiam all of the activities of Suez Eau France, including the activities of conception/building of water treatment facilities in France and R&D related to this activity (see paragraph 1.1.1 above).

In addition, the Offeror reserves the right to examine the possibility of a merger of the Company (or other entities of Suez’s group) with itself or other entities of Veolia’s group, or a transfer of assets or activities, including by way of contribution or sale, between the Company (or other entities of Suez’s group) and the Offeror (or any entity of Veolia’s group). The Offeror also reserves the right to carry out any other reorganization of the Company (or other entities of Suez’s group). As of today, no decision has been made and no feasibility studies has been initiated, with the exception of the sale of Suez Eau France to Meridiam.

1.3.6 Intentions with respect to squeeze-out

Pursuant to Articles L.433-4 II of the French Monetary and Financial Code and Articles 232-4 and 237-1 *et seq.* of the AMF General Regulation, the Offeror intends to apply to the AMF, within ten (10)

trading days from the publication of the result of the Offer or, if applicable, within three (3) months from the closing of the Reopened Offer, to implement a squeeze-out with respect to Suez shares, if the number of shares not tendered in the Offer by the minority shareholders of the Company does not represent more than 10% of the share capital or the voting rights of Suez following the Offer or, if applicable, the Reopened Offer.

In that event, the squeeze-out will relate to the Suez shares other than those held by the Offeror and the treasury shares of the Company. The affected shareholders would receive compensation at the Offer price (as adjusted, if applicable, in accordance with paragraph 2.2 of the Draft Offer Document). The implementation of this procedure will entail delisting of Suez shares from Euronext Paris.

In the event that the Offeror is not able, following the Offer or the Reopened Offer, to implement a squeeze-out, it reserves the possibility to file a buyout offer with the AMF, followed, if applicable, by a squeeze-out of the shares that it does not hold directly or indirectly, or in concert, on that date. The Offeror may, in this case, increase its shareholding in the Company following the Offer and prior to filing a new offer in compliance with applicable laws and regulation. In that event, the squeeze-out will be subject to review by the AMF, which shall rule on the squeeze-out's compliance with its General Regulation, in particular in light of the report of the independent expert appointed in accordance with Article 261-1 of the AMF General Regulation.

1.3.7 Dividend Distribution Policy

The Offeror reserves the right to modify the Company's dividend policy following the Offer, in accordance with applicable laws and the Company's bylaws and according to its distribution capacity and its financing needs.

The Offeror reserves the right to cease distributing dividends in order to reserve further funds to finance the Company's development and debt reduction.

As of this day, no decision has been made in this regard.

1.4 **Agreements that may have a material effect on the valuation of the Offer or its outcome**

The Offeror is not aware of any agreement likely to have an impact on the valuation of the offer or its outcome.

2 **CHARACTERISTICS OF THE OFFER**

2.1 **Terms of the Offer**

In accordance with Article 231-13 of the AMF General Regulation, Credit Agricole Corporate and Investment Bank, HSBC Continental Europe, Bank of America Europe DAC (branch in France) and Morgan Stanley Europe SE, in their capacity as Presenting Banks acting on behalf of the Offeror, filed this proposed Offer with the AMF in the form of a voluntary public tender offer on February 8, 2021. Only Credit Agricole Corporate and Investment Bank and HSBC Continental Europe guarantee the content and the irrevocable nature of the undertakings made by the Offeror in connection with the Offer.

This Offer is made on a voluntary basis and will be conducted following the standard procedure pursuant to Articles 232-1 *et seq.* of the AMF General Regulation.

The Offer and this Draft Offer Document remain subject to review by the AMF.

The Offeror irrevocably undertakes to acquire from the shareholders of Suez all shares of the Company included in the Offer, which will be tendered in the Offer, at a price of €18 per share (*cum dividend*) (subject to adjustments, as discussed in paragraph 2.2) for a minimum period of twenty-five (25) trading

days. It is specified that the Offeror reserves the right to add a subsidiary offer consisting of Veolia shares. This right will only be exercised with prior approval of the AMF.

2.2 Adjustment of the terms of the Offer

If Suez were to proceed with a Distribution (as such term is defined below), in any form whatsoever, for which the reference date on which one must be a shareholder in order to receive the Distribution is set no later than the settlement date of the Offer (included) or, as the case may be, the Reopened Offer (included), the offered price per share under the Offer will be adjusted to take such Distribution into account, it being specified that in the event that the transaction takes place between the settlement date of the Offer (excluded) and the settlement date of the Reopened Offer (included), only the price of the Reopened Offer will be adjusted.

For the purposes of this paragraph, a “**Distribution**” means the amount per share of any distribution in any form whatsoever (in cash or in kind), including (i) any distribution of a dividend, interim dividend, reserves or premiums or (ii) any capital amortization or capital decrease by Suez, or any acquisition or buy-back by Suez of its own shares, in any case at a date prior to the settlement of the Offer or, as the case may be, the Reopened Offer.

Similarly, in the event of transactions affecting the share capital of the Company (in particular merger, spinoff, stock split, reverse stock split, distribution of free shares for existing shares through the capitalization of profits or reserves) decided during the same period, and for which the reference date on which one must be a shareholder in order to receive the Distribution is set no later than the settlement date of the Offer (included) or, as the case may be, of the Reopened Offer (included), the offered price per share will be mechanically adjusted to take into account the effect of such transactions.

Any adjustment of the price per share will be announced by the publication of a press release and subject to the AMF prior approval.

2.3 Number and type of shares included in the Offer

The Offer is for all the Suez shares not held by the Offeror⁵:

- (i) that are currently issued and outstanding, i.e., to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum number of 440,552,579 Suez shares⁶, and
- (ii) that may be issued prior to the closing of the Offer or the Reopened Offer, as a result of the vesting of the Free Shares, i.e., to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum of 906,429 Suez⁷,

altogether representing, to the best knowledge of the Offeror as of the date of this Draft Offer Document, a maximum number of 441,459,008 Suez shares included in this Offer.

To the best knowledge of the Offeror, there are no other equity securities, or other financial instruments issued by the Company or rights granted by the Company that could give access, either immediately or in the future, to the share capital or voting rights of the Company.

⁵ As of the date of this Draft Offer Document, the Offeror holds 187,810,000 Suez shares (see paragraph 1.1.2) out of a total number of 628,362,579 issued and outstanding shares.

⁶ On the basis of the information disclosed by the Company on its website as of December 31, 2020, in accordance with Article 223-16 of the AMF General Regulation. This also includes treasury shares, i.e., 187,161 shares, based on the same information.

⁷ See paragraph 2.4

2.4 Situation of the beneficiaries of right to receive Free Shares

To the best knowledge of the Offeror, the Company put in place a performance share plan on July 25, 2018 (the “**Free Share Plan**”), the vesting period of which is still ongoing as of the date of this Draft Offer Document.

The beneficiaries of rights to receive Free Shares may tender such Free Shares in the Offer or in the Reopened Offer, provided they are fully vested and transferable.

In the event where the expiry of the acquisition period would be subsequent to the closing of the Offer or, as the case may be, the Reopened Offer, the Offeror will offer to the beneficiaries of rights to receive Free Shares who will not be able to tender such Free Shares to the Offer or the Reopened Offer, to purchase them during a period of 60 calendar days following the expiry of the acquisition period. To the best knowledge of the Offeror, the acquisition period of the Free Share Plan will expire on September 30, 2021 and the benefit of the purchase commitment by the Offeror may therefore be requested, in the event where the expiry of the acquisition period would be subsequent to the closing of the Offer or, if applicable, the Reopened Offer, between October 1, 2021 and November 29, 2021 (included). The purchase price of the said Free Shares will be equal to the price per share paid under the Offer, adjusted, if applicable, in accordance with paragraph 2.2, by the amount of any Distribution that would have occurred between the closing of the Reopened Offer and the request for redemption of the Free Shares.

2.5 Situation of holders of Suez ADRs

It is specified that the tender of Suez ADRs will not be accepted in the Offer or the Reopened Offer, and that the holders of Suez ADRs who wish to tender their shares to the Offer or the Reopened Offer will be prior required to exchange them for Suez shares. The process of exchanging Suez ADRs for underlying ordinary shares may take some time. The holders of Suez ADRs are encouraged to request cancellation of their Suez ADRs as soon as possible in order to ensure that they are able to tender such Suez shares in the Offer or the Reopened Offer. Holders of Suez ADRs should contact their broker or Deutsche Bank Trust Company Americas (the “**Depositary**”) through Deutsche Bank ADR broker services desks (by telephone in New York: Tel +1 212 250 9100 or in London: +44 207 547 6500 or by e-mail at adr@db.com) in case they have questions in relation to the cancellation of Suez ADRs. It is the responsibility of holders of Suez ADRs to verify the potential application of any tax, governmental charges or cancellation fee for their Suez ADRs, which amount will be borne by such holder.

2.6 Conditions for the Offer

2.6.1 Validity threshold

In accordance with Article 231-9, I of the AMF General Regulation, the Offer will lapse if, at its closing date, the Offeror, acting alone or in concert within the meaning of Article L. 233-10 of the French Commercial Code, does not hold a number of shares representing a fraction of the share capital or voting rights of the Company greater than 50% (this threshold being hereinafter referred to as the “**Validity Threshold**”).

The reaching of the Validity Threshold will not be known before the AMF publishes the final, or, as the case may be, provisional result of the Offer.

If the Validity Threshold is not reached, the Offer will not have a positive outcome and the shares tendered in the Offer will be returned to their holders within three (3) trading days following the publication of the result notice informing of the expiry of the Offer, without any interest, indemnity or other payment of any kind whatsoever being due to the said holders.

2.6.2 Merger control authorizations

In accordance with Article 231-11 of the AMF General Regulation, as of the date of this Draft Offer Document, the Offer is subject to the condition precedent of obtaining the authorization of the combination with regard to merger control by the European Commission, in accordance with Article 6.1.b) of EC Regulation No. 139/2004 of January 20, 2004 (and/or, as the case may be, the competent national authorities in the European Union), it being specified that the Offeror reserves the right to waive this condition.

The AMF will set the closing date of the Offer as soon as the abovementioned authorization by the European Commission (or, as the case may be, of the competent national authorities of the European Union should one of these authorizations be granted after the Commission's authorization) or confirmation that there is no objection to such authorization (or, if applicable, to such authorizations) has been received or, as the case may be, as soon as the Offeror has exercised its rights to waive this condition precedent.

In accordance with Article 231-11 of the AMF General Regulation, the Offer will automatically lapse if the combination is the subject of the European Commission procedure provided in Article 6.1.c) of EC Regulation No. 139/2004 of January 20, 2004 (or, as the case may be, any other equivalent procedure initiated by the competent national authorities of the European Union), unless the Offeror has previously exercised its right to waive the aforementioned condition precedent.

The importance of the subject of merger control was identified at the outset of the project and, as a result, largely anticipated by a team of operational staff with in-depth knowledge of the businesses and markets, lawyers specializing in competition law and economists, relying, as far as Suez's activities are concerned, on public data and estimates.

Suez and Veolia are present in approximately forty countries each. Proceedings have been or will be initiated in around twenty countries outside Europe and with the European Commission.

Subject to confirmation by the competition authorities, the risk of remedies seems limited outside France, the historical cradle of the two groups. With a few exceptions, the complementary nature of Suez's and Veolia's locations is almost perfect when the two groups are present in the same country, either because they do not carry out the same businesses there to any significant extent, or, if they do, because the combination of their activities will create a challenger rather than a market leader.

In France, however, business recovery is greater and measures have already been devised.

