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MERGER PROJECT

THROUGH ABSORPTION

OF

VIGIE GROUPE S.A.S.

BY

VEOLIA ENVIRONNEMENT S.A.

On March 1st, 2023

MERGER AGREEMENT as of March 1st, 2023

BETWEEN :

- (1) **VEOLIA ENVIRONNEMENT S.A.** a *société anonyme* organized under the laws of France with a capital of €3,572,871,835.00, having its registered office at 21 rue la Boétie, 75008 Paris, France, registered with the Paris Trade and Companies Registry under number 403 210 032, represented by Mrs. Estelle Brachlianoff,

(hereinafter referred to as the “**Absorbing Company**” or “**Veolia**”),

- (2) **VIGIE GROUPE S.A.S.** (formerly “**Suez Groupe**”), a simplified joint stock company organized under the laws of France with a capital of € 3,371,214,942.00, having its registered office at 21 rue la Boétie, 75008 Paris, France, registered with the Paris Trade and Companies Registry under number 410 118 608, represented by Mrs. Charlotte Lampre,

(hereinafter referred to as the “**Absorbed Company**” or “**Vigie Groupe**”),

The Absorbing Company and the Absorbed Company are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS :

A. PURPOSE

It is reminded that following the completion of the takeover bid initiated by Veolia on all of the shares of Vigie S.A. (formerly Suez, registered under number 433 466 570 R.C.S. Paris, hereinafter referred to as “**Vigie**”), the positive outcome of which led to the implementation of a squeeze-out on February 18, 2022 (the “**Transaction**”), and the merger by absorption of Vigie S.A. into Veolia on October 31, 2022 (the “**Vigie Merger**”) Veolia holds all of the share capital of Vigie Groupe.

In order to simplify the structure of the Veolia Group, it is planned to proceed with the merger by way of absorption of Vigie Groupe into Veolia (the “**Merger**”).

The Parties have decided to enter into this draft merger agreement (the “**Merger Agreement**”) under the terms and conditions described below in order to define their rights and obligations.

Each of the Parties to the Merger will make available to its shareholders and to the shareholders of the other Party the documents required by law, and in particular this Merger Agreement, the approved annual financial statements of Veolia and Vigie Groupe, and the related management reports (*rapports de gestion*) for the financial years ending on December 31, 2020 and December 31, 2021, as well as the annual financial statements of Veolia for the year ended December 31, 2022, and the annual financial statements of Vigie Groupe for the year ending December 31, 2022.

Beforehand, the main characteristics of the Absorbing Company and the Absorbed Company, the links between the Parties, the reasons and purposes of the Merger, the basis of the Merger transaction and the effective date of the Merger will be recalled.

B. CONSULTATION OF EMPLOYEE REPRESENTATIVE BODIES

In accordance with the provisions of Article L. 2312-8 of the French Labor Code, Veolia's social and economic committee (*comité social et économique*) has, prior to the date hereof, been informed and consulted on the Merger, and has rendered, on April 22, 2022, a favorable opinion on the Merger.

Similarly, the social and economic committee (*comité social et économique*) of Vigie Groupe's economic and social unit has, prior to the date hereof, been informed and consulted on the Merger, and has rendered, on April 14, 2022, a favorable opinion on the Merger.

C. PRESENTATION OF THE COMPANIES INVOLVED IN THE MERGER

1. Absorbing company

- 1.1. The Absorbing Company is a French *société anonyme* registered with the Paris Trade and Companies Registry under number 403 210 032, whose shares are listed on Euronext Paris (compartment A) under ISIN code FR0000124141 (mnemonic "VIE").
- 1.2. The Absorbing Company was incorporated for a period of ninety-nine (99) years from the date of its registration in the Trade and Companies Register, *i.e.* until December 18, 2094.
- 1.3. The object of the Absorbing Company, in France and in all other countries, is:
 - carrying on, for private, business and public customers, all service activities relating to the environment and, more particularly, to water, sewage, energy, transport, waste management, etc.;
 - acquiring, taking over and exploiting all patents, licences, trademarks and designs relating directly or indirectly to its business activity;
 - acquiring interests in existing or future companies through shares, bonds and other securities, whether by subscription, purchase, contribution, exchange or any other means, and the right to assign such interests;
 - and, in general, all commercial, industrial and financial operations and all operations connected with real or movable property, relating directly or indirectly to the above-mentioned object and, in particular, issuing any guarantee, first-demand guarantee, surety and other securities, in particular in favour of any group, undertaking or company in which it holds an interest, in the context of its activities, as well as the financing or refinancing of its activities.
- 1.4. On the date of the Merger Agreement, the share capital of the Absorbing Company amounts to 3,572,871,835.00 euros, divided into 714,574,367 ordinary shares with a nominal value of five (5) euros each, fully paid up.
- 1.5. In addition to the issuance of a number of bond issues, on September 12, 2019, the Absorbing Company also issued bonds convertible and/or exchangeable into new or existing non-interest bearing shares for a principal amount of nearly €700,000,000.00 maturing on January 1, 2025, of which €699,990,091 are outstanding.
- 1.6. As of the date of this Merger Agreement and with the exception of the ordinary shares and securities referred to above, the Absorbing Company has not issued any securities or securities giving access or not to its share capital, nor granted any rights giving access to its share capital (with the exception of the free share allocation plans dated May 5, 2020, May 4, 2021 and May 2, 2022 set up by the Absorbing Company).

- 1.7. The fiscal year of the Absorbing Company begins on January 1st and ends on December 31st of each year.

2. Absorbed company

- 2.1. The Absorbed Company is a French *société par actions simplifiée* registered with the Paris Trade and Companies Register under number 410 118 608.
- 2.2. The Absorbed Company was incorporated for a period of ninety-nine (99) years from the date of its registration in the Trade and Companies Register, *i.e.* until December 10, 2095.
- 2.3. The purpose of the Absorbed Company, in all countries and by all means, is:
- To operate, under any form whatsoever, any services related to the environment and, in particular:
 - any water production, transportation and distribution services, for any domestic, industrial, agricultural or other requirements or uses, on behalf of public authorities or private persons;
 - any wastewater disposal services, including the removal of sludge of domestic, industrial or other origin;
 - any services that may directly or indirectly concern the collection, sorting, treatment, recycling, incineration or recovery of all types of waste, by-products and residues, and generally any operation and venture relating to waste management;
 - the creation, acquisition, operation and assignment of any transport and road haulage services;
 - the creation, purchase, sale, leasing, rental, management, installation and operation of any waste management facilities;
 - and, generally, any services on behalf of public or private authorities and individuals connected with the foregoing.
 - At a secondary level, to produce, distribute, transport, utilise, manage and develop energy in all its forms.
 - To study, draw up and carry out any projects, services and public or private works on behalf of any public or private authorities and private individuals; to prepare and enter into any contracts and agreements of any kind whatsoever related to the carrying out of these projects and works.
 - To acquire, in the form of subscription, purchase, contribution, exchange or by any other means, holdings, shares, interests, bonds and any other securities of companies existing or to be created in the future, and the right to assign such interests.
 - To obtain, purchase, sell and exploit any patents, trademarks, models or patent licences and any processes.

- To issue any guarantees, first demand guarantees, bonds and other securities for the benefit of any group company or entity, in connection with their activities, as well as the financing or refinancing of their activities.
 - To take out any loans and, more generally, to avail of any kind of financing, in particular by issuing or, where applicable, subscribing for debt securities or financial instruments, with a view to enabling the financing or refinancing of the company's activities.
 - And, more generally, to carry out any industrial, financial, commercial, property or real estate operations related directly or indirectly to one of the objects specified or to any other similar or related object or which may promote and develop the company's activities.
- 2.4. On the date of the Merger Agreement, the share capital of the Absorbed Company amounts to 3,371,214,942.00 euros, divided into 561,869,157 fully paid-up ordinary shares with a par value of six (6) euros each (the “**Vigie Groupe Shares**”), fully paid-up.
- 2.5. As of the date of the Merger Agreement, the Absorbed Company has not issued any securities giving access to its share capital, nor granted any rights giving access to its share capital.
- 2.6. The fiscal year of the Absorbed Company begins on January 1st and ends on December 31st of each year.

3. Relationship between the Parties

- 3.1. Since the filing of the Merger Agreement with the clerk of the commercial court and until the completion of the Merger, the Absorbing Company holds and will hold permanently all of the Vigie Groupe Shares, *i.e.* the entire share capital and voting rights of the Absorbed Company.
- 3.2. Neither Party is an officer of the other. Furthermore, as of the date hereof, the Parties do not have any common officers.
- 3.3. On May 1, 2022, the Absorbing Company and the Absorbed Company entered into a private deed under which the Absorbed Company leased its head office / central functions activity to the Absorbing Company (the “**Management Lease**”). The Management Lease will automatically terminate as a result of the Merger.

D. REASON AND OBJECTIVES OF THE MERGER

Following the Transaction and completion of the Vigie Merger on October 31, 2022, the Absorbing Company holds all of the Vigie Groupe Shares, *i.e.* all of the share capital and voting rights of the Absorbed Company.

The Merger is a measure of simplification and legal rationalization of the existing structures following the completion of the above-mentioned operations (the “**Simplification**”).

The Merger will eliminate the structural costs and complexities associated with the existence of the Absorbed Company as a legal entity.

The board of directors of the Absorbing Company and the President of the Absorbed Company have agreed on the present Merger Agreement on March 1, 2023.

In accordance with the articles of association of the Absorbed Company, the Absorbing Company, in its capacity as sole shareholder of the Absorbed Company, approved this Merger Agreement on March 1, 2023.

E. LEGAL REGIME

The Merger is subject to the simplified merger regime of Article L. 236-11 of the French Commercial Code as well as to the provisions of Articles L. 236-1 *et seq.* and R. 236-1 *et seq.* of the French Commercial Code.

As indicated in paragraph G.2. below, the Merger will not give rise to the issuance of shares of the Absorbing Company. Consequently, the provisions of Articles L. 621-8, IV of the French Monetary and Financial Code and 232-34 of the general regulations of the French *Autorité des Marchés Financiers* are not applicable to the Absorbing Company, which, as a consequence, will not publish any prospectus or exemption document in the context of the completion of the Merger.

F. ACCOUNTS USED TO ESTABLISH THE TERMS OF THE MERGER

For the purposes of Article R. 236-1 of the French Commercial Code, it is specified that the terms and conditions of the Merger Agreement have been established by the Parties on the basis of:

- (i) the approved financial statements of the Absorbed Company as of December 31, 2021, which are attached in **Appendix F.1**; and
- (ii) the financial statements of the Absorbed Company as of December 31, 2022, as adopted by decision of the President of the Absorbed Company on March 1, 2023, which are attached in **Appendix F.2**; and
- (iii) the approved financial statements of the Absorbing Company as of December 31, 2021, which are attached in **Appendix F.3**; and
- (iv) the financial statements of the Absorbing Company as of December 31, 2022, as adopted by decision of the board of directors of the Absorbing Company on March 1, 2023, which are attached in **Appendix F.4**.

The financial statements as of December 31, 2022 of the Absorbed Company have not yet been certified by the statutory auditors (*commissaires aux comptes*), nor approved by its sole shareholder.

The financial statements as of December 31, 2022 of the Absorbing Company have not yet been certified by the statutory auditors (*commissaires aux comptes*), nor approved by the annual general meeting of the shareholders.

G. VALUATION PRINCIPLES

1. Contributed values

As the transaction consists of an internal restructuring, the contributions will be made at their net book value (*valeur nette comptable*), in accordance with Articles 710-1, 720-1, and 743-1 of Title VII of Regulation No. 2014-03 of June 15, 2014 of the French Accounting Standards Authority (*Autorité des Normes Comptables*) relating to the General Chart of Accounts (*Plan comptable général*) as amended by Regulation No. 2019-06 of November 8, 2019, approved by order of December 26, 2019 and published in the Official Journal (*Journal Officiel*) of December 30, 2019.

2. Methodology for the remuneration of the Merger

In accordance with the provisions of Article L. 236-3, II of the French Commercial Code, as long as all the Vigie Groupe Shares are held by the Absorbing Company (and will be held until the completion of the Merger), the Vigie Groupe Shares will not be exchanged against shares of the Absorbing Company.