For the Water business, as described in paragraph 1.1.1, in order to ensure fair competition, Veolia has already planned to sell the entire business to Meridiam. Meridiam has thus undertaken, subject to obtaining the required authorizations under merger control, to acquire all of the businesses of Suez Eau France and its subsidiaries, including the design/construction of water treatment facilities in France (*Degrémont France*) and R&D (*Centre International de Recherche sur l'Eau et l'Environnement (CIRSEE)*) related to this division that would not be owned by Suez Eau France. Digital, sludge treatment and piping work activities directly and mainly linked to operational activities of municipality waters in France would also be integrated. The advising and engineering activities located within Suez Safège, the group's advising and engineering subsidiary, will not be taken over by Meridiam. In order to comply with the criteria mentioned in paragraph 1.3.4, Meridiam has also publicly undertaken to take over all the employees of Suez's "Water" business in France, guaranteeing to each employee the portability of all their rights, benefits and acquired social rights, under the same terms as for Veolia, but also to invest massively to develop the business: Meridiam will invest an additional 800 million euros over the next five to seven years compared to the amount of annual investments currently made by Suez Eau France, and will recruit 1,000 additional apprentices in the first year. Finally, Meridiam has undertaken to own the company for a minimum of 25 years.

With respect to waste, assets will likely have to be sold, and the exact scope of these sales will be established during discussions with the antitrust authorities. This activity breaks down into different markets (collection, treatment, for public and private customers), each of which will be analyzed in detail and locally. Numerous expressions of interest have been expressed for the acquisition of the assets to be divested, notably by leading French companies active in the relevant businesses. In any event, the choice of the buyer(s) will be made jointly with the joint committee described in paragraph 1.3.4 on the basis of the four criteria above-mentioned: (i) social guarantees, (ii) the quality of the industrial project and the capacity for investment and innovation, (iii) the acceptability of the buyer by customers and the capacity to develop real and serious competition on the market, and (iv) the sale price.

2.7 Terms of the Offer

This proposed Offer was filed with the AMF on February 8, 2021. A notice relating to the filing was published by the AMF published a notice of filing on its website (www.amf-france.org).

In accordance with Article 231-16 of the AMF General Regulation, this Draft Offer Document as filed with the AMF is available to the public free of charge at the registered offices of the Offeror and each of the Presenting Banks, as well as online on the websites of the AMF (www.amf-france.org) and Veolia (www.veolia.com).

In addition, the press release containing the main information of this Draft Offer Document was published by the Offeror on February 8, 2021.

The Offer and this Draft Offer Document remain subject to review by the AMF.

The AMF will publish on its website a reasoned clearance decision with respect to the Offer after having verified that the Offer complies with applicable laws and regulations. Such clearance decision will entail approval (“*visa*”) of the offer document. The offer document approved by the AMF as well as the information relating in particular to the legal, financial and accounting characteristics of the Offeror, will be made available to the public, in accordance with Article 231-28 of the AMF General Regulation, by the Offeror and each of the Presenting Banks, no later than the day preceding the opening of the Offer. Such documents will also be available on the websites of the AMF (www.amf-france.org) and Veolia (www.veolia.com).

A press release indicating how such documents will be made available will be issued no later than the day preceding the opening of the Offer.

Prior to the opening of the Offer, the AMF will publish a notice announcing the opening of the Offer, and Euronext Paris will publish a notice announcing the terms and the opening of the Offer.

2.8 Procedure for tendering in the Offer

Shares tendered in the Offer (and, if applicable, in the Reopened Offer) must be freely tradeable and free of all liens, pledges or other sureties or restrictions of any nature whatsoever restricting the free transfer of their ownership. The Offeror reserves the right to reject any tendered share that does not comply with this condition.

The shareholders of the Company whose shares are held through a financial intermediary (credit institution, investment company, etc.) and who wish to tender their shares in the Offer must deliver to their financial intermediary, no later than the closing date of the Offer, a tender order in the form made available to them by their intermediary.

Holders of shares are invited to contact their intermediaries to verify the applicable terms and conditions. In accordance with Article 232-2 of the AMF General Regulation, orders to tender shares

in the Offer may be revoked at any time until the closing date of the Offer (included). After that date, orders will be irrevocable.

Shareholders whose shares are recorded in “pure” registered form (“*nominatif pur*”) in the account register of the Company, held by CACEIS Corporate Trust (Service Assemblées Générales, 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux Cedex 9), may request that their shares be converted into “administrative” registered form (“*nominatif administré*”) in order to tender their shares in the Offer, unless they have already requested their conversion to bearer form (“*au porteur*”). The Offeror reminds shareholders that any shareholder who expressly requests conversion into bearer form will lose the advantages of holding shares in registered form if the Offer does not succeed.

The Offer and all of its related agreements are governed by French law. Any dispute or conflict, whatever its purpose or grounds, relating to the Offer will be brought before the competent courts.

No commission will be paid by the Offeror to the financial intermediaries through whom the shareholders tender their shares in the Offer.

2.9 Centralization of orders to tender in the offer

Each financial intermediary and the registrar that holds the registered accounts for the shares of the Company will, on the date indicated on the notice published by Euronext Paris, transfer to Euronext Paris the shares for which it has received order to tender in the Offer.

Following receipt by Euronext Paris of all orders to tender in the Offer in accordance with the above terms, Euronext Paris will centralize all of the orders and determine the outcome of the Offer.

2.10 Publication of the results and settlement of the Offer

Pursuant to Article 232-3 of its General Regulation, the AMF will announce the final result of the Offer no later than nine (9) trading days after the closing of the Offer. If the AMF observes the Offer is successful, Euronext Paris will indicate in a notice the date and procedures for shares and payment delivery.

No interest will be due for the period running from the date of tendering shares in the Offer through the date of settlement of the Offer.

On the settlement date of the Offer (and, if applicable, the Reopened Offer), the tendered Suez shares and all of the rights attached thereto will be transferred to the Offeror. Intermediaries will credit the account of their clients who have tendered their shares to the Offer (or, if applicable, to the Reopened Offer) as from the settlement date of the Offer (and, if applicable, of the Reopened Offer).

2.11 Intervention of the Offeror on the market for the Company’s shares during the Offer period

The Offeror reserves the right to acquire shares, on or off-market, in accordance with Articles 231-38 and 231-39 of the AMF General Regulation.

2.12 Tentative timetable for the Offer

Prior to the opening of the Offer, the AMF will publish a notice announcing the opening and the timetable of the Offer, and Euronext Paris will publish a notice announcing the terms and the timetable of the Offer. The notice setting out the closing date of the Offer will be published by the AMF as soon as the merger control authorizations described in paragraph 2.6.2 above or confirmation that there is no objection to such authorizations have been received or, as the case may be, waived by Veolia.

A tentative timetable is set forth below:

Dates	Main steps of the Offer
February 8, 2021	<ul style="list-style-type: none"> - Offeror's Draft Offer Document filed with the AMF - Offeror's Draft Offer Document posted on the websites of the Offeror (www.veolia.com) and of the AMF (www.amf-france.org) and made available to the public at the registered offices of the Offeror and of the Presenting Banks - Publication of the press release announcing the filing and the availability of the Offeror's Draft Offer Document
March 8, 2021	<ul style="list-style-type: none"> - Filing with the AMF of the Company's draft reply document, including the reasoned opinion of the Company's board of directors, and the competent work's council opinion - Company's draft reply document posted on the websites of the Company (www.suez.com) and of the AMF (www.amf-france.org) and made available to the public at the Company's registered office - Publication of press release announcing the filing and the availability of the Company's draft reply document
March 16, 2021	<ul style="list-style-type: none"> - AMF's clearance decision with respect to the Offer, which entails approval ("visa") of the Offeror's offer document - Offeror's approved offer document posted on the websites of the Offeror (www.veolia.com) and of the AMF (www.amf-france.org) and made available to the public at the registered offices of the Offeror and of the Presenting Banks - Publication of the press release announcing the availability of the information notice
	<ul style="list-style-type: none"> - AMF's approval ("visa") of the Company's reply document - Offeror's approved offer document posted on the websites of the Company (www.suez.com) and of the AMF (www.amf-france.org) and made available to the public at the registered offices of the Company - Publication of the press release announcing the availability of the Company's approved offer document
March 17, 2021	<ul style="list-style-type: none"> - Information relating to the Offeror, in particular to its legal, financial and accounting characteristics, posted on the websites of the Offeror (www.veolia.com) and of the AMF (www.amf-france.org) and made available to the public at the registered offices of the Offeror and of the Presenting Banks - Publication of the press release announcing the availability of the information relating to the Offeror, in particular to its legal, financial and accounting characteristics
	<ul style="list-style-type: none"> - Information relating in particular to the legal, financial and accounting characteristics of the Company posted on the websites of the Company (www.suez.com) and of the AMF (www.amf-france.org) and made available to the public at the registered office of the Company - Publication of the press release announcing the availability of the information relating to the Company, in particular to its legal, financial and accounting characteristics
	<ul style="list-style-type: none"> - Determination by the AMF of the Offer timetable - Publication by the AMF of the notice announcing the opening of the Offer

Dates	Main steps of the Offer
	- Publication by Euronext Paris of the notice relating to the Offer and its terms
March 18, 2021	- Opening of the Offer
End of March 2022	- Obtaining the approval with regard to merger control from the European Commission (and/or, as the case may be, the competent national authorities of the European Union)
April 1, 2022	- Determination by the AMF of the closing of the Offer - Publication by the AMF of the notice announcing the closing of the Offer - Publication by Euronext of the notice announcing the closing of the Offer
April 19, 2022	- Closing of the Offer
April 25, 2022	- Notice announcing the result of the Offer published by the AMF
April 26, 2022	- In the event the Offer is successful, opening of the Reopened Offer
May 2, 2022	- In the event the Offer is successful, settlement of the Offer
May 9, 2022	- Closing of the Reopened Offer
May 13, 2022	- Notice announcing the result of the Reopened Offer published by the AMF
May 20, 2022	- Settlement of the Reopened Offer

2.13 Possibility of withdrawing the Offer

In accordance with Article 232-11 of the AMF General Regulation, the Offeror may withdraw its Offer within five (5) trading days following the publication of the timetable for a competing offer or an improved competing offer. It must inform the AMF of its decision which is made public.

It may also withdraw its Offer if the Offer no longer serves its intended purpose, or if Suez adopts measures that modify its substance, either during the Offer or in the event that the Offer is successful, or if measures adopted by Suez increase the costs of the Offer for the Offeror. Such a case may in particular occur in the event of a commitment by Suez or any other entity of its group that may result in a Transfer to a Third Party of a Strategic Asset or that, together with the disposals announced by Suez since January 1, 2020, may have a Significant Impact on Suez. This right may only be exercised with the prior authorization of the AMF, which will make its decision based on the principles set forth in Article 231-3 of the AMF General Regulation.

In the event of a withdrawal, shares tendered in the Offer will be returned to their owners without any interest, indemnification or other payment being due.

For the purposes of this paragraph :

“**Strategic Asset**” means securities of the companies of group Agbar (Spain and subsidiaries out of Spain, in particular in Chile) or any asset of those companies, any water asset regulated in the United States of America, or any cleanliness asset in the United Kingdom or Australia.

“**Significant Impact on Suez**” means a decrease of more than 30% of the consolidated annual revenue of Suez (on a pro-forma basis as compared to 2019 consolidated accounts) resulting from the disposals announced by Suez since January 1, 2020 and new disposals that may be announced by Suez (excluding disposals required by competition authorities in the context of the Offer).

“**Third Party**” means any person other than Suez or one of its subsidiaries, or Veolia or one of its subsidiaries.

“**Transfer**” means any transfer, whether direct or indirect, in any form whatsoever, and in particular any transfer for valuable consideration or free of charge, any private sale auction, contribution to a company, partial contribution of assets, merger, division, universal transmission of assets, inheritance, gifts or exchange, waiver of preferential subscription right, or any assignment by way of security, creation or implementation of a share pledge, pledge or any other form of security interest or collateral, or any conveyance or grant of rights under a *fiducie*, a trust or a foundation (or any similar structure), as well as any promise or undertaking to carry out such operations; with respect to Transfer of securities, this will also include transfers of ownership, bare ownership, usufruct (including *convention de croupier*) or any other rights attached to the securities, including any voting right or right to receive dividends, or any dismemberment of ownership, and more generally any agreement involving transfer, even potential, of the securities or economic exposure to the securities, whether immediately or in the future.

2.14 Reopening of the Offer

In accordance with Article 232-4 of the AMF General Regulation, if the Offer is successful, it will be automatically reopened within ten (10) trading days following the publication of the final result of the Offer, under terms identical to those of the Offer. The AMF will publish the timetable for the reopening of the Offer, which will remain open for at least ten (10) trading days (the “**Reopened Offer**”).

If the Offer is reopened, the tender process and order centralization for the Reopened Offer will be identical to those applicable to the Offer described in paragraphs 2.7 and 2.8 of this Draft Offer Document, it being specified that orders to tender in the Reopened Offer will be irrevocable as from their issuance.

However, the Offeror reserves the right, in the event that it is able and decides to perform a squeeze-out immediately following the Offer pursuant to Articles 237-1 *et seq.* of the AMF General Regulation, to request from the AMF the implementation of such a squeeze-out within ten (10) trading days after publication of the notice announcing the results of the Offer. In that event, the Offer will not be reopened.

The Reopened Offer and all of its related agreements are governed by French law. Any dispute or conflict, whatever its purpose or grounds, relating to the Reopened Offer will be within the jurisdiction of the competent courts.

2.15 Costs and financing of the Offer

2.15.1 Costs relating to the Offer

The overall amount of all fees, costs and external expenses incurred in connection with the Offer by the Offeror, including fees and expenses of its financial, legal and accounting advisors, publicity costs and costs relating to the financing of the Offer, is estimated at approximately 150 million euros (excluding taxes).

2.15.2 Financing terms of the Offer

In the event that all of the shares targeted by the Offer are tendered in the Offer, the maximum cost of the Offer will amount to approximately 7.95 billion euros. The financing of the Offer is covered by a bridge loan entered into with a bank pool. It is planned that this loan is refinanced in part by the proceeds of the disposals required by the competition authorities and by hybrid bond issuances and the issuance of share capital securities or securities giving access to the share capital, in a view to preserving a credit

rating corresponding to a strong investment grade rating and to maintain the net financial debt/EBITDA ratio of the extended group below 3.0x in the medium term in accordance with group's objectives.

2.15.3 Payment of costs charged to shareholders

No fees will be reimbursed and no commission will be paid by the Offeror to any person soliciting tender of shares.

2.16 **Offer restrictions outside of France**

Neither the Draft Offer Document nor any other document relating to the Offer constitutes an offer to buy or sell financial instruments or a solicitation of an offer in any country in which such offer or solicitation would be illegal, or to any person to whom such an offer cannot legally be made. The shareholders of the Company located outside of France may participate in the Offer only to the extent that such participation is authorized by the local law to which they are subject.

The distribution of this Draft Offer Document and of any document relating to the Offer or to participation in the Offer may be subject to legal restrictions in certain jurisdictions.

The Offer is not being made to persons subject directly or indirectly to such restrictions, and may not in any way be the subject of an acceptance from a country in which the Offer is subject to restrictions.

Those who come into possession of this Draft Offer Document must inform themselves of the applicable legal restrictions and comply with them. A failure to comply with legal restrictions may constitute a violation of applicable stock exchange laws and regulations in certain jurisdictions. The Offeror will not be liable for the violation of applicable legal restrictions by any person.

As Suez shares are admitted to negotiation on Euronext Brussels, pursuant to the provisions of article 4, §4 of the Belgian statute dated April 1st, 2007 regarding tender offers in Belgium (*loi belge du 1^{er} avril 2007 relative aux offres publiques d'acquisition*), the Offer will be opened in Belgium. In that regard, the Offeror will request the recognition of the offer document by the Belgian financial services and markets authority (*autorité belge des services et marchés financiers*) pursuant to the provisions of article 20 of the aforementioned Belgian statute. A schedule regarding the opening of the Offer in Belgium will be appended to the offer document bearing AMF's visa. This schedule will describe the specific procedure for the extension of the Offer in Belgium.

The Offer will also be made in the United States of America in compliance with Section 14(e) of the U.S. Securities Exchange Act of 1934 as amended (the "**U.S. Exchange Act**"), and the rules and regulations promulgated thereunder, including Regulation 14E, and otherwise in accordance with applicable requirements under French law. The Offer is subject to the exemptions from certain provisions of Regulation 14E provided by Rule 14d-1 (d) under the U.S. Exchange Act ("Tier II" exemption). Accordingly, the Offer will be subject to certain procedural requirements, including with respect to the settlement procedures, which are different from those applicable under U.S. tender offer procedures and law.

The receipt of cash pursuant to the Offer by a U.S. shareholder of the Company may be a taxable transaction for U.S. federal income tax purposes. Each U.S. shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of accepting the Offer.

It may be difficult for U.S. shareholders of the Company to enforce their rights and claims arising out of the U.S. federal securities laws, the Offeror and the Company being headquartered in a country other than the United States of America, and some or all of their respective officers and directors may be residents of a country other than the United States of America. U.S. shareholders of the Company may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violation of

U.S. securities laws. Further, it may be difficult to subject a non-US company (or its affiliates) to a U.S. court's judgment.

To the extent permissible under applicable law and regulation, including Rule 14e-5 of the U.S. Exchange Act, and in accordance with usual French practice, the Offeror and its affiliates or broker(s) (acting as agents or in the name and on behalf of the Offeror or its affiliates, where appropriate) and the Company and its affiliates or broker(s) (acting as agents or in the name and on behalf of the Company or of its affiliates, where appropriate), may, both prior to and after the date thereof, and other than pursuant to the Offer, directly or indirectly purchase, or arrange, to purchase shares of Suez. These purchases can occur either in the open market at prevailing prices or in private transactions at negotiated prices. In no event will any such purchases be made for a price per share that is greater than the Offer price. To the extent information about such purchases or arrangements to purchase is made public in France, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of such information. No purchases will be made outside of the Offer in the United States of America by or on behalf of the Offeror, the Company and/or their respective affiliates. Affiliates of the financial advisors of the Offeror and of the Company may engage in ordinary course trading activities in securities of Suez, which may include purchases or arrangements to purchase such securities.

This Draft Offer Document has not been filed with or reviewed by any federal or state securities commission or regulatory authority of any jurisdiction in the United States of America, nor has any such commission or authority passed upon the accuracy or adequacy of this Draft Offer Document. Any representation to the contrary is unlawful and may be a criminal offense.

2.17 Tax regime of the Offer

This section outlines certain tax consequences under current French tax laws and regulations that may apply to persons participating in the Offer.

Persons participating in the Offer should note, however, that this information is only a summary of the tax regime applicable under current French legislation, presented for general information purposes.

The rules described below could be impacted by possible changes in laws and regulations, which could have a retroactive effect or could apply to the current year, or by possible changes in their interpretation by the French tax authorities or case-law.

The tax information set forth below does not constitute a comprehensive description of all the tax consequences that may apply to persons participating in the Offer.

Participating persons are therefore urged to consult with their usual tax advisor in order to determine the tax regime applicable to their particular situation.

Persons who are not French tax residents must also comply with the tax legislation of their state of residence and, where applicable, with the provisions of any tax treaty entered into between France and such jurisdiction.

2.17.1 Individual French tax residents holding shares as part of their private estate and who do not trade on the markets on a regular basis and who do not hold shares acquired pursuant to an employee benefits plan or as part of employee incentive schemes

The following does not apply to individuals who carry out stock market transactions under conditions similar to those which characterize an activity carried out by a person conducting such operations on a professional basis nor to individuals who hold or have acquired their shares through a company savings plan (*plan d'épargne d'entreprise*) or a group savings plan (*plan d'épargne de groupe*) (including through a company mutual investment fund (*fonds commun de placement d'entreprise*, "FCPE") or

from the exercise of share purchase or subscription options or who received free shares (or rights to receive such shares).

Such individuals are urged to consult with their usual tax advisor in order to determine the tax regime applicable to their particular situation.

(a) *Standard tax regime*

Personal income tax

In accordance with Articles 200 A, 158, 6 *bis* and 150-0 A *et seq.* of the French Tax Code (“**FTC**”) net capital gains resulting from the sale of securities by individuals who are French tax residents are, in principle, subject to a 12.8% flat tax, without rebate.

However, pursuant to the paragraph 2 of Article 200 A of the FTC, taxpayers may elect globally, expressly and irrevocably, before the deadline for filing their income tax return for a given year, that such net capital gains be taken into account for the purposes of determining the net global income subject to the progressive income tax rate scale. The election applies on a yearly basis to all investment income (with the exception of certain tax-exempt income) and capital gains falling within the scope of the abovementioned 12.8% flat tax and earned during the given year.

If such an election is filed, the net capital gains resulting from the sale of shares acquired or subscribed before January 1, 2018 will be taken into account for the purposes of determining the net global income subject to the progressive income tax rate scale after application of a proportional rebate in accordance with Article 150-0 D of the FTC, which is equal to:

- 50% of their amount where the shares have been held for at least two years and less than eight years, at the date of the sale;
- 65% of their amount where the shares have been held for at least eight years, at the date of the sale.

Subject to exceptions, for the application of this rebate, this holding period is computed from the share subscription or acquisition date. In any case, no such rebate will apply to shares acquired or subscribed on or after January 1, 2018.

Persons with reportable net capital losses or recognizing capital losses on the sale of shares in the context of the Offer are urged to consult with their usual tax advisor in order to review the conditions for the use of such capital losses.

Where relevant, tendering shares in the Offer will trigger the termination of any tax deferral or rollover relief that may have been available to the relevant persons in prior transactions with respect to the shares tendered in the Offer.

Persons potentially concerned by these rules should consult their usual tax advisor to determine the consequences applicable to their particular situation.

Social levies

Net capital gains resulting from the sale of shares are also subject to social levies at an overall rate of 17.2%, without any rebate where such a rebate is applicable for income tax purposes under the conditions specified above, broken down as follows:

- the general social contribution (*contribution sociale généralisée*, “**CSG**”), at a rate of 9.2%;
- the contribution for social debt repayment (*contribution pour le remboursement de la dette sociale*, “**CRDS**”), at a rate of 0.5%; and
- the solidarity levy (*prélèvement de solidarité*), at a rate of 7.5%.

If the net capital gains resulting from the sale of shares are subject to the abovementioned 12.8% flat tax, none of these social levies are deductible from the taxable income. If the taxpayer opts for taxation based on the progressive income tax rate scale, the CSG will be partially deductible, in the amount of 6.8%, from the taxable income of the year during which it is paid, it being understood that other social levies will not be deductible from the taxable income.

Exceptional contribution on high income

Article 223 *sexies* of the FTC provides that taxpayers subject to personal income tax are also subject to an exceptional contribution on high income applicable when their reference income for tax purposes exceeds certain thresholds.