The Merger will not be compensated by the issuance of new shares of the Absorbing Company and will not give rise to any capital increase of the Absorbing Company or to any determination of an exchange ratio.

H. CONTRIBUTION AUDITOR

In accordance with the provisions of Article L. 236-11 of the French Commercial Code, the completion of the Merger does not require the appointment of a contribution auditor (*commissaire aux apports*), a merger auditor (*commissaire à la fusion*) or an independent expert (*expert indépendant*).

I. DATE OF COMPLETION AND EFFECT OF THE MERGER

In accordance with the provisions of Article L. 236-4 of the French Commercial Code, it is specified that the Merger will have a retroactive effect, including from an accounting and tax point of view, as of January 1, 2023 (the “**Effective Date**”), which date is not earlier than the closing of the last fiscal year of the Absorbed Company. This retroactivity is only effective between the Parties.

Consequently, and in accordance with the provisions of Article R. 236-1 of the French Commercial Code, the transactions carried out by the Absorbed Company from the Effective Date until the Completion Date (as defined in Article 4 below), will be considered by operation of law as being carried out on behalf of the Absorbing Company, which will exclusively bear the active or passive results of the operation of the assets transferred.

THEREFORE, IT IS AGREED AS FOLLOWS:

1. DESIGNATION AND VALUATION OF THE ASSETS AND LIABILITIES CONTRIBUTED TO THE ABSORBING COMPANY

1.1 Prerequisites

- 1.1.1 The Absorbed Company shall contribute, under the usual de facto and de jure guarantees in the matter, and subject to the conditions precedent expressed hereinafter, to the Absorbing Company, which shall accept it, all the property, rights and obligations, assets and liabilities making up its assets and liabilities, without exception or reservation, it being specified that such property, rights and obligations, assets and liabilities shall be vested in the Absorbing Company in the state in which they will be at the Completion Date.
- 1.1.2 It is specified that, in accordance with the applicable provisions of the French Commercial Code, the following enumeration is only indicative and non-limitative, and that all the assets and liabilities that the Absorbed Company will hold as at the Completion Date shall be added thereto; the Merger contemplated by the present Merger Agreement constituting a universal transfer (*transmission universelle de patrimoine*) of all the assets and liabilities composing the the Absorbed Company in the state in which they will be at the Completion Date.

- 1.1.3 It is further specified that, as may be required, the indications contained in the present Merger Agreement or in any of its appendixes shall not constitute an acknowledgement of debt to the benefit of any third party, which shall be required, in accordance with the applicable regulations, to establish their rights and to prove their titles.
- 1.1.4 In accordance with Articles 710-1, 720-1, and 743-1 of Title VII of Regulation No. 2014-03 of June 15, 2014 of the French Accounting Standards Authority (*Autorité des Normes Comptables*) relating to the General Chart of Accounts (*Plan comptable général*), as amended by Regulation No. 2019-06 of November 8, 2019, approved by order of December 26, 2019 and published in the Official Journal (*Journal Officiel*) of December 30, 2019, the assets and liabilities contributed will be transcribed into the accounts of the Absorbing Company on the basis of their book value in the books of the Absorbed Company as of the Effective Date.

1.2 Contributions of the Absorbed Company

1.2.1 Contributed assets

	Amount as of 12.31.2021 (in thousands of euros)			Amount as of 12.31.2022 (in thousands of euros)		
	Gross	Amortization	Net	Gross	Amortization	Net
I. Fixed assets:	15,123,534.4	(749,918.6)	14,373,615.8	9,499,325.6	(780,009.3)	8,719,316.4
Intangible assets	105,547.8	(66,548.8)	38,999.1	1,683.0	(1,683.0)	-
Property, plant and equipment	77,614.2	(42,622.9)	34,991.4	97.5	(79)	18.5
Equity interests	12,210,860.1	(611,935.2)	11,598,925.4	9,186,601.7	(735,784.7)	8,450,817.0
Receivables related to equity interests	2,700,081.1	(107.8)	2,699,973.3	241,304.0	(110.8)	241,193.2
Other financial assets	-	-	-	8,939.1	(8,939.1)	-
Loans	28,704.4	(28,703.9)	0.4	15,449.1	(15,448.1)	0.4
Other fixed financial assets	726.2	-	726.2	45,251.2	(17,964.0)	27,287.2
II. Current assets:	3,640,096.3	(21,630.6)	3,618,465.7	4,361,802.6	(23,583.6)	4,338,219.0
Advances and deposits paid on orders	460.3	-	460.33	22.7	-	22.7

Trade receivables and related accounts	102,711.1	(19,616.7)	83,094.4	64,914.2	(17,608.5)	47,305.73
Other receivables	40,390.2	-	40,390.2	35,962.1	(5,951.2)	30,010.9
Current accounts of subsidiaries	1,687,535.6	(2,014.0)	1,685,521.6	3,262,574.9	(24.0)	3,262,550.9
Accrued income on treasury instruments	21,860.9	-	21,860.9	2,075.7	-	2,075.7
Cash and cash equivalent	1,784,456.1	-	1,784,456.1	996,230.0	-	996,230.0
Accruals and deferred income:	2,682.0	-	2,682.0	23.0	-	23.0
Assets for foreign exchange gains/losses	31,408.5	-	31,408.5	5,482.8	-	5,482.8
Total book value of assets contributed:	18,795,039.2	(771,549.2)	18,023,490.0	13,866,611.1	(803,592.9)	13,063,018.2

1.2.2 Assumed liabilities

	Amount as of 12.31.2021 (in thousands of euros)	Amount as of 12.31.2022 (in thousands of euros)
I. Provisions for contingencies and losses:	36,888.7	13,713.2
▪ Provision for contingencies	35,722.9	13,415.3
▪ Provision for losses	1,165.8	297.8
II. Liabilities and debts:	12,154,794.6	3,737,662.5
▪ Loans and debts with credit institutions	937,711.6	989,949.6
▪ Miscellaneous loans and financial debts	10,990,386.0	2,605,567.8
▪ Advances and down payments received	0.0	149.3
▪ Trade payables and related accounts	121,466.2	77,097.6
▪ Tax and social security liabilities	95,197.5	7,744.8
▪ Debts on fixed assets and related accounts	4,410.7	54,048.4
▪ Accrued expenses on cash instruments	4,645.4	1,668.7
▪ Other debts	977.3	1,436.2
Accrual account	6,597.8	1,480.0
Liabilities for foreign exchange gains/losses	13,253.1	5,363.3
Total book value of liabilities contributed:	12,211,534.2	3,758,218.9

1.2.3 Determination of the net contributed assets (book value as of December 31, 2022)

Taking into account the elements indicated in Articles 1.2.1 and 1.2.2 above, the net book value of the assets and liabilities contributed through the Merger (the “**Net Value**”), is as follows:

Total net book value of assets contributed	13,063,018,192 €
Total book value of liabilities contributed	- 3,758,218,913 €
Provisions for possible losses	0 €
Dividend distribution	0 €
Net book value of assets and liabilities contributed :	9,304,799,279 €

The difference between:

- the net book value of the net assets contributed by the Absorbed Company on the Effective Date, *i.e.* €9,304,799,279; and
- the net book value of the shares of the Absorbed Company in the accounts of the Absorbing Company, *i.e.* €13,086,165,328;

will constitute a **merger loss (*mali de fusion*) in the amount of €3,781,366,049.**

1.3 Universal transfer of assets and liabilities

It is expressly agreed between the Parties that the Merger entails the universal transmission of the assets and liabilities (*transmission universelle de patrimoine*) of the Absorbed Company and that, consequently, all of its property, rights and obligations, assets and liabilities included in its corporate assets, as they will exist and in the state they will be in on the Completion Date will be transferred from the Absorbed Company to the Absorbing Company at the time of the Merger, even if (i) they would have been omitted or would not appear, for any reason whatsoever (except fraud), in the assets or liabilities referred to in Articles 1.2.1 and 1.2.2 above or (ii) they have not been valued at that time, all at the risk of each of the Parties.

In particular, any liabilities that will be contributed to the Absorbed Company upon completion of the Merger, as well as any liabilities relating to the business of the Absorbed Company, and not known or not foreseeable at the Completion Date, that may arise thereafter, will be assumed by the Absorbing Company.

1.4 Off-balance sheet commitments

The Absorbing Company will assume all commitments that may have been entered into by the Absorbed Company and which, because of their contingent nature, are off-balance sheet commitments.

The off-balance sheet commitments of the Absorbed Company existing as of the date hereof are listed in **Appendix 1.4**

1.5 Origin of ownership of the business (*fonds de commerce*)

The Absorbed Company does not own any business (*fonds de commerce*).

1.6 Designation and origin of ownership of real estate assets and rights

The Absorbed Company does not hold any real estate assets.

2. OWNERSHIP AND EFFECT (*JOUISSANCE*)

On the Completion Date, in accordance with Article L. 236-3 of the French Commercial Code, the Merger will result in the universal transmission of the assets and liabilities (*transmission universelle du patrimoine*) of the Absorbed Company to the Absorbing Company, in the state in which they will be on the Completion Date.

The Absorbing Company agrees, by the present Merger Agreement, to take, on the day the transfer of these assets and rights will be made to it, the assets and liabilities composing the assets and liabilities of the Absorbed Company as they will exist then. The same shall apply to all debts and expenses of the Absorbed Company, including those which originated prior to the Completion Date, and which would have been omitted in the accounts of the Absorbed Company, as a result of the realization and/or the release of the condition precedent stipulated in Article 5 of this Merger Agreement.

Generally speaking, the Absorbing Company will be subrogated purely and simply in all the rights, obligations and various commitments of the Absorbed Company, without any exception or reservation.

The Absorbing Company will take over all the employees of the Absorbed Company it being specified that, as of the date hereof, the Absorbed Company does not have any employee.

The Absorbing Company will continue to exist under the name “Veolia Environnement”, a French *société anonyme*, having its registered office at 21 rue la Boétie, 75008 Paris, France.

3. CHARGES AND CONDITIONS

The contributed assets are transferred according to the charges and conditions listed below:

3.1 Statement of charges and general conditions of the Absorbing Company

- 3.1.1 The Absorbing Company will take the assets contributed by the Absorbed Company in the same condition as they will be on the Completion Date.
- 3.1.2 The contributions of the Absorbed Company are granted and accepted in consideration of the assumption by the Absorbing Company of all the liabilities of the Absorbed Company, as referred to above. Generally speaking, the Absorbing Company will assume all the liabilities of the Absorbed Company, as such liabilities will exist on the Completion Date. Finally, the Absorbing Company will assume the liabilities that have not been accounted for or identified in this Merger Agreement, as well as the liabilities that have a cause prior to the Completion Date, but that would only become apparent after the Completion Date.
- 3.1.3 The Absorbing Company will be purely and simply substituted to the Absorbed Company in all the rights and obligations of the Absorbed Company relating to the assets and liabilities contributed in the framework of the Merger and more generally relating to the said assets and liabilities without this substitution entailing novation with respect to the creditors and debtors.

3.2 Statement of charges and special conditions of the Absorbing Company

- 3.2.1 The Absorbing Company shall have all powers, as of the Completion Date, in particular to bring any legal action or to defend any legal action in progress, in the place and stead of the Absorbed Company and relating to the contributed assets and rights, to give any acquiescence to any decision in order to receive or pay any sum due following any award, judgment or transaction relating to the contributed assets.
- 3.2.2 Any liability relating to the business of the Absorbed Company that may arise after the Completion Date shall become a liability of the Absorbing Company.