Such contribution is calculated by applying a rate of:

- 3% for the portion of reference income (i) in excess of €250,000 and representing less than or equal to €500,000 for taxpayers who are single, widowed, separated, divorced or married but taxed separately and (ii) in excess of €500,000 and representing less than or equal to €1,000,000 for taxpayers subject to joint taxation;
- 4% for the portion of reference income (x) exceeding €500,000 for taxpayers who are single, widowed, separated, divorced or married but taxed separately and (y) €1,000,000 for taxpayers subject to joint taxation.

For the purposes of such rules, the reference income of a tax household is defined in accordance with the provisions of Article 1417, IV, 1° of the FTC, without application of the “*quotient*” rules defined under Article 163-0 A of the FTC, and, where applicable, by applying the specific *quotient* rules provided for in Article 223 *sexies*, II of the FTC.

The abovementioned reference tax income includes net capital gains resulting from the sale of shares by the concerned taxpayers, before the application of the income tax rebate, if such a rebate is applicable in accordance with the conditions described above, in the event that the taxpayer opts for taxation according to the progressive income tax rate scale (see paragraph (a) (**Personal income tax**) above).

(b) *Shares held through a share savings plan (plan d'épargne en action or “PEA”)*

Persons holding shares of the Company as part of a PEA can participate in the Offer.

Subject to certain conditions, the PEA offers (i) during the lifetime of the PEA, an exemption from personal income tax and social levies with respect to capital gains and other income derived from investments made through the PEA, provided, in particular, that such income and capital gains are maintained within the PEA and (ii) at the time of the closing of the PEA (if this occurs more than five (5) years after the PEA opening date) or at the time of a partial withdrawal from the PEA (if such withdrawal occurs more than five (5) years after the PEA opening, unless otherwise specified), an exemption from personal income tax for net gains realized since the opening of the plan.

Such net gain is not taken into account for the calculation of the exceptional contribution on high income, described above, but remains subject to the social levies described in paragraph (a) (**Social levies**) above at a rate of 17.2% for net gains realized as from January 1, 2018. However, the applicable rate of these social levies may vary depending on the date of realization of such net gains for (i) net gains acquired or recognized before January 1, 2018 and (ii) net gains realized within the first five years following the opening of the plan, where such plan was opened before January 1, 2018.

Specific provisions, not described in this Draft Offer Document, apply if capital losses are realized, if the plan is closed before the end of the fifth year following the opening of the PEA or if a withdrawal

is made from the PEA in the form of an annuity. Concerned persons are urged to consult with their usual tax advisor.

Persons holding their shares as part of a PEA who wish to participate in the Offer are urged to consult with their usual tax advisor in order to determine the consequences of the sale of their shares held as part of a PEA in the context of the Offer and the tax regime applicable to such a sale, particularly with regard to the treatment of the related costs.

- (c) *Shares acquired pursuant to free shares allocation plan (except cases of shares held in the context of a group savings plan (PEG) or a company collective savings plan (FCPE))*

It should be noted that among the free share granted by Suez in application of the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code, shares for which the vesting period is still running at the closing date of the Offer may not be tendered in the Offer. In addition, a special lockup period is applicable to corporate officers. Persons in any of these situations are therefore not concerned by the information below and are urged to consult section 2.4 “Situation of beneficiaries eligible to receive Free Shares” and to consult with their tax advisor to determine the tax regime applicable to them. In other cases, tendering, in the Offer, free shares granted pursuant to the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code will constitute a taxable event for the acquisition gain and will also give rise to the recognition of any capital gain or loss arising from the sale.

The acquisition gain on the shares concerned will be taxed in accordance with the regime applicable to each free share allocation plan from which the shares tendered in the Offer originated. The persons concerned are invited to review their specific tax situation with their usual tax advisor.

Net gains realized as a result of tendering, in the Offer, shares resulting from free share allocation plans for which the vesting period has expired, corresponding to the difference between the offer price, net of any costs borne by the tenderer, and the first quoted price of the shares of the company on the date of final acquisition of the free shares, will be taxed in accordance with the regime described in section 2.17.1(a).

The abovementioned sale and acquisition gains are taken into account in the calculation of the reference tax income on which the exceptional contribution on high income is based, where applicable.

Persons who would hold their free shares as part of an employee benefits plan are invited to consult with their usual tax advisor to determine the tax and social security regime applicable to them.

2.17.2 Legal entities that are tax residents in France and subject to corporate income tax and for which the Company’s shares do not qualify as equity investment or assimilated securities for the purposes of Article 219 I-a quinquies of the FTC

Net capital gains resulting from the sale of shares in the context of the Offer will be included in the taxable income subject to corporate income tax (“CIT”) at the relevant applicable standard tax rate, plus the 3.3% social contribution (Article 235 *ter* ZC of the FTC), where applicable, which is assessed on the basis of the amount of CIT after application of a rebate which may not exceed an amount of €763,000 per twelve-month period.

The applicable CIT rate will depend on the legal entity’s turnover and, in some cases, the amount of its taxable income, as well as the date of the sale and the opening date of the fiscal year during which the sale takes place, it being specified that the standard tax rate for fiscal years opened on or after January 1,

2021 is 26.5 %⁸. Legal entities participating in the Offer are urged to consult with their usual tax advisor in order to determine the CIT rate applicable to their particular situation.

Capital losses incurred on the sale of shares of the Company in the context of the Offer are deductible from the legal entity's taxable income.

Furthermore, it should be noted that tendering shares in the Offer will result in the termination of any tax deferral or rollover relief that may have been available to the relevant companies with respect to prior transactions.

Legal entities that are residents in France for which the Company's shares qualify as equity investment or assimilated securities for the purposes of Article 219 I-a *quinquies* of the FTC are urged to consult with their usual tax advisor in order to determine the tax regime applicable to their particular situation.

2.17.3 Non-French tax residents

Non-French tax residents are urged to consult with their usual tax advisor regarding their particular situation in order to take into consideration the tax regime applicable both in France and in the jurisdiction where they reside for tax purposes.

Subject to any international tax treaties and any specific rules, where applicable, that may apply to individuals who are not French tax residents and have acquired their shares through an employee benefits plan or any incentive scheme, capital gains on the sale of their shares, by taxpayers who are not French tax residents within the meaning of Article 4 B of the FTC or whose registered office is located outside of France (and which do not own their shares in connection with a fixed base or a permanent establishment subject to taxation in France on the balance sheet of which the shares are recorded as an asset) and that have at no time during the five (5) years preceding the sale held, directly or indirectly, alone or together with the members of their family, an interest of over 25% in the Company's profits are in principle not subject to taxation in France (Articles 244 *bis* B and C of the FTC), except where the capital gains have been realized by persons or organizations that are domiciled, established or incorporated outside of France in a non-cooperative State or territory within the meaning of Article 238-0 A of the FTC ("NCSTs"), other than those mentioned in Article 238-0 A, 2 *bis*, 2°. In the latter case, subject to the provisions of any international tax treaties that may apply, regardless of the percentage of rights held in the Company's profits, capital gains will be taxed at the flat rate of 75%, unless it is demonstrated that the principal purpose or effect of the transactions triggering such capital gains is not simply to allow their location in an NCST. A list of NCSTs is published by ministerial decree and may be updated at any time and, in principle, at least once a year. In this respect, it should be noted that the Law no. 2018-898 of October 23, 2018 relating to the fight against tax fraud, which entered into force on December 1, 2018, expanded the list of NCSTs as defined under Article 238-0 A of the FTC to the States and jurisdictions included in the blacklist published by the Council of the European Union, which is regularly updated.

Persons or organizations domiciled, established or incorporated in an NCST that do not fulfil the conditions to qualify for exemption are urged to consult with their usual tax advisor.

The sale of shares in the context of the Offer will trigger the termination of any payment deferral that may have been available to individuals subject to the "exit tax" rules set out in Article 167 *bis* of the FTC in the context of the transfer of their tax residence outside of France. Such individuals are urged to consult with their usual tax advisor.

⁸ It being specified that for taxpayers with a turnover equal to or greater than 250 million euros, this rate is increased to 27.5 %.

2.17.4 Persons subject to a different tax regime

Shareholders of the Company participating in the Offer subject to a tax regime other than those referred to above, in particular taxpayers who carry out transactions on securities exceeding the mere management of their private portfolio or whose shares are recorded as assets on their commercial balance sheet, non-residents or individuals who benefited from an allocation of free shares or who hold or have acquired shares through a company or group savings plan (including through a FCPE) or by the exercise of stock purchase or subscription options or legal entities subject to CIT and for which the shares qualify as equity investment or assimilated securities are urged to consult with their usual tax advisor in order to determine the tax regime applicable to their particular situation.

2.17.5 Transfer tax or financial transaction tax

Pursuant to Article 235 *ter* ZD of the FTC, the financial transaction tax (“**French FTT**”) will be due at a rate of 0.3% (assessed based on the Offer price) with respect to shares acquired by the Offeror in the context of the Offer and will be borne by the Offeror.

The 0.1% transfer tax referred to in Article 726 of the FTC is not due when the French FTT applies.

3 VALUATION CRITERIA FOR THE OFFER PRICE

The Offer Price offered by the Offeror is fixed at 18.00 euros per Suez share (cum div). The Offer Price is equal to the price paid by Veolia to Engie for 29.89% of Suez’ share capital and voting rights in October 2020.

In addition, we note that Suez’ Board of Directors gave “its unanimous support” to the solution proposed by Ardian and GIP, with the intention to put forward an offer at the same price⁹.

The valuation assessment of the Offer Price has been prepared by the Presenting Banks, on the basis of a multi-criteria approach using customary valuation methodologies.

The analysis presented hereafter is based on a valuation assessment made by the Presenting Banks on behalf and with the full consent of the Offeror. The valuation assessment has been prepared based on publicly available information on the Company, the Offeror had no access to any additional information on the Company. The sources of information are indicated in this document and did not undergo any independent verification by the Presenting Banks.

3.1 Main assumptions used for the valuation assessment

3.1.1 Financial metrics

The historical financial metrics are based on the consolidated financial statements of Suez as of December 31st 2019 and on the half-year consolidated financial statements as of June 30th 2020. The computation of the net financial debt takes into account the Suez press release issued on January 25th 2021 on the preliminary and unaudited financial results for the second half of 2020.

Suez adopted IFRS 16 accounting standards as of January 1st 2019. Financial metrics related to 2019 and financial analysts estimates for 2020E-2023E include the impact of IFRS 16 implementation (unless stated otherwise).

⁹The press release issued by Suez on January 17th 2021 mentions that the letter of intent « paves the way to a global solution, through different arrangements all with equivalent effect, including an offer by the investors for Suez’ shares at a price of EUR 18 per share (cum dividend). The proposal is subject in particular to the completion of confirmatory due diligence.»

The financial forecasts used for 2020E to 2023E are based on a consensus of financial analysts estimates¹⁰:

- Published post Suez third quarter results release, on October 28th 2020;
- Which include financial forecasts for all metrics, except for the net disbursements under concession contracts (forecasts not disclosed by any of the financial analysts) and for the income from equity accounted entities (not disclosed by all financial analysts)
- In which investment cash flow forecasts explicitly factor in the disposal proceeds related to the “Shaping Suez 2030” strategic plan

The financial forecasts of the retained financial analysts have therefore been prepared after the announcement, on September 22nd 2020, of the update in Suez strategic plan “Shaping Suez 2030” (and following various ad-hoc financial communications of Suez during the fourth quarter of 2020). We take note that these estimates have significantly increased following the September 22nd 2020 release (for example, the 2021E-2023E cumulated sales forecasts have increased by around 1.8 billion euros, on a comparable basis, i.e. by taking into account “Wave 1” disposals announced by Suez).