- 3.2.3 The Absorbing Company will assume the liabilities of the Absorbed Company contributed to it on the terms and conditions on which they are and will become due, the payment of all interests, and more generally the execution of all the conditions of the loan agreements and debt instruments that may exist, as the Absorbed Company is obliged to do, and even any early repayments if the situation arises.
- 3.2.4 The Absorbing Company shall assume and pay, as from the Completion Date, the taxes, duties and contributions, insurance premiums and contributions, as well as all charges of any kind, whether ordinary or extraordinary, that are or may be imposed on the contributed assets and rights and those that are or will be inherent to the ownership of the contributed assets and rights, including those that may date back to a date prior to the Completion Date and that may have been omitted from the accounting records of the Absorbed Company.
- 3.2.5 The Absorbing Company will be responsible for all guarantees that may have been granted in relation to the liabilities it has assumed. It will also be bound, under the same conditions, to the execution of the sureties and guarantees taken by the Absorbed Company and will benefit from all related counter-guarantees.
- 3.2.6 In the event that a difference is revealed, in excess or in deficit, between the liabilities declared and the amounts claimed by third parties and recognized as due, the Absorbing Company shall be obliged to pay any excess liabilities and shall benefit from any reduction of the said liabilities, without recourse or possible claim between the Parties.
- 3.2.7 The Absorbing Company will execute, as from the Completion Date, all treaties, contracts, insurance policies and agreements entered into with third parties and will be subrogated in all rights and obligations resulting therefrom.
- 3.2.8 The Absorbing Company will comply with the legal and regulatory requirements governing the contributed assets and will personally obtain any authorizations that may be required, all at its own risk.
- 3.2.9 The Absorbing Company will be subrogated, as from the Completion Date, to the benefit and the obligations of contracts of any kind validly binding the Absorbed Company to third parties. The Absorbing Company will personally undertake to obtain the approval of all third parties to this subrogation, the Absorbed Company commits, for its part, to undertake, whenever necessary, the steps in view of the transfer of these contracts; the possible lack of approval will not in any way compromise the validity of the Merger.
- 3.2.10 In accordance with Article L. 236-14 of the French Commercial Code, the Absorbing Company will become the debtor of the non-bondholder creditors in lieu of the Absorbed Company, without this substitution entailing novation with respect to the creditors and debtors. It is specified, as may be required, that the foregoing stipulations do not constitute an acknowledgement of debt for the benefit of any alleged creditor, the latter being required, on the contrary, to establish their rights and to justify their titles.

3.3 Creditors' rights

- 3.3.1 Pursuant to the provisions of Article L. 236-14 of the French Commercial Code, the non-bondholder creditors of the Absorbing Company and the Absorbed Company whose claim predates the publication of the Merger Agreement may file an opposition within thirty (30) days as from the last publication provided for by Article R. 236-2 of the French Commercial Code. Any objection made by a creditor shall be brought before the Commercial Court, which may either reject it or order the reimbursement of the concerned claim or the provision of guarantees if the Absorbing Company or the Absorbed Company, as the case may be, offers them and if they are deemed sufficient. Absent any reimbursement of the concerned claims or

the provision of the ordered securities, the Merger shall be unenforceable against the relevant opposing creditors. In accordance with the legal provisions, the opposition raised by a creditor shall not have the effect of prohibiting the continuation of the transactions relating to the Merger or its completion.

- 3.3.2 In accordance with the provisions of Article L. 236-15 of the French Commercial Code, the Merger will not be submitted to the approval of the general meetings of the Absorbing Company's bondholders. However, it is specified that each general meeting of the bondholders of the Absorbing Company may grant a mandate to the representative of the competent mass to file an opposition to the Merger, under the conditions and with the effects provided for in Article L. 236-14 of the French Commercial Code. A court decision will then have to be rendered, either to dismiss the filed opposition, or to order the reimbursement of the concerned bonds or the provision of guarantees. In the absence of the reimbursement of the concerned claims or the provision of the ordered guarantees, the Merger will not be enforceable against the opposing creditors. In accordance with the legal provisions, the opposition raised by a creditor shall not have the effect of prohibiting the continuation of the transactions relating to the Merger or its completion.
- 3.3.3 Moreover, the Absorbing Company shall take care of all the formalities and publicity relating to the transfer of all the assets or rights included in the contributions and whose transfer shall only become effective against third parties following these formalities and publicity.

3.4 Commitments of the Absorbed Company

- 3.4.1 The Absorbed Company undertakes, until the Completion Date, not to take any action or to allow any action to be taken that could result in the depreciation of the contributed assets.
- 3.4.2 Moreover, until the Completion Date, it undertakes not to carry out any act of disposal concerning the assets that are the subject of the present contribution, apart from the current corporate operations, and not to contract any loan without the agreement of the Absorbing Company.
- 3.4.3 It undertakes to provide the Absorbing Company with all the information that the latter may need, to give it all signatures and to provide it with all useful assistance in order to ensure, with respect to anyone, the transfer of the assets and rights included in the contributions and the full effect of the Merger Treaty.
- 3.4.4 It shall, in particular, at the first request of the Absorbing Company, have all additional, reiterative or confirmatory deeds of the present contributions drawn up and provide all justifications and signatures that may become subsequently necessary.
- 3.4.5 It undertakes to hand over and deliver to the Absorbing Company, immediately after the Completion Date, all the above-mentioned assets and rights, as well as all securities and documents of any kind relating thereto.

4. DATE OF COMPLETION OF THE MERGER

- 4.1.1 In accordance with the provisions of Article L. 236-11 of the French Commercial Code, the Merger will not be subject to approval by the Absorbing Company's shareholders. The Absorbing Company, in its capacity as sole shareholder of the Absorbed Company, having approved the present Merger Agreement in accordance with the provisions of the Absorbed Company's articles of association.
- 4.1.2 Pursuant to the provisions of Article L. 236-11, paragraph 2 of the French Commercial Code, one or more shareholders of the Absorbing Company, representing at least 5% of the share capital of the Absorbing Company, may request in court the appointment of an agent

(*mandataire*) for the purpose of convening the extraordinary general meeting of the Absorbing Company in order to approve the Merger. As of the date hereof, the Absorbing Company has not been informed of such a request.

- 4.1.3 As a result, the Absorbing Company and the Absorbed Company agree that the final completion of the Merger as well as the resulting dissolution of the Absorbed Company will be completed and effective on April 30, 2023 at 11:59 p.m. (the “**Completion Date**”), subject to the publications prescribed in Article L. 236-6 of the French Commercial Code having been completed at least thirty (30) days prior to such date and to the fulfilment and/or waiver of the condition precedent set forth in Article 5 below.

5. **CONDITION PRECEDENT**

- 5.1 The final completion of the Merger and the resulting dissolution of the Absorbed Company will be realized on the Completion Date, provided that on such date the condition precedent set forth hereinafter has been fulfilled and/or waived:

- the approval of the Merger by the extraordinary general meeting of shareholders of the Absorbing Company if, pursuant to the provisions of Article L. 236-11, paragraph 2 of the French Commercial Code, one or more shareholders of the Absorbing Company, representing at least 5% of the share capital of the Absorbing Company, request and obtain in court the appointment of an agent (*mandataire*) for the purpose of convening the extraordinary general meeting of shareholders of the Absorbing Company in order to approve the Merger.

The fulfilment and/or release of the condition precedent referred to in this Article 5 by the Parties may be established by any appropriate means.

Subject to the fulfilment or release of the above condition, the Merger will become final on the Completion Date.

- 5.2 The Absorbed Company shall be dissolved by operation of law on the Completion Date solely as a result of the fulfilment and/or waiver of the aforementioned condition precedent. The liabilities of the Absorbed Company being entirely assumed by the Absorbing Company, the dissolution of the Absorbed Company will not be followed by any liquidation operation. At completion of the Merger, the Absorbing Company will become the principal and obligated debtor with respect to all the obligations of the Absorbed Company.
- 5.3 If the condition precedent is not fulfilled and satisfied and/or waived prior to December 31, 2023, the present Merger Agreement will automatically lapse, without any right to indemnity on either side.

6. **GENERAL STATEMENTS**

6.1 **With respect to the Absorbed Company**

The Absorbed Company represents and warrants:

- (i) that it is a French *société par actions simplifiée* duly incorporated under the laws of France;
- (ii) that it has the capacity and power to enter into this Merger Agreement and, more generally, to meet its obligations arising therefrom;
- (iii) that this Merger Treaty has been validly executed by the Absorbed Company and is enforceable against it in accordance with its terms.

6.2 With regard to the Absorbing Company

The Absorbing Company represents and warrants:

- (i) that it is a French *société anonyme* duly incorporated under the laws of France;
- (ii) that it has the capacity and power to enter into this Merger Agreement and, more generally, to meet its obligations arising therefrom;
- (iii) that this Merger Treaty has been validly executed by the Absorbing Company and is enforceable against it in accordance with its terms.

6.3 With respect to the Absorbed Company

The Absorbed Company declares that, on the Completion Date, the contributed assets will be transferred with all the rights attached to them, as they will appear on the Completion Date in the assets of the Absorbed Company.

7. TAX REGIME OF THE MERGER

7.1 General provisions

The respective representatives of the Absorbed Company and the Absorbing Company oblige these companies to comply with all applicable legal provisions, with regard to the declarations to be made for corporate income tax or any other taxes resulting from the final realization of the contributions made by way of merger, in accordance with the stipulations below.

Generally speaking, and as from the Completion Date, the Absorbing Company will substitute itself for the Absorbed Company for the performance of all commitments and obligations of a fiscal nature.

7.2 Registration fees

The registration formality will be carried out free of charge in application of Article 816 of the French General Tax Code.

7.3 Corporate income tax

7.3.1 Retroactivity

As a result of the above provisions, the Merger will be effective from an accounting and tax point of view on January 1, 2023. The Absorbed Company and the Absorbing Company expressly acknowledge that these stipulations have a full tax effect, of which they undertake to accept all consequences. It is specified that this retroactivity is only effective between the Parties.

Consequently, the results of all active and passive transactions carried out by the Absorbed Company from January 1, 2023 until the Completion Date shall be considered as completed by the Absorbing Company.

7.3.2 Favourable regime

The legal representatives of the Absorbing Company and the Absorbed Company declare that the Parties are subject to corporate income tax in France under the conditions of ordinary law and that they intend for the Merger to benefit from the preferential tax regime for mergers provided for by the provisions of Article 210 A of the French General Tax Code.

To this end, the Absorbing Company undertakes to comply with all the provisions of Article 210 A of the French General Tax Code, and in particular undertakes (taking into account the provisions of paragraphs 5 and 6 of Article 210 A of the French General Tax Code) to:

- (i) include in the liabilities side of its balance sheet, on the one hand, the provisions of the Absorbed Company, the taxation of which has been deferred and, on the other hand, if applicable, the special reserve where the Absorbed Company has recorded long-term capital gains previously subject to the reduced rate of 10%, 15%, 18%, 19% or 25%, as well as the reserve where the provisions for price fluctuations have been recorded in application of the sixth subparagraph of 5° of 1 of Article 39 of the French General Tax Code;
- (ii) substitute itself for the Absorbed Company for the reintegration of the results whose recognition would have been deferred for the taxation of the latter;
- (iii) calculate the capital gains realized subsequently on the disposal of the non-depreciable fixed assets contributed - including portfolio securities whose disposal result is excluded from the regime of long-term capital gains or losses and which are treated as fixed assets pursuant to paragraph 6 of Article 210 A of the French General Tax Code – according to the value they had, from a tax point of view, in the corresponding records of the Absorbed Company;
- (iv) reintegrate, if applicable, in its profits subject to corporate income tax, under the conditions set forth in Article 210 A of the French General Tax Code, the capital gains generated by the Merger on the contribution of the depreciable assets; the transfer of a depreciable asset will however entail the immediate taxation of the fraction of the capital gain relating to the transferred asset that would not have been reintegrated;
- (v) record in its balance sheet the items other than fixed assets at the value they had, from a tax point of view, in the corresponding records of the Absorbed Company or, failing that, include in its results of the financial year during which the completion of the Merger occurs the profit corresponding to the difference between the new value of these items and the value they had, from a tax point of view, in the records of the Absorbed Company; and
- (vi) in view of the transcription of the contributions on the basis of their net book value, to include in its balance sheet the accounting entries of the Absorbed Company, showing the original value of the fixed assets and the depreciation and provisions for depreciation recorded, and to continue to calculate the depreciation allowances on the basis of the original value that the contributed assets had in the entries of the Absorbed Company.

The Absorbing Company undertakes to attach to its income tax return a follow-up statement, in accordance with the model provided by the administration, of the capital gains subject to tax deferral for the fiscal year of the Merger and for the following fiscal years, showing for each type of item, the information necessary to calculate the taxable result of the subsequent disposal of the considered items, in accordance with the provisions of Article 54 *septies* I of the French General Tax Code.

Furthermore, the Absorbing Company undertakes, on its own behalf as well as on behalf of the Absorbed Company, in respect of the Merger, to comply with the reporting obligations set forth in Article 54 *septies* of the French General Tax Code and in Article 38 *quindecies* of the Annex III to the French General Tax Code and to keep the register of capital gains on non-depreciable items provided for by Article 54 *septies* of the French General Tax Code.

7.4 Value Added Tax

The Absorbing Company and the Absorbed Company intend to benefit, with respect to the Merger, from the regime defined by Article 257 *bis* of the French General Tax Code, according

to which the transfer for valuable consideration or free of charge of the assets of a total or partial universality of goods is exempt from VAT, provided that it takes place between two companies that are liable (in full or in part) for VAT, which is the case of the companies in question.

In this respect, they shall send a letter to the Tax Authorities (*Services des Impôts*) of which they are part, informing them of the Merger and indicating, if applicable, the amount of the transferred VAT credit.

The Absorbing Company will be deemed to continue the person of the Absorbed Company and will be subrogated in all its rights and obligations as of the Completion Date, which implies:

- (i) on the one hand, that the VAT credit that the Absorbed Company may have at the date when it legally ceases to exist is automatically transferred to it;
- (ii) and, secondly, that it shall proceed, if necessary, with the regularization of the right to deduct VAT and the taxation of sales or self-supplies that may become due after the transfer of universality and under the same conditions as those that would have been applied to the Absorbed Company in the absence of the merger.

Finally, in accordance with the requirement defined by Article 287, 5, c, of the French General Tax Code, the total amount, excluding tax, of the goods and services transferred in the context of the universal transfer within the meaning of Article 257 *bis* of the French General Tax Code will be reported on the turnover declaration of the Absorbed Company and of the Absorbing Company filed for the month during which the completion of the Merger takes place, on the line "Other non-taxable transactions".

7.5 Taxes based on salaries

As of the Completion Date, the Absorbing Company will take into account the remuneration paid to employees who have worked for it in order to determine, if applicable, its obligations with respect to payroll taxes.

7.6 Employee profit-sharing

The Absorbing Company undertakes to substitute itself to the Absorbed Company for the application of Articles L. 3321-1 and following of the French Labor Code relating to the participation in the company's results for the participation rights of the employees acquired at the Completion Date. The Absorbing Company undertakes to record in its balance sheet the special profit-sharing reserve corresponding to the employees' rights that will be transferred to it in the context of the Merger.

7.7 Previous operations

In general and as from the Completion Date, the Absorbing Company will substitute itself to the Absorbed Company for the execution of all commitments and obligations relating to the assets transferred to it in the context of the present Merger, and in particular those that may have been previously undertaken by the Absorbed Company pursuant to Articles 145 and 216, 209 II, 210 A, 210 B, 210 B *bis* and 210 C of the French General Tax Code and, in general, any commitment entered into by the Absorbed Company at the time of the realization of previous transactions of partial contributions of assets or mergers or similar transactions that benefited from a preferential tax regime in terms of corporate income tax and/or registration fees.

7.8 Other taxes

With respect to other taxes and duties, the Absorbing Company will be subrogated to all the rights and obligations of the Absorbed Company and undertakes to meet the corresponding payments and reporting obligations.

8. MISCELLANEOUS

8.1 Formalities

The Absorbing Company will complete, within the legal deadlines, all legal formalities of publication and legal filings relating to the contributions and to the Merger.

In particular, this Merger Agreement shall be filed at the clerk's office of the commercial court of Paris at least thirty days (30) before the operation takes effect. The Merger Agreement shall also be published in the *Bulletin officiel des annonces civiles et commerciales* (BODACC) and in the *Bulletin des Annonces Légales Obligatoires* (BALO), within the same timeframe, unless it is published continuously on the websites of the concerned companies, at least thirty (30) days before the Merger takes effect.

It shall personally take care of the necessary declarations and formalities with all administrations or organizations that it may deem appropriate, in order to have the contributed assets registered in its name, the Absorbed Company giving it, under the terms of the Merger Agreement, all the necessary powers to this effect.

It will, in general terms, carry out all necessary formalities in order to make the transfer of the assets and movable rights contributed to it enforceable against third parties, the Absorbed Company granting it, under the terms of the Merger Agreement, all necessary powers for this purpose.

8.2 Delivery of titles

The originals of the constitutive and amending deeds of the Absorbing Company, as well as the accounting books, the title deeds, the certificates relating to the securities, the proof of ownership of the shares and all contracts, records or other documents relating to the contributed assets and rights will be delivered to the Absorbing Company on the Merger Completion Date.

8.3 Fees

All costs, duties and fees related to the completion of the Merger will be borne by the Absorbing Company.

8.4 Severability

In the event that any of the provisions of the Merger Agreement is deemed void, invalid or unenforceable against any of the Parties by a court of competent jurisdiction, a fully valid provision having similar economic consequences and scope as the provision deemed void or unenforceable shall be substituted by mutual agreement of the Parties to the fullest extent possible; in any event, the nullity, invalidity or unenforceability of such provision shall have no effect on the validity, legality or enforceability of the Merger Agreement and the other provisions of the Merger Agreement.

8.5 Election of domicile

For the performance of the present contract and its consequences, and for all notifications, the representatives of the companies in question, in their capacity as such, shall elect domicile at the respective addresses of the Parties appearing on the recitals of the present contract.

8.6 Applicable law - Jurisdiction

This Merger Agreement shall be governed by and construed in accordance with French law.

Any dispute or litigation that may arise from or in connection with the present contract, and in particular any dispute or litigation relating to the validity of the present contract, its interpretation, its execution or non-execution, shall be submitted to the exclusive jurisdiction of the Commercial Court of Paris.

8.7 Powers

All powers are hereby expressly granted to:

- (i) the undersigned, in their capacity as representatives of the companies involved in the Merger, with the faculty to act together or separately and to sub-delegate, in order to do what is necessary, if anything, by way of any additional or supplementary deeds, including in particular for the purpose of drawing up and signing the declaration of compliance (*declaration de conformité*); and
- (ii) to the holders of originals or certified extracts of the Merger Agreement and of all documents evidencing the final completion of the Merger, to carry out all formalities and to make all declarations, notifications, registrations, filings, entries, publications and the like.

Done on March 1st, 2023,

In five (5) copies, one for each of the Parties, and three (3) for filing and formalities.

Veolia Environnement S.A.

Represented by Estelle Brachlianoff

Vigie Groupe S.A.S.

Represented by Charlotte Lampre

Appendixes

Appendix F.1	Approved financial statements of the Absorbed Company as of December 31, 2021
Appendix F.2	Financial statements of the Absorbed Company as of December 31, 2022
Appendix F.3	Approved financial statements of the Absorbing Company as of December 31, 2021
Appendix F.4	Financial statements of the Absorbing Company as of December 31, 2022
Appendix 1.4	Off-balance sheet commitments of the Absorbed Company as of December 31, 2022

Appendix F.1

Approved financial statements of the Absorbed Company as of December 31, 2021

MAZARS

ERNST & YOUNG et Autres

SUEZ Groupe

Year ended December 31, 2021

Statutory auditors' report on the financial statements

MAZARS
Tour Exaltis
61, rue Henri Regnault
92075 Paris-La Défense cedex
S.A. à directoire et conseil de surveillance
au capital de € 8 320 000
784 824 153 R.C.S. Nanterre

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

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

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

SUEZ Groupe

Year ended December 31, 2021

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report on the financial statements

To the Sole Shareholder of SUEZ Groupe,

Opinion

In compliance with the engagement entrusted to us by decision of the Sole Shareholder, we have audited the accompanying financial statements of Veolia Environnement for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for opinion

Audit framework

We conducted our work in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2021 to the date of our report.

Justification of assessments

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

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the financial statements.

► As disclosed in the note "Accounting principles and methods – Long-term loans and investments: equity investments" to the financial statements, the carrying amount of equity investments intended to be held on a long-term basis is adjusted to their value in use if this is lower. Where a divestment decision has been taken, the carrying amount of the relevant equity investment is adjusted to its market value if this is lower.

► Our procedures consisted in familiarizing ourselves with valuations of the value in use of equity investments performed by your Company, assessing the amounts and assumptions underlying these values in use, reviewing calculations performed and assessing the consistency of assumptions adopted with forecast data prepared under the supervision of Executive Management.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Chairman's management report and in the other documents addressed to the Sole Shareholder with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The financial statements have been approved by the Chairman.

Statutory Auditors' responsibilities for the audit of the financial statements

Our role is to issue a report on the financial statements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality with which the Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ▶ identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- ▶ evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- ▶ assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. These conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- ▶ evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris-La Défense, le 29 juin 2022

Les Commissaires aux Comptes

MAZARS

A stylized, cursive signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Achour Messas

A cursive signature in black ink, featuring a prominent loop and a long horizontal stroke.

Julien Huvé

ERNST & YOUNG et Autres

A stylized, cursive signature in black ink, with a large 'E' and 'Y' shape and a long horizontal stroke.

Jean-Christophe Goudard



PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SUEZ GROUPE SAS

BALANCE SHEET ASSETS

		December 31, 2021			December 31, 2020
	Reference in Notes	Gross	Amortization, depreciation and impairment	Net	Net
In thousands of euros					
NON-CURRENT ASSETS					
Intangible assets		105,547.8	(66,548.8)	38,999.1	30,658.8
Intangible assets	Note 1	105,547.8	(66,548.8)	38,999.1	30,658.8
Property, plant and equipment		52,439.7	(42,622.9)	9,816.8	7,903.2
Property, plant and equipment in progress		25,174.6	-	25,174.6	23,928.9
Property, plant and equipment	Note 1	77,614.2	(42,622.9)	34,991.4	31,832.1
Equity investments		12,210,860.6	(611,935.2)	11,598,925.4	11,035,792.0
Loans to equity investments		2,700,081.1	(107.8)	2,699,973.3	2,332,667.8
Loans		28,704.4	(28,703.9)	0.4	0.5
Other financial assets		726.2	-	726.2	726.2
Financial assets	Note 2	14,940,372.3	(640,746.9)	14,299,625.3	13,369,186.5
NON-CURRENT ASSETS	I	15,123,534.4	(749,918.6)	14,373,615.8	13,431,677.4
CURRENT ASSETS					
Advances and down payments on orders		460.3	-	460.3	672.5
Trade and related receivables		102,711.1	(19,616.7)	83,094.4	130,867.9
Other receivables		40,390.2	-	40,390.2	24,083.7
Subsidiary current accounts		1,687,535.6	(2,014.0)	1,685,521.6	1,543,445.5
Accrued income from cash instruments		21,860.9	-	21,860.9	40,693.0
Receivables	Note 3	1,852,497.9	(21,630.6)	1,830,867.2	1,739,090.1
Cash and cash equivalents		1,784,456.1	-	1,784,456.1	1,765,213.9
Financial accounts		1,784,456.1	-	1,784,456.1	1,765,213.9
Prepayments	Note 4	2,682.0	-	2,682.0	4,166.5
CURRENT ASSETS	II	3,640,096.3	(21,630.6)	3,618,465.7	3,509,143.0
UNREALIZED FOREIGN EXCHANGE LOSSES					
	III Note 10	31,408.5	-	31,408.5	42,300.8
TOTAL ASSETS	(I+II+III)	18,795,039.2	(771,549.2)	18,023,490.0	16,983,121.2