Suez consolidated financial forecasts based on financial analysts consensus
(post IFRS 16 implementation)

Financial forecasts are presented hereafter:

<i>As of December 31st, €m</i>	2019A	2020E	2021E	2022E	2023E
Sales	18,015	17,317	16,195	17,183	18,136
<i>% growth</i>	3.9%	(3.9%)	(6.5%)	6.1%	5.5%
Reported EBITDA¹¹	3,022	2,695	2,929	3,162	3,320
<i>% margin</i>	16.8%	15.6%	18.1%	18.4%	18.3%
Adjusted EBITDA¹²	2,759	2,442	2,692	2,910	3,054
<i>% margin</i>	15.3%	14.1%	16.6%	16.9%	16.8%
Adjusted EBIT	1,227	779	1,195	1,434	1,600
<i>% margin</i>	6.8%	4.5%	7.4%	8.3%	8.8%
Adjusted net income	350	250	477	591	708
<i>% margin</i>	2.0%	1.5%	2.6%	3.2%	3.7%

Sources: Company, financial analysts

The adjustment related to net disbursements under concession contracts amounted to 263.3 million euros in 2019, according to the consolidated financial statements as of December 31st 2019. Given no financial analyst discloses any forecasts for this adjustment, the amounts corresponding to the net disbursements under concessions contracts have been computed for the years 2020E to 2023E by applying the same growth rate as the consolidated sales growth.

3.1.2 Number of shares

The number of Suez shares retained corresponds to the number of shares outstanding as of December 31st 2020 (628.4 million), less shares held in treasury (0.2 million) as of December 31st 2020, plus free shares allocated but undelivered¹³ as of December 31st 2019 (0.9 million of shares). On a fully diluted basis, the number of Suez shares retained is therefore 629.1 million of shares.

¹⁰ Oddo (January 26th 2021), Kepler Cheuvreux (January 25th 2021), Exane (January 20th 2021). Only a few financial analysts have published new reports since September 2020, thus explaining the limited number of financial analysts in the sample used

¹¹ Excluding income from equity accounted entities and before net disbursements under concession contracts

¹² Adjusted for net disbursement under concession contracts. This item corresponds to the sum of the renewal expenditures related to concession and to changes in assets and liabilities for concession renewals.

¹³ Bonus share allocation and performance share plans

Number of shares retained

Shares outstanding	628,362,579
Less: Shares held in treasury	(187,161)
Plus: Free shares allocated but undelivered as of December 31 st 2019	906,429
Retained number of shares	629,081,847

3.2 Methodology

3.2.1 Retained Valuation Methodologies

In order to assess the Offer Price, a multi-criteria valuation has been performed based on the following methodologies and references:

Market and trading references:

- Analysis of Suez historical stock market price as of July 30th 2020
- Target prices of financial analysts covering Suez since the announcement, on July 29th 2020, of Suez H1 2020 results and until August 28th 2020, last trading day before the announcement by the Offeror of its offer to acquire 29.89% of Suez shares from Engie on August 30th 2020

Intrinsic valuation:

- Discounted Cash Flows (“DCF”)

Comparable valuation:

- Trading multiples of listed peers

3.2.2 Valuation based on retained methodologies

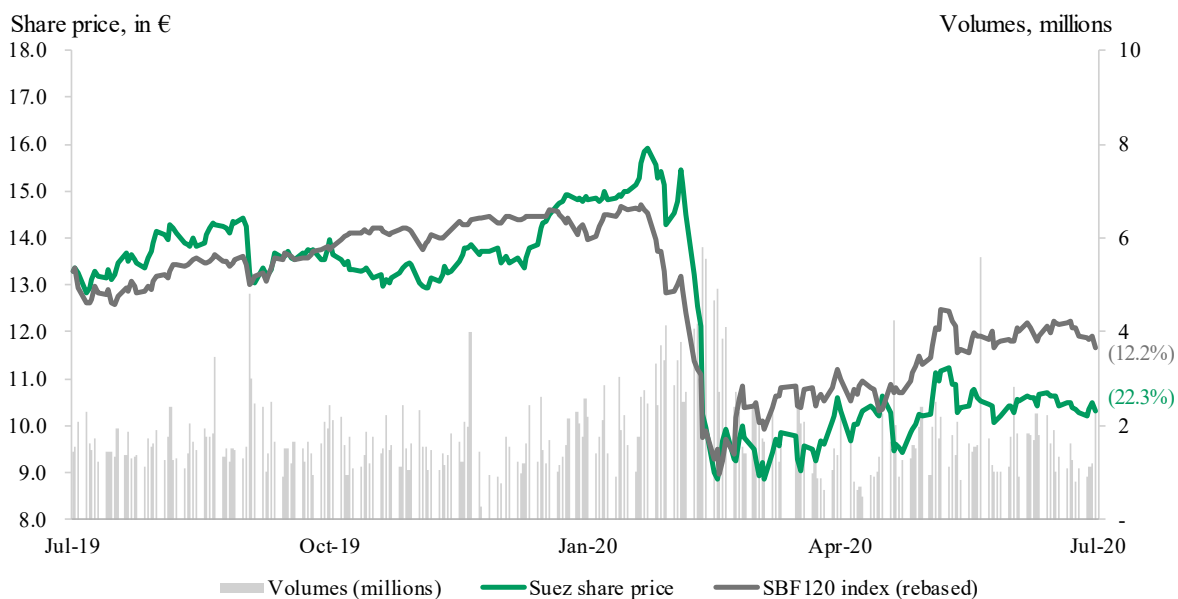
3.2.2.1 Analysis of Suez historical stock market price as of July 30th 2020

Suez shares are listed on the regulated market of Euronext Paris¹⁴ under the ISIN code FR0010613471. Suez is part of the SBF120 index. The Suez shares volumes traded daily reflect significant liquidity, supporting the relevance of the historical stock market valuation method.

Stock market references are considered as of the date of July 30th 2020, which corresponds to the last trading day before the announcement by Engie on July 31st 2020 of its strategic review including alternatives with regards to its stake in Suez.

Suez market share price performance over the twelve months before July 30th 2020 is as follows:

¹⁴ Secondary listing on Euronext Bruxelles



Source: FactSet as of July 30th 2020 (Euronext Volumes only)

As of July 30 th 2020	12-month	9-month	6-month	3-month	1-month	Closing price as of July 30 th 2020
Volume-weighted average price (VWAP)	12.45	12.08	11.46	10.39	10.49	10.32
Minimum daily VWAP over the period	8.57	8.57	8.57	9.42	10.19	
Maximum daily VWAP over the period	15.89	15.89	15.89	11.22	10.68	
Average daily volume (k shares)	1,831	1,877	2,020	1,598	1,577	2,318
Premium/discount of Offer price vs. VWAP	+44.6%	+49.0%	+57.0%	+73.2%	+71.6%	+74.5%
Premium/discount of Offer price vs. minimum daily VWAP	+110.0%	+110.0%	+110.0%	+91.2%	+76.6%	
Premium/discount of Offer price vs. maximum daily VWAP	+13.3%	+13.3%	+13.3%	+60.4%	+68.5%	

Source: FactSet as of July 30th 2020 (Euronext Volumes only)

The Offer Price implies a premium of 75% on the last closing share price as of July 30th 2020 and a premium of 45% to 73% to the 12-month and 3-month volume weighted average prices (“VWAP”), respectively. The Offer Price also implies a 13% premium over the highest share price recorded over the last twelve months as of July 30th 2020.

For illustrative and comparability purposes, French public offers premia (excluding simplified public takeover offers or “OPAS”) for significant transactions (100% equity value greater than 500 million euros) over the last 10 years are displayed below:

Public offer premia vs. reference share price	
Reference share price ¹⁵	+31.0%
1-month VWAP to reference share price	+35.0%
3-month VWAP to reference share price	+35.1%

¹⁵ As indicated in the Offer Document published by the AMF

This Offer and the Draft Offer Document remain subject to review by the AMF

3.2.2.2 Target prices of financial analysts since H1 2020 results release on July 29th 2020 and until August 28th 2020

The table below shows the latest financial analysts' target prices after the Company's half-year results publication (July 29th 2020) but before the Offeror's announcement of its offer to acquire Engie's 29.89% interest in Suez (August 30th 2020). Target prices are generally 12-month forward looking.

Target prices of financial analysts covering Suez (from H1 2020 results on 29/07/2020 until 28/08/2020)			
Latest review	Financial Analyst	Target Price €	Premium / (discount) of Offer Price vs. target price
August 27 th 2020	Société Générale	14.0	+28.6%
August 19 th 2020	HSBC	12.0	+50.0%
August 18 th 2020	Jefferies	10.5	+71.4%
August 18 th 2020	Barclays	11.0	+63.6%
August 5 th 2020	J.P. Morgan	12.0	+50.0%
August 3 rd 2020	Morgan Stanley	12.0	+50.0%
July 30 th 2020	Goldman Sachs	12.1	+48.8%
July 30 th 2020	Oddo BHF	13.0	+38.5%
July 30 th 2020	Deutsche Bank	9.0	+100.0%
July 30 th 2020	Exane	11.0	+63.6%
July 29 th 2020	Bank of America	8.9	+102.2%
Average		11.4	+57.8%
Minimum		8.9	+102.2%
Maximum		14.0	+28.6%

The Offer Price implies a 58%, 102% and 29% premium on the average target price, the minimum target price and the maximum target price of the financial analysts retained in this section, respectively.

3.2.2.3 Discounted Cash Flow

This approach consists of determining the fundamental economic asset value of the Company by discounting its future free cash flows. This is a "control" value because, by construction, it assumes complete control of the Company's financial policy. The associated equity value is obtained by subtracting non-equity claims and other adjustments from the calculated Enterprise Value.

Free cash flows retained before implementation of IFRS 16 have been determined on the basis of financial projections before implementation of IFRS 16 for the period 2020E-2023E, and extrapolation assumptions for the period 2024E-2028E prepared using the methodology detailed below.

Since IFRS 16 lease liabilities are only recognised for the residual value of existing contracts, they do not reflect the necessary amount to operate over the entire period of discounted future cash flows. Consequently, we have excluded lease liabilities from the enterprise value to equity value bridge, and we have used, for consistency purposes, financial projections excluding the impact of IFRS 16.

According to Suez' 2019 Annual Report, the following adjustments were applied to go from post-IFRS 16 financial statements to pre-IFRS 16 financial statements:

This Offer and the Draft Offer Document remain subject to review by the AMF

- -328.6 million euros in EBITDA in 2019, representing 11.9% of adjusted EBITDA (after implementation of IFRS 16);
- -13.2 million euros in EBIT in 2019, representing 1.1% of adjusted EBIT (after implementation of IFRS 16).

Consolidated financial projections used for the Company
(before implementation of IFRS 16)

<i>As of December 31st, in €m</i>	2019A	2020E	2021E	2022E	2023E
Revenues	18,015	17,317	16,195	17,183	18,136
<i>% growth</i>	<i>3.9%</i>	<i>(3.9%)</i>	<i>(6.5%)</i>	<i>6.1%</i>	<i>5.5%</i>
Adjusted EBITDA¹⁶	2,430	2,151	2,371	2,564	2,691
<i>% growth</i>	<i>13.5%</i>	<i>12.4%</i>	<i>14.6%</i>	<i>14.9%</i>	<i>14.8%</i>
Adjusted EBIT	1,240	771	1,182	1,419	1,583
<i>% margin</i>	<i>6.9%</i>	<i>4.5%</i>	<i>7.3%</i>	<i>8.3%</i>	<i>8.7%</i>
Capital expenditure¹⁷	(1,417)	(831)¹⁸	528¹⁹	(1,102)	(1,235)
<i>% revenue</i>	<i>(7.9%)</i>	<i>(4.8%)</i>	<i>3.3%</i>	<i>(6.4%)</i>	<i>(6.8%)</i>

Sources: Company information, financial analysts

The valuation date retained is December 31st 2020. For consistency, the adjustments retained for the bridge from Enterprise Value to Equity Value are estimated at December 31st 2020.