BALANCE SHEET EQUITY AND LIABILITIES

In thousands of euros	Reference in Notes	December 31, 2021	December 31, 2020
SHAREHOLDERS' EQUITY			
Share capital		3,371,214.9	3,371,214.9
Additional paid-in capital		1,601,209.5	1,601,209.5
Legal reserve		290,927.9	290,793.8
Other reserves		0.5	0.5
Retained earnings		7,209.4	4,661.5
Net income for the year		541,393.6	2,682.0
Shareholders' equity	I Note 6	5,811,955.8	5,270,562.2
PROVISIONS FOR CONTINGENCIES AND LOSSES			
Provisions for contingencies		35,722.9	60,657.4
Provisions for losses		1,165.8	7,294.8
Provisions for contingencies and losses	II Note 7	36,888.7	67,952.2
LIABILITIES			
Bank borrowings		937,711.6	928,785.7
Current accounts and borrowings from related parties		10,990,386.0	10,497,706.9
Financial debt	Note 8	11,928,097.6	11,426,492.6
Payments received on account for work-in-progress		0.0	2,696.4
Trade and related payables		121,466.2	125,354.9
Tax and employee-related liabilities		95,197.5	44,330.6
Debt on fixed assets and related accounts		4,410.7	8,168.7
Accrued expenses on cash instruments		4,645.4	14,865.7
Other liabilities		977.3	1,026.0
Operating payables	Note 9	226,697.1	196,442.3
LIABILITIES	III	12,154,794.6	11,622,934.9
DEFERRED INCOME	IV Note 4	6,597.8	5,292.3
UNREALIZED FOREIGN EXCHANGE GAINS	V Note 10	13,253.1	16,379.6
TOTAL EQUITY AND LIABILITIES	(I+II+III+IV+V)	18,023,490.0	16,983,121.2

INCOME STATEMENT

In thousands of euros	Reference in Notes	December 31, 2021	December 31, 2020
Services	Note 11	392,498.7	389,058.6
Other income	Note 11	1,352.7	45.5
Operating subsidies		685.6	628.9
Reversals of depreciation and amortization, provisions and expense transfers	Note 12	164,582.8	75,163.7
Operating income		559,119.9	464,896.6
Other purchases and external expenses		(312,976.7)	(250,880.8)
Taxes and duties and other income tax		(6,617.0)	(10,500.6)
Wages and salaries		(86,237.3)	(73,697.3)
Payroll taxes		(44,886.6)	(38,448.5)
Depreciation, amortization and impairment		(21,637.4)	(34,770.2)
Charges to provisions		(1,622.0)	(1,554.0)
Other current management expenses		(73,918.2)	(68,584.4)
Operating expenses		(547,895.4)	(478,435.8)
NET OPERATING INCOME (LOSS)	I	11,224.5	(13,539.1)
Profits transferred in or losses transferred out	II	1,091.2	45.8
Financial income from equity investments		397,827.7	333,205.7
Other interest and similar income		20,397.0	29,187.3
Reversals of provisions		46,627.3	89,567.2
Foreign exchange gains		112,294.9	157,956.8
Financial income		577,146.9	609,917.0
Interest and similar expenses		(62,808.2)	(81,191.9)
Charges to amortization and provisions		(32,212.1)	(42,727.9)
Foreign exchange losses		(122,028.3)	(195,141.9)
Financial expenses		(217,048.5)	(319,061.7)
NET FINANCIAL INCOME	II Note 13	360,098.4	290,855.3
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX	III=I+II	372,414.0	277,362.0
Exceptional income from capital transactions		513,468.1	5,566.1
Reversals of provisions and expense transfers		228,130.5	4,351.2
Exceptional income		741,598.6	9,917.3
Exceptional expenses on non-capital transactions		(79,233.6)	(38,353.4)
Exceptional expenses on capital transactions		(447,825.0)	(11,105.1)
Charges to depreciation, amortization and provisions		(37,894.2)	(232,179.4)
Exceptional expenses		(564,952.8)	(281,637.9)
NET EXCEPTIONAL ITEMS	IV Note 14	176,645.8	(271,720.6)
STATUTORY EMPLOYEE PROFIT-SHARING	V	(2,497.0)	(1,774.0)
INCOME TAX EXPENSE	VI Note 15	(5,169.2)	(1,185.4)
NET INCOME	III+IV+V+VI	541,393.6	2,682.0

CASH FLOW STATEMENT

In thousands of euros	December 31, 2021	December 31, 2020
Net income	541,393.6	2,682.0
Net depreciation, amortization and provisions	(200,638.3)	195,564.4
Gains (losses) on disposals	(128,105.1)	1,997.8
Gross cash flow	212,650.1	200,244.3
Change in net working capital	81,100.1	(64,623.3)
Net cash flow from operating activities	293,750.2	135,621.0
Acquisitions of property, plant and equipment and intangible assets	(24,972.6)	(16,455.4)
Acquisitions of equity investments	(758,122.2)	(8,246.2)
Net income from asset disposals	513,465.5	4,648.7
Subscription to subsidiary share capital increases	(8,353.2)	(570,545.4)
Change in loans to equity investments	(367,305.5)	1,101,253.3
Change in other financial assets	(861.6)	(856.9)
Net cash flow from (used in) investing activities	(646,149.6)	509,798.1
Dividends and interim dividends paid to SUEZ SA	-	(443,876.6)
Change in financial debt	(3,767.1)	(17,224.5)
Change in current accounts	330,629.4	250,920.7
Accrued interest and commission	2,107.8	(570.3)
Net cash flow from (used in) financing activities	328,970.1	(210,750.7)
Effect of foreign exchange rate changes	7,765.7	37,957.5
INCREASE (DECREASE) IN NET CASH	(15,663.6)	472,625.8
NET CASH AT THE BEGINNING OF THE YEAR	862,491.2	389,865.4
NET CASH AT THE END OF THE YEAR	846,827.6	862,491.2

MAJOR EVENTS OF THE YEAR

SUEZ AND VEOLIA COMBINATION AGREEMENT

On June 29, 2021, the SUEZ SA Board of Directors approved the public tender offer launched by Veolia for SUEZ SA shares at a price of €20.50 per share, cum dividend.

At the same time, and as provided in the combination agreement entered into on May 14, 2021 by Veolia and SUEZ, a consortium of long-term investors comprising the Meridiam and GIP funds, Caisse des Dépôts and CNP Assurances presented Veolia and SUEZ with a binding final purchase commitment to buy New SUEZ for an enterprise value of €10.4 billion, accompanied by a draft Share and Purchase Agreement (SAPA).

On October 22, 2021, following finalization of information and consultation procedures with the relevant SUEZ group employee representative bodies, Veolia, SUEZ and the Consortium signed the SAPA, whose terms and conditions are in line with the terms presented in the draft version announced on June 29, 2021.

On December 14, 2021, the European Union authorized Veolia, accompanied by a list of “remedies” for the hazardous waste and industrial water business sectors, to launch the public tender offer for SUEZ shares, lifting the final condition precedent blocking the sale of New SUEZ to the Consortium.

The activities comprising the scope of the future New SUEZ are:

- municipal water (Water France) and solid waste (R&V France) in France (including the main research center in France: CIRSEE);
- SUEZ activities, particularly in water and the following geographic areas: Italy (including the stake in Acea), Czech Republic, Africa (including Lydec in Morocco), Central Asia, India, China, Australia and global digital and environmental activities (SES);
- two hazardous waste incinerators in continental China.

In 2020, this scope generated revenue of approximately €7 billion and had around 35,000 employees.

ACCOUNTING PRINCIPLES AND METHODS

The annual financial statements have been prepared in accordance with legal and regulatory provisions applicable in France based on ANC Regulation no. 2016-07 relating to the French Chart of Accounts issued by the French national accounting standards body (*Autorité des Normes Comptables*), as amended with subsequent regulations published.

Financial transactions relating to equity investments and loans to equity investments, in particular charges to and reversals of impairment, are included in exceptional items instead of net financial income. Pursuant to Article 120-2 of the French Chart of Accounts, SUEZ Groupe considers that given the extent of the securities portfolio, this classification, which deviates from the French Chart of Accounts, presents a more accurate picture of the income statement, as it allows all gains and losses from disposals to be grouped together with income items related to equity investments under exceptional items.

The fiscal year spans a 12-month period from January 1 to December 31, 2021.

The SUEZ Groupe accounts are fully consolidated in the consolidated financial statements of Groupe SUEZ (Tour CB 21 - 16 Place de l'Iris - 92040 Paris La Défense cedex; SIREN 433 466 570).

Intangible assets

Intangible assets are recorded at purchase or production cost and amortized over periods of 1 to 8 years.

Moreover, research and development expenditure is expensed in the year incurred.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost.

Property, plant and equipment are depreciated on a straight-line basis over their useful life, determined according to the expected use of the assets. The useful lives of the main assets fall within the following ranges:

- Buildings and technical installations: 7 to 30 years
- Other PP&E: 3 to 10 years

Financial assets

Equity investments

Equity investments are long-term in nature and provide the Company with control or significant influence over the issuer, or help it to establish business relations with the issuer.

New investments are recognized at acquisition cost plus directly related external incidental expenses.

Following the change in the tax treatment of equity investment acquisition costs resulting from Article 21 of the French Finance Act of 2007, and based on Notice no. 2007-C of the French National Accounting Council (*Conseil national de la comptabilité* - CNC), SUEZ Groupe accounts for the tax deferral of such costs over five years in a tax depreciation account.

In the case of equity investments intended to be held on a long-term basis by SUEZ Groupe, an impairment allowance is made to adjust the acquisition value to value in use, estimated primarily based on their intrinsic value, time value, expected cash flows, share prices, and taking into account any currency hedges.

The carrying amount of equity investments that SUEZ Groupe has decided to divest is adjusted to their market value if this is lower. If negotiations are underway, this value is determined by reference to the best estimate available.

Loans to equity investments

This heading comprises loans granted to companies in which SUEZ Groupe holds an equity investment.

Related receivables are recognized at nominal value. Receivables denominated in a foreign currency are translated at the closing exchange rate. In line with the treatment adopted for equity investments,

related receivables are impaired if the associated risk is higher than the value of the securities and if the securities have already been impaired.

Loans

This heading comprises loans to companies to which SUEZ Groupe is related.

They are recognized at nominal value. Loans denominated in a foreign currency are translated at the closing exchange rate and impaired where the risk exceeds the value of the securities.

Other financial assets

Other financial assets primarily comprise deposits and guarantees paid. A provision may be constituted based on the criteria used for equity investments as described above.

Receivables

Receivables reported within current assets are carried on the balance sheet at their nominal value, with non-payment risk analyzed on a case-by-case basis. Debtor insolvency risk is provided in the amount of the risk incurred.

Foreign currency-denominated transactions

Income and expenses denominated in a foreign currency are recorded at their equivalent value in euros at the transaction date.

Foreign currency receivables, payables and cash and cash equivalents are translated at the closing exchange rate. Foreign exchange gains and losses are recognized in income when they relate to cash and cash equivalents and in the balance sheet under "Foreign exchange gains or losses" when they relate to receivables and payables. A provision is recognized in respect of unrealized losses.

Provisions for contingencies and losses

A provision is recognized when the company has a legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying future economic benefits will be required with no equivalent benefit in return and the amount of the obligation can be reliably estimated.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Pensions

The valuation of Company commitments regarding retirement, early retirement, severance packages and benefit schemes is based on actuarial valuations. The commitments are determined using the projected unit credit method. As a result, the company's debt corresponds to the portion of commitments related to services already rendered by each employee. These calculations include assumptions regarding mortality, staff turnover and future salary increases, as well as a discount rate determined according to the yield, at the measurement date, of bonds issued by top-tier companies.

Provisions for equity investment risk

The Company may establish provisions for contingencies if it believes that its commitments exceed assets held or if some of its equity investments harbor risk that may not materialize as an asset impairment.

Financial and operating instruments

SUEZ Groupe participates in the derivatives market to manage and reduce its exposure to exchange rate volatility or to secure the value of certain financial assets. In accordance with the new ANC regulation no. 2015-05 of July 2, 2015 on the accounting treatment of forward financial instruments and hedging transactions:

- no provisions are recorded for unrealized losses identified at the period-end on financial instruments held for hedging purposes by SUEZ Groupe and presented in off-balance-sheet commitments;
- gains and losses on interest rate and/or foreign exchange swaps are recognized on a time apportioned basis in the income statement as financial income/expenses over the life of the underlying assets. Premiums paid for options are recognized on the same basis.

Income tax expense

Measures to limit interest deductions resulting from the enactment into French law of the ATAD directive (Articles 212 bis of the French General Tax Code and 223B bis of the French General Tax Code for tax consolidation groups), effective January 1, 2019, have no impact in SUEZ Groupe.