The adjustment items for the bridge from Enterprise Value to Equity Value have been established on the basis of publicly available information, i.e. Suez' half-year consolidated accounts as of June 30th 2020 and preliminary results for the second half of 2020 published on January 25th 2021.

As of December 31st 2020, Suez' net financial debt (after implementation of IFRS 16) was 9.75 billion euros²⁰.

Before implementation of IFRS 16, the net financial debt is estimated at 8.3 billion euros, or 9.75 billion euros minus lease liabilities (1.4 billion euros in H1 2020, minus lease liabilities associated with the asset sold in Sweden during the fourth quarter of 2020 and valued at 28 million euros²¹).

The other adjustment items taken into account are: non-controlling interests (3.2 billion euros, including 1.1 billion euros for the stake in Aguas Andinas valued at its market value²²), equity-accounted entities (-2.3 billion euros, of which -841 million euros for the stake in Acea Group valued at its market value²³),

¹⁶ Adjusted for disbursements under concession contracts

¹⁷ Capital expenditure net of disposals and acquisitions

¹⁸ Capital expenditure including the proceeds from disposals related to "Wave 1" and completed during the 4th quarter of 2020, the latter being reflected in Oddo and Kepler Cheuvreux reports, and readjusted in Exane BNP Paribas estimates for 436 million euros (357 million euros related to the sale of its recycling and recovery activities in Sweden (excluding IFRS 16), and 79 million euros related to the sale of its 53.51% stake in ESSAL)

¹⁹ Capital expenditure not taking into account the disbursement related to the acquisition of minority interests of NWS due to its neutral impact on Suez' valuation (considering that this transaction was carried out at its market value) – consequently, as Exane BNP Paribas 2021 capital expenditure amount takes this acquisition into account, the amount of 693 million euros has been reintegrated in order to cancel its impact; Exane BNP Paribas estimates for 2021 are restated by 436 million euros such that it is consistent with the adjustment related to disposals completed in 2020

²⁰ Based on the press release of January 25th 2021 related to preliminary results for the second half of 2020, presenting preliminary and unaudited financial information as of December 31st 2020

²¹ Suez press release dated November 30th 2020

²² As of February 4th 2021, with a CLP / EUR conversion rate of 0.0011 (spot rate as of February 4th 2021)

²³ As of February 4th 2021

pension provisions (749 million euros²⁴), other provisions (1.2 billion euros²⁵), net deferred tax liabilities (209 million euros), hybrid debt (1.6 billion euros), and the amount of future cash payments related to performance unit settlement (42 million euros²⁶).

<i>As of December 31st 2020</i>	€m
Net financial debt (<i>December 2020</i>)	9,750
Lease liabilities (<i>June 2020</i>) ²⁷	(1,414)
Net financial debt (excl. Lease liabilities)	8,336
Non-controlling interests (<i>June 2020 / Aguas Andinas at market value as of February 4th 2021</i>)	3,202
Equity accounted entities (<i>June 2020 / Acea at market value as of February 4th 2021</i>)	(2,259)
Pension provisions (<i>June 2020</i>)	749
Other provisions (<i>June 2020</i>)	1,209
Net deferred tax liabilities (<i>June 2020</i>)	209
Hybrid (<i>June 2020</i>)	1,600
Performance units settlement (<i>December 2019</i>)	42
Total other adjustments	4,753
Total Enterprise Value to Equity Value bridge	13,088

Source: Company information, financial analysts

Tax rates retained across the business plan are the following: 28.41%²⁸ in 2021 and 25.83% from 2022 onwards, in line with French “Loi de Finances”.

Based on the below assumptions, the weighted average cost of capital (“WACC”) stands at 5.6%:

- Levered beta of 0.93 based on the average of unlevered betas²⁹ for selected peers (Veolia, Biffa, L&T, FCC, Acea, Hera), Suez’ target gearing pro forma unrealised “Wave 1” disposals (including hybrid debt) and a normative tax rate of 25.8%;
- Risk-free rate of 1.22% based on 10-year average of French 10y OAT³⁰ as of February 4th 2021;
- Market risk premium (“MRP”) of 7.27% based on the average of France MRP according to Damodaran (5.2% - as of January 2021), Bloomberg (8.2% - as of February 4th 2021) and Detryat (8.4% - as of January 2021);
- Cost of debt before tax of 1.82%, computed as 1.22% risk-free rate plus Suez’ bond spread to 10y OAT of 0.60%³¹, i.e. a cost of debt after tax of 1.3%;
- Cost of hybrid debt before tax of 3.46%, computed as 1.22% risk-free rate plus Suez’ hybrid spread to OAT of 2.24%³², i.e. a cost of hybrid debt after tax of 2.6%.

²⁴ No post-tax adjustment given tax impact related to pensions is captured in total deferred tax assets

²⁵ No post-tax adjustment given tax impact related to other provisions is captured in total deferred tax assets

²⁶ Based on a price of 18.00 euros per share

²⁷ Adjusted for lease liabilities associated with the asset sold in Sweden during the fourth quarter of 2020 and valued at 28 million euros

²⁸ Post-computation of 3.3% surtax

²⁹ Barra beta as of December 2020 (latest available)

³⁰ Bloomberg

³¹ Bloomberg

³² Spread based on 6-year maturity given hybrid first call date in 2026

Estimated WACC		
	Unlevered beta	0.65
	Normative tax rate	25.8%
	Levered beta	0.93
	Risk-free rate	1.22%
	Market risk premium	7.27%
	Cost of Equity	8.0%
(a)	<i>Weighted CoE (8.0% * 63%)</i>	5.07%
	Cost of Debt (pre-tax)	1.82%
	Normative tax rate	25.8%
	Cost of Debt (post-tax)	1.3%
(b)	<i>Weighted CoD (1.3% * 29%)</i>	0.40%
	Cost of Hybrid (pre-tax)	3.46%
	Normative tax rate	25.8%
	Cost of Hybrid (post-tax)	2.6%
(c)	<i>Weighted CoH (2.6% * 7%)</i>	0.18%
	WACC (a)+(b)+(c)	5.6%

Sources: Company, Bloomberg, Damodaran, Detroyat, Barra

The above WACC is consistent with the average WACC retained by financial analysts who value Suez through DCF, i.e. 5.6%.

WACC – Financial analysts consensus

Financial analysts	Date	WACC
Kepler Cheuvreux	January 18 th 2021	5.0%
Exane BNP Paribas	January 14 th 2021	5.1%
Oddo	January 13 th 2021	5.4%
Société Générale	August 27 th 2020	6.9%
HSBC	August 19 th 2020	4.7%
JP Morgan	July 30 th 2020	6.4%
Jefferies (excluded) ³³	July 30 th 2020	9.0%
Average		5.6%
Median		5.2%

Sources: financial analysts

Our pre-IFRS 16 estimates over the 2024E-2028E period were extrapolated on the basis of the below assumptions:

- Revenue growth rate of 4.0% in 2024E in line with Suez' guidance on organic growth communicated on September 22nd 2020 and with 2019 growth rate; 3.0% in 2023E; and progressively decreasing from 3.0% in 2025E to 1.0% in 2028E (in line with the Perpetual Growth Rate);
- Adjusted EBITDA margin (excluded equity accounted entities) stable at 14.8% across 2024E-2028E, in line with 2023E;
- D&A progressively increasing from 6.1% of sales in 2023E to 7.7% of sales in 2028E, in line with capex as % of sales;

³³ The estimate of Suez' WACC as per Jefferies' analysis being significantly different from the financial analysts consensus, we decided to exclude it from the retained average and median

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- Capex as % of sales constant at 7.7% (average of capex excluding acquisitions and disposals across 2021E-2023E, based on the financial analysts consensus³⁴) across 2024E-2028E;
- No change in working capital requirement across 2024E-2028E.

Suez' terminal value (corresponding to the present value of cash flows beyond 2028E) was computed according to Gordon-Shapiro methodology, based on the below assumptions:

- Normative revenue of 20.4 billion euros, in line with 2028E;
- Normative adjusted EBITDA margin (excluding equity accounted entities) of 14.8%, in line with 2028E;
- Normative D&A and normative capex of 1.6 billion euros and -1.6 billion euros respectively, in line with 2028E;
- Normative change in working capital requirement equal to 0, in line with 2028E.

The perpetual growth rate (« PGR ») retained stands at 1.0%, in line with financial analysts' consensus.

PGR – Financial analysts consensus

Financial analysts	Date	PGR
Kepler Cheuvreux	January 18 th 2021	0.5%
Oddo	January 13 th 2021	1.8%
Société Générale	August 27 th 2020	2.0%
HSBC	August 19 th 2020	1.0%
Morgan Stanley	August 3 rd 2020	0.0%
Average		1.1%
Median		1.0%

Sources: financial analysts

As such, and on the basis of the present value of Suez' future cash flows, Suez' economic asset value is estimated at 23.5 billion euros, resulting in an equity value of 10.5 billion euros or 16.62 euros per share.

Discounted cash flows	€M
WACC	5.6%
PV of FCF	8,141
Normative terminal FCF	1,085
Terminal Value	23,819
Discounted Terminal Value	15,403
Enterprise Value	23,544
Enterprise Value to Equity Value bridge	(13,088)
Equity Value	10,456
NOSH (fully diluted)	629.1
Price per share (€)	16.62

Sources: Company information

The tables below illustrate the sensitivity of Suez' value per share to WACC and PGR, as well as the corresponding premiums implied by the Offer price.

³⁴ Excluding Oddo which does not provide a breakdown of its capex estimates

Discounted Cash Flows valuation sensitivity analysis over the price per share

Price per share (€)

WACC	PGR		
	0.75%	1.00%	1.25%
5.35%	17.0	18.6	20.4
5.60%	15.2	16.6	18.2
5.85%	13.5	14.8	16.3

Offer premium / (discount)

WACC	PGR		
	0.75%	1.00%	1.25%
5.35%	5.9%	(3.3%)	(12.0%)
5.60%	18.6%	8.3%	(1.3%)
5.85%	32.9%	21.4%	10.7%

The Offer price results in a premium of 8.3% on the value per share obtained in the central case of discounted future cash flows.

3.2.2.4 Trading multiples of listed peers

The trading multiples of listed peers method consists in applying to the financial aggregates of the target Company the valuation multiples observed on a sample of companies operating in the same sector, over comparable geographies and segments. Market capitalizations are computed on the basis of volume-weighted average monthly prices over a 1-month period as of February 4th 2021.

A sample of 6 companies operating in the waste and water sector and with characteristics as close as possible to those of Suez has been selected:

- Geographical breakdown of revenues (worldwide presence with an emphasis on Europe);
- EBITDA contribution of activities (significant share of water and waste activities);
- Size and liquidity (significant market capitalization, in excess of 500 million euros).

The companies are presented below:

Most comparable company:

- **Veolia (the Initiator)**
 - o French group with an international presence, specializing in environmental and utilities services: water cycle management, waste management and recovery, and energy management for local authorities and companies. The company employs around 180,000 people worldwide and generated in fiscal year 2019 revenues of 27 billion euros and EBITDA of 4.0 billion euros, of which 23% in France, 38% in Western Europe (excluding France), 29% in the rest of the world and 10% in the field of hazardous waste. Veolia is the most direct comparable to Suez: two global players present across the entire waste and water management chain;
 - o Veolia has a market capitalization of 12.7 billion euros as of February 4th 2021 and is part of the CAC 40 index.