NOTE 1: INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Changes in gross carrying amounts break down as follows:

Intangible assets

In thousands of euros	Software	Purchased goodwill	Other	Intangible assets in progress	Total intangible assets
As of Dec. 31, 2020	74,365.6	9,088.0	3,163.7	-	86,617.3
Additions	0.0	-	0.0	-	0.0
Disposals	-	-	-	-	-
Transfers	18,621.2	-	309.3	-	18,930.5
As of Dec. 31, 2021	92,986.9	9,088.0	3,473.0	-	105,547.8

Property, plant and equipment

In thousands of euros	Fixtures and fittings	Technical installations	Other	PP&E in progress	Total Property, Plant and Equipment
As of Dec. 31, 2020	26,815.5	10,933.1	9,894.5	23,929.0	71,572.1
Additions	-	-	-	24,972.6	24,972.6
Disposals	-	-	-	-	-
Transfers	2,950.0	747.8	1,098.6	(23,727.0)	(18,930.5)
As of Dec. 31, 2021	29,765.5	11,680.9	10,993.2	25,174.7	77,614.1

Depreciation, amortization and impairment break down as follows:

Intangible assets

In thousands of euros	Software	Purchased goodwill	Other		Total intangible assets
As of Dec. 31, 2020	53,814.9	-	2,143.6	-	55,958.5
Charges	10,031.9	-	558.3	-	10,590.2
Reversals	-	-	-	-	-
As of Dec. 31, 2021	63,846.8	-	2,702.0	-	66,548.8

Property, plant and equipment

In thousands of euros	Fixtures and fittings	Technical installations	Other		Total Property, Plant and Equipment
As of Dec. 31, 2020	22,223.0	9,205.9	8,311.1	-	39,740.0
Charges	1,273.7	674.0	935.2	-	2,882.9
Reversals	-	-	-	-	-
As of Dec. 31, 2021	23,496.7	9,880.0	9,246.3	-	42,622.9

Net carrying amounts break down as follows:

Intangible assets

In thousands of euros	Software	Purchased goodwill	Other	Intangible assets in progress	Total intangible assets
As of Dec. 31, 2020	20,550.7	9,088.0	1,020.2	-	30,658.7
As of Dec. 31, 2021	29,140.1	9,088.0	771.0	-	38,999.1

Property, plant and equipment

In thousands of euros	Fixtures and fittings	Technical installations	Other	PP&E in progress	Total Property, Plant and Equipment
As of Dec. 31, 2020	4,592.5	1,727.2	1,583.4	23,929.0	31,832.1
As of Dec. 31, 2021	6,268.8	1,800.9	1,746.9	25,174.7	34,991.3

NOTE 2: FINANCIAL ASSETS

Changes in gross carrying amounts break down as follows:

In thousands of euros	As of Dec. 31, 2020	Increase	Decrease	Reclassification	As of Dec. 31, 2021
Consolidated equity investments	11,763,262.7	746,834.7	(384,637.2)	-	12,125,460.2
Non-consolidated equity investments	66,483.0	19,640.7	(723.3)	-	85,400.4
Equity investments	11,829,745.7	766,475.4	(385,360.5)	-	12,210,860.6
Loans to equity investments	2,335,667.4	756,465.8	(392,052.0)	-	2,700,081.1
Loans	27,842.9	866.4	(4.9)	-	28,704.4
Other	726.2	27.6	(27.5)	-	726.2
Other financial assets	2,364,236.5	757,359.8	(392,084.5)	-	2,729,511.7
Financial assets	14,193,982.2	1,523,835.2	(777,445.1)		14,940,372.3

On May 31, 2021, SUEZ Singapore Services Pte Ltd performed a €3.5 million share capital increase.

On June 2, 2021 SUEZ Groupe SAS sold SUEZ R&R Netherland to PreZero NL for €330.1 million.

On September 21, 2021, SUEZ El Beida performed a €4.9 million share capital increase.

On December 21, 2021, United Water Canada Inc. was liquidated and the equity investment was removed from the accounts in the amount of €5.4 million.

On December 27, 2021, SUEZ Groupe SAS sold its investment in the Czech Republic to SUEZ International, OVAK for €2.5 million, VHS for €3.5 million, VAK for €2.3 million and BVK for €8.3 million.

In France, on December 27, 2021, SUEZ Groupe SAS sold its investment in SUEZ RV Réunion to SUEZ RV France for €31.5 million.

On December 29, 2021, it also acquired the entire share capital of SUEZ RR IWS for €454.5 million and a 49.97% stake in SEDA for €29.01 million.

In the Sultanate of Oman, on December 28, 2021, SUEZ Groupe SAS acquired a 27% stake in BARKA Désalination for €5.6 million.

On December 29, 2021, SUEZ Groupe SAS sold SUEZ Sénégal to SUEZ International for €1.02 million.

On December 31, 2021, SUEZ Groupe SAS strengthened its position in Australia with the acquisition of SUEZ Australia Holding Pty Ltd for €244.7 million.

On December 31, 2021, SUEZ Groupe SAS acquired the securities of SUEZ Treatment solutions Portugal from SUEZ International for €3.2 million.

In Mexico, on December 31, 2021, SUEZ Groupe SAS acquired USUEP for €0.5 million and TACSA for €0.4 million.

The increase in loans to equity investments mainly reflects the increase in amounts receivable from SUEZ International of €40.6 million and SUEZ RV France of €595.0 million and the decrease in amounts receivable from SUEZ Italia of €50.8 million, SUEZ R&R Netherlands BV of €215.0 million, SUEZ RR Deutschland of €60.0 million and SUEZ Deutschland of €26.0 million.

Impairment breaks down as follows:

In thousands of euros	As of Dec. 31, 2020	Increase	Decrease	Reclassification	Merger	As of Dec. 31, 2021
Consolidated equity investments	743,904.9	31,036.8	(217,268.3)	-	-	557,673.4
Non-consolidated equity investments	50,048.8	6,220.7	(2,007.6)	-	-	54,261.8
Equity investments	793,953.7	37,257.4	(219,275.9)	-	-	611,935.2
Loans to equity investments	2,999.6	-	(2,891.8)	-	-	107.8
Loans	27,842.4	866.4	(4.9)	-	-	28,703.9
Other financial assets	30,842.0	866.4	(2,896.7)	-	-	28,811.7
Financial assets	824,795.7	38,123.8	(222,172.6)	-	-	640,746.9

On December 21, 2021, following the liquidation of United Water Canada, SUEZ Groupe SAS reversed the securities impairment provision in the amount of €5.4 million.

On December 31, 2021, the provision for impairment of SUEZ R&R Netherlands BV securities was reversed in the amount of €208 million.

Net carrying amounts are as follows:

In thousands of euros	As of Dec. 31, 2020	Increase	Decrease	Reclassification	Merger	As of Dec. 31, 2021
Consolidated equity investments	11,017,836.9	715,797.9	(167,368.9)	-	-	11,566,265.9
Non-consolidated equity investments	17,955.1	13,420.1	1,284.2	-	-	32,659.4
Equity investments	11,035,792.0	729,218.0	(166,084.7)	-	-	11,598,925.4
Other long-term investment securities	-	-	-	-	-	-
Loans to equity investments	2,332,667.8	756,465.8	(389,160.2)	-	-	2,699,973.3
Loans	0.5	-	(0.0)	-	-	0.5
Other	726.2	27.6	(27.5)	-	-	726.2
Other financial assets	2,333,394.5	756,493.4	(389,187.8)	-	-	2,700,700.0
Financial assets	13,369,186.5	1,485,711.4	(555,272.5)	-	-	14,299,625.3

The “Other” heading mainly comprises deposits and guarantees.

NOTE 3: RECEIVABLES MATURITY SCHEDULE

In thousands of euros	Gross amount as of Dec. 31, 2021	Less than one year	More than one year
Loans to equity investments	2,700,081.1	672,298.2	2,027,782.9
Loans	28,704.4	-	28,704.4
Other financial assets	726.2	-	726.2
Non-current assets	2,729,511.7	672,298.2	2,057,213.5
Advances and down payments on orders	460.3	460.3	-
Trade and related receivables	102,711.1	102,711.1	-
Other receivables	40,390.2	40,390.2	-
Subsidiary current accounts	1,687,535.6	1,687,535.6	-
Accrued income from cash instruments	21,860.9	21,860.9	-
Current assets	1,852,958.2	1,852,958.2	-
Receivables	4,582,469.9	2,525,256.4	2,057,213.5

The amount of €672.3 million corresponds to accrued interest not yet due on loans to equity investments.

NOTE 4: PREPAYMENTS AND DEFERRED INCOME

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Credit facility set-up fees	2,066.8	3,009.7
Prepayments	615.2	1,156.9
Prepayments	2,682.0	4,166.5

Prepayments comprise commission paid to SUEZ on the implementation of financing, spread over the loan term.

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Credit facility set-up fees	6,440.1	5,148.6
Deferred operating income	157.7	143.8
Deferred income	6,597.8	5,292.3

Deferred income mainly comprises commission received on the implementation of loans with subsidiaries, spread over the loan term.

NOTE 5: ACCRUED INCOME AND EXPENSES

Accrued expenses break down as follows:

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Interest on other borrowings	3,167.5	3,485.8
Supplier purchase invoice accruals	113,253.1	116,771.7
Tax and employee-related liabilities	84,919.3	32,687.6
Fixed asset purchase invoice accruals	4,125.1	7,469.0
Cash instruments	4,645.4	14,865.7
Accrued expenses	210,110.4	175,279.8

Accrued income breaks down as follows:

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Interest and income on loans to equity investments	19,552.7	19,064.5
Interest on loans and term deposits	13,387.0	12,467.2
Customer sales invoice accruals	14,318.1	28,499.5
Cash instruments	21,860.9	40,693.0
Other receivables	(0.0)	160.5
Accrued income	69,118.8	100,884.7

Accrued income on cash instruments is down year-on-year due to unrealized negative foreign exchange impacts, mainly on the Australian dollar (AUD), the Hong Kong dollar (HKD) and the pound sterling (GBP).

NOTE 6: SHAREHOLDERS' EQUITY

Share capital and shares outstanding

The share capital comprises 561,869,157 fully paid-up ordinary shares.

Changes in shareholders' equity

The increase in shareholders' equity breaks down as follows:

In thousands of euros

	Share capital	Additional paid-in capital	Reserves and Retained earnings	Interim dividend	Net income for the year	Total
As of December 31, 2020 before appropriation of net income	3,371,214.9	1,601,209.5	295,455.8	-	2,682.0	5,270,562.2
Appropriation of 2020 net income	-	-	2,682.0	-	(2,682.0)	-
Dividend distributed for fiscal year 2020	-	-	-	-	-	-
Bonuses distributed for fiscal year 2020	-	-	-	-	-	-
Net income for fiscal year 2021	-	-	-	-	574,734.4	574,734.4
As of December 31, 2021 before appropriation of net income	3,371,214.9	1,601,209.5	298,137.8	-	574,734.4	5,845,296.6

NOTE 7: PROVISIONS

In thousands of euros	As of Dec. 31, 2020	Charge	Reversal	As of Dec. 31, 2021
Provisions for losses	7,294.8	1,622.0	(7,751.0)	1,165.8
Employee provisions	7,294.8	1,622.0	(7,751.0)	1,165.8
Provisions for subsidiary risk	60,657.4	61,340.9	(86,275.4)	35,722.9
Risk on subsidiaries	223.4	-	(197.5)	25.9
Other provisions for contingencies	60,434.0	61,340.9	(86,077.9)	35,697.0
Total	67,952.2	62,962.9	(94,026.4)	36,888.7

Classification in the Income Statement:

Net operating income (loss)	1,791.0	(11,251.0)
Net financial income (loss)	31,220.1	(41,727.9)
Net exceptional items	29,951.7	(41,047.5)
Total	62,962.9	(94,026.4)

Employee provisions

Provisions for pensions and other post-employment benefits total €1.2 million as of December 31, 2021.

A breakdown of these provisions is presented in Note 17.

Provisions for contingencies

Provisions for contingencies mainly comprise provisions for unrealized foreign exchange losses on foreign-currency-denominated loans in the amount of €31.2 million and various provisions for disputes.