Other comparable companies, with a lesser degree of comparability due to the business profile and geographies in which these companies operate:

- **Hera**

- Italian multi-utility company operating mainly in Central and North-Eastern Italy: water management, electricity production and gas transport. 37% of its EBITDA comes from its gas network, 23% from water management, 23% from waste management and 17% from its electricity network. It operates almost exclusively in Italy and generated revenues of 6.9 billion euros in 2019;
- Hera has a market capitalization of 4.4 billion euros as of February 4th 2021.

- **Acea**

- Italian multi-utility company operating mainly in Central Italy: distribution and production of electricity, water management and the heating network of the city of Rome. 48% of its EBITDA comes from its water business, 37% from energy infrastructure and 5% from its environmental business. The company generated revenue of 3.2 billion euros in 2019;
- Acea has a market capitalization of 3.6 billion euros as of February 4th 2021.

- **FCC**

- Spanish company specialized in environmental services and construction of large infrastructures. FCC employs over 59,000 people in more than 30 countries and has revenues of 6.3 billion euros and EBITDA of 1.0 billion euros in 2019. 48% of FCC's EBITDA comes from its environmental services business, 28% from its water concessions and 24% from its construction and cement business. The company operates mainly in Spain, but also in the rest of Europe, Latin America, the Middle East and Africa;
- FCC has a market capitalization of 3.7 billion euros as of February 4th 2021 and is part of the IBEX 35 index.

- **Biffa**

- UK company whose operations cover the full scope of the waste management process, including collection, recycling, treatment, disposal and energy production. 72% of its EBITDA is related to waste collection and 28% to resources and energy. The company generated revenues of 1.3 billion euros in the fiscal year ending March 2020;
- Biffa has a market capitalization of 0.8 billion euros as of February 4th 2021.

- **Lassila & Tikanoja**

- Finnish company operating in environmental management and maintenance services, with almost exclusive operations in Finland. 54% of its EBITDA comes from environmental services, 20% from industrial services and 26% from installation services. The company generated revenues of 784 million euros in 2019;
- Lassila & Tikanoja has a market capitalization of 0.6 billion euros as of February 4th 2021.

The following companies were also analyzed but were excluded for the reasons set out below.

Companies excluded for reasons of size:

- **Renewi and Séché**

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- These 2 companies have business profiles similar to some of Suez's activities (collection and recycling of commercial waste for Renewi and recycling of hazardous waste for Séché);
- However, they are mainly focused on a particular segment and their activity is not very internationalized (activity carried out mainly in the Netherlands for Renewi, where Suez recently sold activities, and in France for Séché). In addition, their market capitalization is significantly lower than Suez (as of February 4th 2021, approximately 330 million British pounds for Renewi and 370 million euros for Séché), which affects the liquidity of their shares and could limit the relevance of their share price.

Companies excluded due to the difference in activities:

- **Befesa**

- This Luxembourg company is particularly active in hazardous waste management from the steel and aluminium sectors. It was excluded because its activity focuses on a specific sub-sector of the recycling industry whose dynamics are largely dependent on the price of certain metals (notably zinc and aluminum).

- **Derichebourg**

- This French company is particularly active in metal waste management. It was excluded because its activity focuses on a specific sub-sector of the recycling industry whose dynamics are largely dependent on the price of certain metals. Furthermore, its activities are not very internationalized with a presence mainly in France.

- **Pennon, United Utilities and Severn Trent**

- These 3 companies are active in the water distribution and wastewater treatment segment in the United Kingdom. These companies were excluded because their activities are fully regulated and benefit from regulatory revenue benefits and cost transfer provisions. As a result, they have very little exposure to the business cycles of environmental services companies such as Suez.

- **Engie, Enel and Iberdrola**

- These 3 multinationals are mainly present in the power generation sector, with a preponderant share in renewable energies, energy infrastructure and energy services. Their exposure to energy infrastructures, which benefit from a regulated framework in Europe, as well as to the production and supply of electricity, gives them a risk profile different from that of Suez. In addition, their growing presence in the renewable energy sector (mainly wind and solar photovoltaic) gives them a higher expected growth profile than Suez, but also a different risk profile due to the long-term electricity sales contracts from which these activities benefit.

- **Clean Harbors and US Ecology**

- These 2 companies operating in the United States specialize in the collection and treatment of hazardous, complex or radioactive waste. They also provide cleaning and industrial dismantling services, which correspond to a minor part of Suez's business. In addition, their main clients are industrial or government entities, which also differ from the majority of Suez's client base.

The multiples retained are those of:

- Enterprise Value (EV) to EBITDA³⁵, after implementation of IFRS 16, to be consistent with the comparables applying IFRS 16;

³⁵ Excluding share of equity accounted entities and before net disbursements on concessions

- Market capitalization, calculated on the basis of the fully diluted number of shares, to adjusted net income (group share).

The Enterprise Value to Equity Value bridge in the context of valuation by trading multiples of listed peers are based on publicly available information and are as follows:

- 9.75 billion euros³⁶ of Suez's net financial debt as of December 31st 2020 (after implementation of IFRS 16, to be consistent with the calculation of EBITDA multiples of comparable companies);
- Non-controlling interests as of June 30th 2020 (3.2 billion euros, including 1.1 billion euros for the investment in Aguas Andinas valued at market value³⁷);
- Equity accounted entities as of June 30th 2020 (-2.3 billion euros, including -841 million euros for the investment in Acea Group valued at market value³⁸);
- Pension provisions (749 million euros³⁹), other provisions (1.2 billion euros⁴⁰), net deferred tax liabilities (209 million euros) and hybrid debt (1.6 billion euros) as of June 30th 2020;
- The amount of future cash payments corresponding to performance units settlement (42 million euros⁴¹);
- Amounts to be received under "Wave 1" of the disposal plan have also been added (-2.3 billion euros in Enterprise Value) to be consistent with the discounted cash flow methodology. This amount has been adjusted for disposals related to "Wave 1" already completed in the fourth quarter of 2020 and therefore included in net debt as of December 31st 2020. This adjustment for an amount of 568 million euros, based on publicly available information, breaks down as follows:
 - o 357 million euros related to the disposal of its recycling and recovery activities in Sweden (excluding IFRS 16) and 28 million euros related to IFRS 16, completed on November 30th 2020;
 - o 183 million euros⁴² related to the disposal of its 53.51% stake in ESSAL through its subsidiary Aguas Andinas S.A., completed on October 13, 2020 and including the deconsolidation of net debt;
 - o The net impact of "Wave 1" of the disposal plan thus amounts to -1,732 million euros.

³⁶ Based on the press release from Suez dated January 25, 2021 related to the preliminary results for the second half of 2020, presenting preliminary and unaudited financial information as of December 31st 2020

³⁷ As of February 4th 2021, with a CLP/EUR conversion rate of 0.0011 (spot rate as of February 4th 2021)

³⁸ As of February 4th 2021

³⁹ Without application of the standard tax rate. Deferred taxes related to retirement commitments are already included in the calculation of the net deferred tax position

⁴⁰ Before application of tax rate

⁴¹ Based on a price of 18.00 euros per share

⁴² 92.3 million dollars for the value of the 53.51% stake in ESSAL and 123.0 million dollars for the net debt, converted at the USD/EUR spot rate of 0.851499 as of October 13th 2020

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As of December 31 st 2020		€m
Net financial debt		9,750
Non-controlling interests		3,202
Equity accounted entities		(2,259)
Pensions provisions		749
Other provisions		1,209
Net deferred tax liabilities		209
Hybrid		1,600
Performance units settlement		42
Net impact of "Wave 1" proceeds adjustment		(1,732)
Other adjustments		3,020
Total Equity value – Enterprise Value adjustments		12,770

Comparable companies multiples are computed after the impact of IFRS 16, for consistency with the treatment of financial projections, and are presented in the table below.

Country	Company	EV / EBITDA		Adjusted P/E	
		2021E	2022E	2021E	2022E
<i>Most comparable company</i>					
France	Veolia	6.6x	6.3x	15.0x	13.8x
<i>Other European comparable companies</i>					
Italy	Hera	7.3x	7.1x	13.7x	13.4x
Italy	Acea	6.4x	6.1x	12.3x	12.0x
Spain	FCC	8.2x	7.8x	15.7x	13.6x
UK	Biffa	7.4x	6.3x	20.1x	12.7x
Finland	Lassila & Tikanoja	7.5x	7.2x	16.9x	15.9x
Average of other comparable companies		7.3x	6.9x	15.7x	13.5x
Global average		7.2x	6.8x	15.6x	13.6x
Global median		7.3x	6.7x	15.4x	13.5x

Trading multiples have been applied to the estimated Suez EBITDA⁴³ for 2021E and 2022E, after implementation of IFRS 16.

For reference, the unaffected Suez EV/EBITDA multiples for 2021E and 2022E (as of July 30, 2020, last trading day before Engie's announcement on July 31st 2020 on the strategic review of its assets and in particular its options with respect to its stake in Suez) were 7.5x and 7.1x respectively. For comparison purposes, unaffected Veolia EV/EBITDA multiples for 2021E and 2022E (as of July 30th 2020) were 6.6x and 6.0x, respectively.

Adjusted P/E multiples of comparable companies have been applied to the estimated adjusted net income of Suez for 2021E and 2022E.

For reference, the unaffected Suez P/E multiples for 2021E and 2022E (as of July 30th 2020, last trading day before Engie's announcement on July 31, 2020 of the strategic review of its assets and in particular its options with respect to its stake in Suez) were 16.2x and 14.9x, respectively. For comparison purposes, unaffected Veolia P/E multiples for 2021E and 2022E (as of July 30th 2020) were 15.0x and 13.9x, respectively.

Implied valuation of listed peers trading multiples EV/EBITDA post IFRS 16		
	2021E	2022E
Veolia		

⁴³ Excluding share of equity accounted entities and before net disbursements on concessions

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EV/EBITDA	6.6x	6.3x
Reported EBITDA (excl. Equity accounted entities) (€m)	2,929	3,162
Enterprise Value (€m)	19,445	20,042
EV / Equity Value adjustments (€m)	12,770	12,770
Implied Equity Value (€m)	6,674	7,271
Fully diluted number of shares	629	629
Value per share (€)	10.6	11.6
<i>Implied premium of the offer</i>	<i>69.7%</i>	<i>55.7%</i>
Other European comparable companies		
EV/EBITDA	7.3x	6.9x
Reported EBITDA (excl. Equity accounted entities) (€m)	2,929	3,162
Enterprise Value (€m)	21,481	21,798
EV / Equity Value adjustments (€m)	12,770	12,770
Implied Equity Value (€m)	8,711	9,028
Fully diluted number of shares	629	629
Value per share (€)	13.8	14.4
<i>Implied premium of the offer</i>	<i>30.0%</i>	<i>25.4%</i>

Implied valuation of listed peers trading multiples Adjusted P/E		
	2021E	2022E
Veolia		
Adjusted P/E	15.0x	13.8x
Adjusted net income (€m)	477	591
Implied Equity Value (€m)	7,130	8,141
Fully diluted number of shares	629	629
Value per share pre proceeds from disposals (€)	11.3	12.9
Impact per share of proceeds from disposals (€)	2.8	2.8
Value per share (€)	14.1	15.7
<i>Implied premium of the offer</i>	<i>27.8%</i>	<i>14.7%</i>
Other European comparable companies		
Adjusted P/E (average)	15.7x	13.5x
Adjusted net income (€m)	477	591
Implied Equity Value (€m)	7,497	8,006
Fully diluted number of shares	629	629
Value per share pre proceeds from disposals (€)	11.9	12.7
Impact per share of proceeds from disposals (€)	2.8	2.8
Value per share (€)	14.7	15.5
<i>Implied premium of the offer</i>	<i>22.7%</i>	<i>16.3%</i>

The Offer Price reflects a premium of between 56% and 70% over the value per share obtained by applying the EBITDA multiples of Veolia and a premium of between 25% and 30% over the value per share obtained by applying the EBITDA multiples of other comparable European companies.