NOTE 8: FINANCIAL DEBT

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Bank borrowings	-	25,980.0
Bank credit balances	937,628.6	902,722.7
Other liabilities	83.0	83.0
Bank borrowings	937,711.6	928,785.7
Borrowings from related parties	7,792,402.5	7,773,294.5
Current accounts with related parties	3,194,816.0	2,720,926.7
Current accounts and borrowings from related parties	10,987,218.5	10,494,221.2
Interest on borrowings from related parties (1)	3,163.5	3,289.9
Interest on current accounts with related parties	4.0	195.8
Other liabilities	3,167.5	3,485.7
Total financial debt	11,928,097.6	11,426,492.6

The increase in financial debt mainly reflects the increase in current accounts with SUEZ Eau France for €120.3 million, SEHBE for €274.3 million and SUEZ Spain for €77.8 million.

NOTE 9: DEBT MATURITY SCHEDULE

In thousands of euros	Gross amount as of Dec. 31, 2021	2022	Due date From 2023 to end-2025	2026 and beyond
Bank borrowings	937,628.6	937,628.6	-	-
Current accounts and borrowings from related parties	10,987,218.5	7,694,816.0	-	3,292,402.5
Accrued portion of interest expense	3,167.5	3,167.5	-	-
Other liabilities	83.0	83.0	-	-
Financial debt	11,928,097.6	8,635,695.0	-	3,292,402.5
Trade and related payables	121,466.2	121,466.2	-	-
Tax and employee-related liabilities	95,197.5	95,197.5	-	-
Payments received on account for work-in-progress	0.0	0.0	-	-
Debt on fixed assets and related accounts	4,410.7	4,410.7	-	-
Accrued expenses on cash instruments	4,645.4	4,645.4	-	-
Other liabilities	977.3	977.3	-	-
Other liabilities	10,033.4	10,033.4	-	-
Total	12,154,794.6	8,862,392.1	-	3,292,402.5

NOTE 10: FOREIGN EXCHANGE GAINS AND LOSSES

The following foreign exchange gains and losses were recognized as a result of the remeasurement of receivables and debt denominated in a foreign currency at the exchange rate prevailing on December 31, 2021:

In thousands of euros	Unrealized losses	Unrealized gains
Asset Items		
Loans to equity investments	24,782.6	12,980.2
Trade and related receivables	188.8	106.3
Liability Items		
Loans to equity investments	6,437.1	12.2
Debt on fixed assets and related accounts	-	154.4
Total foreign exchange gains (losses)	31,408.5	13,253.1

The overall foreign exchange position, determined in accordance with the accounting policies disclosed in the "Accounting principles and methods" section of this document, identifies an unrealized loss of €31.2 million provided in full in the provision for foreign exchange losses. €0.2 million in respect of trade and related receivables was not provided in foreign exchange losses. It primarily concerns transactions in pound sterling with a value of €26.4 million, the Australian dollar with a value of €4.3 million and the Hong Kong dollar with a value of €0.4 million. This loss was recognized in net income.

NOTE 11: OPERATING INCOME

Services revenue of €392.5 million mainly comprises services rebilled to subsidiaries (know-how royalties, head office services and administrative assistance).

NOTE 12: REVERSALS OF DEPRECIATION, AMORTIZATION AND PROVISIONS AND EXPENSE TRANSFERS

In thousands of euros	As of Dec. 31, 2021	As of Dec. 31, 2020
Reversals of depreciation, amortization and provisions	28,472.4	12,980.3
Reversals of employee benefits	7,751.0	1,324.0
Expense transfers	128,359.4	60,859.3
Total	164,582.8	75,163.7

This increase in reversals is mainly due to reversals of provisions for impairment of trade receivables.

Expense transfers mainly correspond to the transfer of costs relating to the Veolia-Suez combination, expenses relating to the SUEZ group restructuring and project PP&E in progress (including a human resources project).

NOTE 13: NET FINANCIAL INCOME

Net financial income breaks down as follows:

In thousands of euros	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Dividends	315,699.2	244,862.1
Other interest and similar income and expenses	37.7	(2,252.8)
Net interest on debt, current accounts and loans to equity investments	39,679.5	38,591.9
Foreign exchange gain/(loss)	(9,733.3)	(37,185.1)
Charges net of reversals to financial provisions	14,415.2	46,839.3
Total	360,098.4	290,855.4

The change in dividends is mainly due to lower dividends paid by SUEZ North America, SUEZ R&R Belgium and SUEZ Australia Holding and the absence of dividends from SUEZ Eau France, SUEZ Spain, SUEZ UK and DISI Amman, partially offset by higher dividends paid by SWTS and SUEZ Holding Belgium.

Other interest and similar income and expenses increases from a net expense of €2.3 million in 2020 to net income of €0.04 million in 2021. This improvement is due to an increase in net interest income on financial instruments (€3.7 million), the USD, (€0.4 million), the HKD (€0.9 million), the AUD and the MAD (€0.7 million), and a decrease in other similar income net of expenses (€4.1 million).

Net interest on debt, current accounts and loans to equity investments is up €1.1 million, mainly due to the decrease in loan interest paid.

Foreign exchange gains (losses) comprise realized and unrealized gains and losses on the unwinding of foreign exchange transactions and are mainly due to losses on swap transactions (€42.7 million) and gains on financial transactions (€33.0 million). The transactions are primarily denominated in USD, GBP, HKD and AUD, explaining the amount.

NOTE 14: NET EXCEPTIONAL ITEMS

Exceptional items break down as follows:

In thousands of euros	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Net disposals of financial assets	128,099.0	(1,997.8)
Net charges to/reversals of provisions for equity investments	179,960.6	(232,117.5)
Other	(131,413.8)	(37,605.3)
Total	176,645.8	(271,720.6)

As part of restructuring operations preparing the combination with Veolia, SUEZ Groupe SAS sold a number of equity investments to SUEZ International.

Provision reversals mainly correspond to the reversal of provisions on SUEZ R&R Netherlands B.V. securities, sold to PreZero NL.

In 2021, other exceptional expenses of €131.4 million correspond in part to Group transformation/reorganization costs and in part to costs associated with the Veolia-SUEZ combination.

NOTE 15: INCOME TAX EXPENSE

Income tax expense:

In thousands of euros	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Income tax expense	(8,163.1)	(5,118.3)
Tax credits	2,993.9	3,932.9
INCOME TAX EXPENSE	(5,169.2)	(1,185.4)
Tax expense	(5,169.2)	(1,185.4)
Tax income		

Tax credits recognized during the year mainly comprise Research tax credits totaling €0.8 million and Foreign tax credits totaling €1.7 million.

Breakdown of the tax expense:

In thousands of euros	Pre-tax net income (loss)	Income tax expense	Net income (loss) after tax
Net income from ordinary activities after statutory employee profit-sharing	369,917.0	(5,169.2)	364,747.8
Net exceptional items	176,645.8	-	176,645.8
Net income	546,562.8	(5,169.2)	541,393.6

Deferred tax position

The deferred tax position is solely due to timing differences between the tax and accounting treatment of SUEZ Groupe income or expenses:

In thousands of euros	Dec. 31, 2021	Dec. 31, 2020
Tax losses carried forward	962,184.4	950,564.5
Tax losses carried forward (calculation basis)	962,184.4	950,564.5
Statutory employee profit-sharing	2,497.0	2,976.0
Provisions for contingencies and losses	11,454.0	21,112.0
Other non-deductible provisions	52,850.0	71,353.0
Provisions not deductible in the year recorded	66,801.0	95,441.0
Unrealized foreign exchange gains	13,168.0	15,451.0
Other	13,168.0	15,451.0
Deferred tax assets (calculation basis)	79,969.0	110,892.0
TOTAL (calculation basis)	1,042,153.4	1,061,456.5

The sum of these timing differences is €1,042.1 million, which represents a theoretical net tax receivable of €275.4 million calculated based on the tax rate applicable in France as of December 31, 2021.

Tax losses carried forward are transferred to SUEZ under the tax group agreement.

NOTE 16: OFF-BALANCE SHEET COMMITMENTS

Financial commitments given

SUEZ Groupe enters into derivative instruments to reduce its exposure to interest and foreign exchange rate volatility or to secure the value of certain financial assets.

Interest rate risk

In thousands of euros	Notional as of December 31, 2021				Total	Fair value	Notional as of Dec. 31, 2020
	Less than one year	One to five years	Six to ten years	Over ten years			
CURRENCY SWAPS floating-rate payer/fixed-rate receiver CZK	-	-	-	-	-	-	-
CURRENCY SWAPS	-	-	-	-	-	-	-
TOTAL IN EUROS	-	-	-	-	-	-	-

Foreign exchange risk

Firm sales contracts

In thousands of euros	Fixed commitments as of Dec. 31, 2021				Total	Fair value	Fixed commitments as of Dec. 31, 2020
	Less than one year	One to five years	Six to ten years	Over ten years			
AUD	262,201.3	-	-	-	262,201.3	(192.9)	189,039.9
CHF	36,300.9	-	-	-	36,300.9	(1,184.8)	17,488.7
CLP	6,201.4	-	-	-	6,201.4	73.7	3,436.6
CNY	1,758.0	-	-	-	1,758.0	-	5,871.6
CZK	62,354.2	-	-	-	62,354.2	(482.4)	34,296.2
DKK	786.7	-	-	-	786.7	-	786.4
GBP	12,484.2	171,315.4	-	-	183,799.6	12,791.4	165,264.0
HKD	1,207,086.4	-	-	-	1,207,086.4	2,871.8	272,839.5
HRK	13,841.9	-	-	-	13,841.9	(6.7)	12,545.1
IDR	465.8	-	-	-	465.8	-	1,305.0
MAD	31,348.2	-	-	-	31,348.2	42.9	18,610.6
MXN	7,598.7	-	-	-	7,598.7	(78.0)	11,597.7
PLN	3,086.1	-	-	-	3,086.1	-	5,768.6
QAR	9,240.2	-	-	-	9,240.2	-	37,928.8
RON	47,364.5	-	-	-	47,364.5	(28.4)	40,046.8
SEK	-	-	-	-	-	-	63,113.1
SGD	4,244.4	-	-	-	4,244.4	(18.8)	6,999.2
THB	31,693.6	-	-	-	31,693.6	(163.7)	28,550.0
TRY	655.6	-	-	-	655.6	104.3	413.0
USD	189,010.6	-	-	-	189,010.6	(9.6)	764,993.0
ZAR	1,665.6	-	-	-	1,665.6	-	1,669.3
TOTAL IN EUROS	1,929,388.2	171,315.4	-	-	2,100,703.5	13,719.0	1,682,563.1

Firm purchase contracts

In thousands of euros	Fixed commitments as of Dec. 31, 2021				Total	Fair value	Fixed commitments as of Dec. 31, 2020
	Less than one year	One to five years	Six to ten years	Over ten years			
AUD	320,525.1	-	-	-	320,525.1	1,098.0	18,872.7
CHF	36,300.9	-	-	-	36,300.9	1,184.8	17,488.7
CLP	6,201.4	-	-	-	6,201.4	(73.7)	3,436.6
CNY	1,758.0	-	-	-	1,758.0	-	5,871.6
CZK	2,011.4	-	-	-	2,011.4	-	-
GBP	22,870.1	-	-	-	22,870.1	216.9	60,356.2
HKD	5,397.9	-	-	-	5,397.9	1.7	4,030.5
HRK	13,841.9	-	-	-	13,841.9	6.7	12,545.1
IDR	465.8	-	-	-	465.8	-	1,305.0
MAD	19,342.6	-	-	-	19,342.6	-	-
MXN	1,940.4	-	-	-	1,940.4	-	7,687.2
PLN	8,120.9	-	-	-	8,120.9	-	531.2
QAR	9,240.2	-	-	-	9,240.2	-	37,928.8
RON	47,364.5	-	-	-	47,364.5	28.4	40,046.8
SGD	1,994.3	-	-	-	1,994.3	22.7	-
USD	227,213.8	-	-	-	227,213.8	35.0	405,309.2
ZAR	1,665.6	-	-	-	1,665.6	-	1,669.3
TOTAL IN EUROS	726,254.8	-	-	-	726,254.8	2,520.5	617,078.9

Other financial commitments given

In thousands of euros	As of Dec. 31,		Maturing in	
	2021	2022	2023 to 2025	2026 and beyond
FINANCING COMMITMENTS				
Securities, endorsements and guarantees	468,038.3	86,924.3	97,720.3	283,393.7
TOTAL	468,038.3	86,924.3	97,720.3	283,393.7

Other non-financial commitments given

	As of Dec. 31, 2021	2022	Maturing in 2023 to 2025	2026 and beyond
In thousands of euros				
Operating lease commitments (1)	60,594.0	24,776.0	35,818.0	-
TOTAL	60,594.0	24,776.0	35,818.0	-

(1) Operating lease commitments correspond to the second commercial lease for the CB21 tower signed on July 1, 2013 for a term of 12 years.