The Offer Price reflects a premium of between 15% and 28% over the value per share obtained by applying the adjusted Veolia P/E multiples and a premium of between 16% and 23% over the value per share obtained by applying the adjusted P/E multiples of other comparable European companies.

3.2.3 Valuation methodologies presented for illustrative purposes

3.2.3.1 *Historical share price analysis as of August 28th 2020*

Market references are presented as of July 30th 2020, the last trading day prior to Engie's announcement on 31 July 2020 on the strategic review of its assets and in particular on its options regarding its stake in Suez. Suez's share price rose significantly after this announcement on the back of speculation about

a potential sale of Suez: +19% between July 30th and August 28th 2020, compared to a 3% increase in the CAC 40.

However, for illustrative purposes, the historical share price analysis as of August 28th 2020, the last trading day prior to the announcement of Veolia's offer for the acquisition of Engie's stake, is presented in the below table:

As of August 28 th 2020	12-month	9-month	6-month	3-month	1-month	Closing price as of August 28 th 2020
Volume-weighted average price (VWAP)	12.32	11.91	10.83	11.00	11.61	12.24
Minimum daily VWAP over the period	8.57	8.57	8.57	10.15	10.32	
Maximum daily VWAP over the period	15.89	15.89	15.24	12.36	12.36	
Average daily volume (k shares)	1,886	1,948	2,026	1,856	2,202	2,337
Premium/discount of Offer price vs. VWAP	+46.1%	+51.1%	+66.2%	+63.6%	+55.0%	+47.1%
Premium/discount of Offer price vs. minimum daily VWAP	+110.0%	+110.0%	+110.0%	+77.4%	+74.4%	
Premium/discount of Offer price vs. maximum daily VWAP	+13.3%	+13.3%	+18.1%	+45.6%	+45.6%	

Sources: FactSet as of August 28th 2020 (Volumes traded on Euronext only)

3.2.3.2 Financial analysts' target prices as of August 28th 2020

The below table presents the target prices published by the selected financial analysts after the announcement by the Offeror of its offer for Engie's stake in Suez on August 30th 2020. With the exception of Jefferies and Berenberg, all of these target prices are explicitly affected by the offer or potential offer during the period.

Target prices from financial analysts covering Suez (post 28/08/2020)			
Latest recommendation	Analyst	Target price In €	Premium/(Discount) of Offer Price (€18.0) vs. Target price
26-Jan-21	Oddo BHF	16.3	+10.4%
25-Jan-21	Jefferies	10.5	+71.4%
25-Jan-21	Barclays	18.0	-
25-Jan-21	Kepler Chevreux	16.5	+9.1%
20-Jan-21	Exane ⁴⁴	18.7	-3.7%
1-Sep-20	Berenberg	9.3	+93.5%
Average		14.9	+20.9%
Lowest target price		9.3	+93.5%
Highest target price		18.7	-3.7%

3.2.4 Valuation methodologies not retained

3.2.4.1 *Book net asset value*

This method, based on historical value of the Company's assets and liabilities, has been discarded because it does not take into account:

- i. The market value of the Company's intangible assets (market shares, customer relationship, contracts, intellectual property, etc.);
- ii. The Company's future performance.

As of June 30th 2020, the book net asset value of Suez was 8,214.7 million euros, representing a valuation of 13.1 euros per share on a fully diluted basis.

3.2.4.2 *Market net asset value*

This method consists of correcting the net book value for identified realised or unrealised gains or losses in the assets, liabilities or off-balance sheet commitments. This approach is customarily used to value diversified holding companies, such as those holding real estate assets or minority financial investments. Moreover, it is also a method used in a liquidation approach, which is not adequate in the present case.

3.2.4.3 *Sum-of-the-parts valuation*

The "sum-of-the-parts" valuation approach was not retained for several reasons.

- a) Limited financial information available by operating segment

Suez has recently⁴⁵ modified the presentation of its financial information in three operating segments: "Water", "Recycling & Recovery" and "Environmental Tech & Solutions (ETS)". Few financial analysts publish explicit forecasts on this new format with sufficient granularity and in line with the

⁴⁴ Exane has anticipated that Veolia could increase its offer to include the ordinary dividend of €0.65/share, hence a target price of €18.7

⁴⁵ Since its first quarter 2020 results' announcement

consolidated consensus. It is therefore not possible, based on available research notes, to create a reliable consensus by segment.

There are disparities between activities within the same operating segment in terms of capital intensity, the nature and duration of contracts, profitability or geographic exposure. This disparity within the operating segments, as well as the lack of financial reporting by sub-segment, makes the "sum-of-the-parts" valuation approach impossible without making assumptions that cannot be verified.

a) Limits of financial analysts' estimates by operating segment

Of the 14 financial analysts covering the Company, 8 published a "sum-of-the-parts" valuation prior to Veolia's offer on August 30th 2020 with EBITDA or EBIT estimates by operating segment:

- Of these 8 financial analysts,
 - o 4 financial analysts are following the old segmentation. These valuations are based on estimates that no longer correspond to the division of operating segments and therefore cannot be compared to the new financial data provided by Suez;
 - o 4 financial analysts are following the new segmentation;
 - Of these 4 financial analysts, only one provides sufficient granularity, which does not allow for reliable and relevant analysis

Only 3 financial analysts with a detailed "sum-of-the-parts" valuation analysis have updated their data since Veolia's offer of August 30th 2020: Exane (January 20th 2021), Oddo (January 13th 2021) and Barclays (December 22nd 2020). Exane's update is still using the old operating segmentation, that of Barclays does not give any projection per division on financial aggregates, and Oddo gives no granularity at all. In addition, these 3 updates are polluted by offers or offer intentions regarding Suez.

3.2.4.4 Comparable transactions

The comparable transactions methodology consists in valuing the Company by applying to its financials multiples observed in recent transactions involving companies operating in similar sectors and having comparable operating characteristics.

In the case of Suez, it is difficult to identify transactions directly comparable due to:

- The diversity of activities within Suez itself
- The geographical footprint of Suez, which benefits from a large international presence while comparable companies are more focused on specific regions or countries.

In the absence of comparable transactions, we nevertheless presented in section "Analysis of Suez historical stock market price as of July 30th 2020" a reference to the average premiums offered in a selection of French public tender offers (100% of equity value above 500 million euros).

3.2.4.5 Dividend discount model

This method consists of valuing a company's equity based on dividend assumptions resulting from a company's business plan. The future flows of dividends received by its shareholders are discounted at the cost of equity.

It is essentially based on the dividend policy proposed by management and approved by its shareholders and is not necessarily correlated with the company's operating results.

3.3 Summary valuation assessment

The below table summarizes the valuation outcomes based on the retained valuation methodologies, as well as the premium and discounts implied by the Offer Price of 18.0 euros per share:

Methodologies	Share price / valuation	Offer price (€18.0) premium/discount vs. share price/valuation
	In euros	In %
Retained methodologies		
Historical share price analysis as of 30/07/2020		
Closing price as of 30/07/2020*	10.32	+74.5%
1-month VWAP as of 30/07/2020	10.49	+71.6%
3-month VWAP as of 30/07/2020	10.39	+73.2%
6-month VWAP as of 30/07/2020	11.46	+57.0%
9-month VWAP as of 30/07/2020	12.08	+49.0%
12-month VWAP as of 30/07/2020	12.45	+44.6%
Lowest price over the last 12 months as of 30/07/2020 (on 17/03/2020)	8.57	+110.0%
Highest price over the last 12 months as of 30/07/2020 (on 21/02/2020)	15.89	+13.3%
Target prices from analysts from 29/07/2020 to 28/08/2020		
Average of target prices from analysts	11.41	+57.8%
Lowest target price	8.90	+102.2%
Highest target price	14.00	+28.6%
Discounted cash flows		
WACC of 5.60% & PGR of 1.00%	16.62	+8.3%
WACC of 5.85% & PGR of 1.25%	16.25	+10.7%
WACC of 5.35% & PGR of 0.75%	16.99	+5.9%
Trading multiples of listed peers		
EV/EBITDA 2021E – Veolia	10.61	+69.7%
EV/EBITDA 2022E – Veolia	11.56	+55.7%
EV/EBITDA 2021E – Average of other comparable companies	13.85	+30.0%
EV/EBITDA 2022E – Average of other comparable companies	14.35	+25.4%
Adjusted P/E 2021E – Veolia	14.09	+27.8%
Adjusted P/E 2022E – Veolia	15.69	+14.7%
Adjusted P/E 2021E – Average of other comparable companies	14.67	+22.7%
Adjusted P/E 2022E – Average of other comparable companies	15.48	+16.3%
Methodologies presented for illustrative purpose		
Historical share price analysis as of 28/08/2020		
Closing price as of 28/08/2020**	12.24	+47.1%
1-month VWAP as of 28/08/2020	11.61	+55.0%
3-month VWAP as of 28/08/2020	11.00	+63.6%
6-month VWAP as of 28/08/2020	10.83	+66.2%
9-month VWAP as of 28/08/2020	11.91	+51.1%
12-month VWAP as of 28/08/2020	12.32	+46.1%
Lowest price over the last 12 months as of 28/08/2020 (on 17/03/2020)	8.57	+110.0%
Highest price over the last 12 months as of 28/08/2020 (on 21/02/2020)	15.89	+13.3%
Target prices from analysts post 28/08/2020		
Average of target prices from analysts	14.88	+20.9%
Lowest target price	9.30	+93.5%
Highest target price	18.70	-3.7%

*Last closing price before Engie's strategic plan announcement on 31/07/2020

**Last closing price before Veolia's announcement of its offer for the acquisition of Engie's stake on 30/08/2020

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4 METHODS FOR MAKING INFORMATION RELATING TO THE OFFEROR AVAILABLE

In accordance with Article 231-28 of the AMF General Regulation, information relating in particular to the legal, financial and accounting characteristics of the Offeror will be the subject of a specific document filed with the AMF and made available to the public in a manner intended to ensure full and effective disclosure, no later than the day prior to the opening of the Offer.

5 PERSONS RESPONSIBLE FOR THE OFFER DOCUMENT

5.1 For the Offeror

“To the best of my knowledge, the information contained in this offer document corresponds to reality and contains no omission likely to affect their import.”

Antoine Frérot, Chairman and Chief Executive Officer

5.2 For the Presenting Banks of the Offer

“In accordance with Article 231-18 of the AMF General Regulation, Crédit Agricole Corporate and Investment Bank, HSBC Continental Europe, Bank of America Europe DAC (Branch in France) and Morgan Stanley Europe SE, as Presenting Banks of the Offer, certify that, to the best of their knowledge, the presentation of the Offer, which they examined on the basis of information provided by the Offeror, and the valuation criteria for the proposed price corresponds to reality and contains no omission likely to affect their import.”

Crédit Agricole Corporate and Investment Bank
HSBC Continental Europe
Bank of America Europe DAC (Branch in France)
Morgan Stanley Europe SE