	As of Dec. 31, 2021	2022	Maturing 2023 to 2025	2026 and beyond
In metric tons				
Commodity instruments (diesel)	2,448.0	1,224.0	1,224.0	-
TOTAL	2,448.0	1,224.0	1,224.0	-

NOTE 17: POST-EMPLOYMENT BENEFITS

SUEZ Groupe grants post-employment benefits to its employees (pensions, retirement termination benefits, medical coverage, benefits in kind), as well as other long-term benefits (long-service awards).

Breakdown of provisions:

	Retirement termination benefits (1)		Other (2)		Total	
In thousands of euros	2021	2020	2021	2020	2021	2020
Opening net commitment (provided)	6,522.8	6,228.8	772.0	836.0	7,294.8	7,064.8
Current service cost	1,563.0	1,504.0	59.0	50.0	1,622.0	1,554.0
Benefits and contributions paid for all plans	(7,542.0)	(1,210.0)	(209.0)	(114.0)	(7,751.0)	(1,324.0)
Closing net commitment (provided)	543.8	6,522.8	622.0	772.0	1,165.8	7,294.8

The decrease in commitments is linked to the current service cost for the period and contributions (reversals for use: benefits paid or premiums paid to the insurer).

Total commitments for other benefits (excluding pensions) total €20.5 million, including €19.3 million in off-balance sheet commitments.

The total commitment is based on the following assumptions:

- Long-term inflation rate: 1.75%
- Discount rate: yield curves based on Corporate AA interest rates;
- Mortality tables: tables by generation.

NOTE 18: EMPLOYEES

As of December 31, 2021, employees break down as follows:

	As of Dec. 31, 2021	As of Dec. 31, 2020
<u>Employees at the end of the period</u>		
Operational staff	37	52
Supervisory staff	110	105
Management	476	511
Total	623	668
<u>Average employees in FTE</u>		
Operational staff	43	52
Supervisory staff	98	102
Management	456	492
Total	597	646

NOTE 19: RELATED-PARTY TRANSACTIONS

Gross amounts break down as follows:

In thousands of euros	Related companies	Associates
Equity investments	12,125,460.1	85,400.5
Loans to equity investments	2,700,081.1	-
Deposits and guarantees	-	726.2
Trade and related receivables	81,392.9	21,318.2
Subsidiary current accounts In debit	1,681,730.0	5,805.6
Liabilities to equity investments	7,795,565.9	-
Subsidiary current accounts In credit	3,194,819.6	0.3
Trade and related payables	39,530.0	81,936.1
Dividends received	313,746.4	1,952.8
Interest and income on loans to equity investments	19,502.2	50.5
Interest on subsidiary current accounts In debit	2,446.6	95.5
Interest on other borrowings	3,163.5	-
Interest on subsidiary current accounts In credit	3.7	0.3

NOTE 20: SUBSIDIARIES AND EQUITY INVESTMENTS

in thousands of euros

in thousands of euros								
Company name	Currency	Share capital (1) (*)	Other shareholders' equity excl. net income (1) / (2) (*)	% share capital held as of Dec. 31, 2021	Carrying amount of shares held as of Dec. 31, 2021		2021 Net income (loss) (1) (*)	Year end date
					Gross (3)	Provision (3)		
A - Detailed information for investments with a gross value in excess of 1% of the SUEZ Groupe share capital, i.e. €33,712,149								
1. SUBSIDIARIES (OVER 50% SHARE CAPITAL HELD BY SUEZ GROUPE)								
SUEZ International SAS (formerly DEGREMONT SAS)	EUR	158,511	142,366	100.0%	566,016	-	(18,323)	Dec. 31, 2021
SUEZ AUSTRALIA HOLDING PTY LTD (formerly SEAH)	AUD	1,045,412	(72,367)	100.0%	849,779	-	584,454	Dec. 31, 2021
SUEZ Eau France (formerly LDE France)	EUR	422,224	86,237	100.0%	464,209	-	50,875	Dec. 31, 2021
LYDEC	MAD	800,000	(1,069,559)	51.0%	66,973	-	105,795	Dec. 31, 2021
SUEZ North America Inc. (formerly SENA)	USD	144,043	1,861,293	100.0%	1,621,488	-	(56,539)	Dec. 31, 2021
SUEZ ASIA Ltd (formerly SE Asia Ltd)	HKD	7,446,717	48,047	100.0%	1,017,678	-	348,492	Dec. 31, 2021
SUEZ WATER TECHNOLOGIES AND SOLUTIONS	EUR	455,507	1,688,276	97.5%	1,556,090	-	78,219	Dec. 31, 2021
SUEZ Holding Belgium BE S.A. (formerly SEHBE)	EUR	446,000	34,493	100.0%	523,762	-	117,946	Dec. 31, 2021
SUEZ RV France (formerly SITA France)	EUR	28,798	780,498	100.0%	1,098,347	-	543,772	Dec. 31, 2021
SUEZ R&R Belgium N.V. (formerly SITA BELGIUM)	EUR	206,531	188,992	91.3%	514,225	-	33,199	Dec. 31, 2021
SOCALUX	EUR	2,670	10,646	100.0%	58,000	-	178,291	Dec. 31, 2021
SUEZ UK Group Holdings Ltd (SITA UK_Pallier)	GBP	505,000	(207,900)	100.0%	873,218	-	16,970	Dec. 31, 2021
SE DEUTSCHLAND	EUR	26	89,474	100.0%	734,076	485,500	50,265	Dec. 31, 2021
SUEZ SPAIN S.L. (formerly SE ESPANA - SEE)	EUR	701,275	459,913	99.7%	1,493,148	-	73,449	Dec. 31, 2021

(1) In foreign currency for non-French subsidiaries

(2) Before appropriation of net income for the year

(3) In thousands of euros

(*) Data from IFRS packages

2. EQUITY INVESTMENTS (BETWEEN 10% AND 50% SHARE CAPITAL HELD BY SUEZ GROUPE)

None

B - Information for other subsidiaries and equity investments

1. SUBSIDIARIES NOT INCLUDED IN SECTION A

(over 50% share capital held by SUEZ Groupe)

680,195 90,551

2. EQUITY INVESTMENTS NOT INCLUDED IN SECTION A

93,657 2,543

NOTE 21: COMPENSATION OF BOARD OF DIRECTORS' MEMBERS AND EXECUTIVES

No compensation was paid to members of the Board of Directors and Executives in respect of 2021

NOTE 22: SUBSEQUENT EVENTS

On January 31, 2022, the sale to the Consortium of the scope comprising New SUEZ was completed in accordance with the terms of the SAPA signed on October 22, 2021.

Events relating to the situation in Ukraine and the sanctions applied to Russia did not impact the SUEZ Groupe financial statements for the year ended December 31, 2021.

Appendix F.2

Financial statements of the Absorbed Company as of December 31, 2022



PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

VIGIE GROUPE SAS

BALANCE SHEET ASSETS

		December 31, 2022			December 31, 2021
In thousands of euros	Reference in Notes	Gross	Amortization, depreciation and	Net	Net
NON-CURRENT ASSETS					
Intangible assets		1,683.0	(1,683.0)	-	38,999.1
Intangible assets in progress		-	-	-	-
Payments on accounts - intangible assets		-	-	-	-
Intangible assets	Note 1	1,683.0	(1,683.0)	-	38,999.1
Property, plant and equipment		97.5	(79.0)	18.5	9,816.8
Property, plant and equipment in progress		-	-	-	25,174.6
Payments on accounts - PP&E		-	-	-	-
Property, plant and equipment	Note 1	97.5	(79.0)	18.5	34,991.4
Equity investments		9,186,601.7	(735,784.7)	8,450,817.0	11,598,925.4
Loans to equity investments		241,304.0	(110.8)	241,193.2	2,699,973.3
Other equity investments		8,939.1	(8,939.1)	-	-
Loans		15,449.1	(15,448.7)	0.4	0.4
Other financial assets		45,251.2	(17,964.0)	27,287.2	726.2
Financial assets	Note 2	9,497,545.1	(778,247.2)	8,719,297.8	14,299,625.3
NON-CURRENT ASSETS	I	9,499,325.6	(780,009.3)	8,719,316.4	14,373,615.8
CURRENT ASSETS					
Advances and down payments on orders		22.7	-	22.7	460.3
Trade and related receivables		64,914.2	(17,608.5)	47,305.7	83,094.4
Other receivables		35,962.1	(5,951.2)	30,010.9	40,390.2
Subsidiary current accounts		3,262,574.9	(24.0)	3,262,550.9	1,685,521.6
Accrued income from cash instruments		2,075.7	-	2,075.7	21,860.9
Receivables	Note 3	3,365,526.9	(23,583.6)	3,341,943.3	1,830,867.2
Cash and cash equivalents		996,230.0	-	996,230.0	1,784,456.1
Financial accounts		996,230.0	-	996,230.0	1,784,456.1
Prepayments	Note 4	23.0	-	23.0	2,682.0
CURRENT ASSETS	II	4,361,802.6	(23,583.6)	4,338,219.0	3,618,465.7
UNREALIZED FOREIGN EXCHANGE LOSSES	III Note 10	5,482.8	-	5,482.8	31,408.5
TOTAL ASSETS	(I+II+III)	13,866,611.1	(803,592.9)	13,063,018.2	18,023,490.0

BALANCE SHEET EQUITY AND LIABILITIES

In thousands of euros	Reference in Notes	December 31, 2022	December 31, 2021
SHAREHOLDERS' EQUITY			
Share capital		3,371,214.9	3,371,214.9
Additional paid-in capital		1,601,209.5	1,601,209.5
Legal reserve		317,997.5	290,927.9
Other reserves		0.5	0.5
Retained earnings		521,533.3	7,209.4
Net income for the year		3,492,843.5	541,393.6
Interim dividends		-	-
Accelerated depreciation		-	-
Shareholders' equity	I Note 6	9,304,799.3	5,811,955.8
PROVISIONS FOR CONTINGENCIES AND LOSSES			
Provisions for contingencies		13,415.3	35,722.9
Provisions for losses		297.8	1,165.8
Provisions for contingencies and losses	II Note 7	13,713.2	36,888.7
LIABILITIES			
Bank borrowings		989,949.6	937,711.6
Current accounts and borrowings from related parties		2,605,567.8	10,990,386.0
Other liabilities		-	-
Financial debt	Note 8	3,595,517.5	11,928,097.6
Payments received on account for work-in-progress		149.3	0.0
Trade and related payables		77,097.6	121,466.2
Tax and employee-related liabilities		7,744.8	95,197.5
Debt on fixed assets and related accounts		54,048.4	4,410.7
Accrued expenses on cash instruments		1,668.7	4,645.4
Other liabilities		1,436.2	977.3
Operating payables	Note 9	142,145.0	226,697.1
LIABILITIES	III	3,737,662.5	12,154,794.6
DEFERRED INCOME	IV Note 4	1,480.0	6,597.8
UNREALIZED FOREIGN EXCHANGE GAINS	V Note 10	5,363.3	13,253.1
TOTAL EQUITY AND LIABILITIES	(I+II+III+IV+V)	13,063,018.2	18,023,490.0

INCOME STATEMENT

In thousands of euros	Reference in Notes	December 31, 2022	December 31, 2021
Services	Note 11	184,087.8	392,498.7
Other income	Note 11	224.7	1,352.7
Operating subsidies		-	685.6
Reversals of depreciation and amortization, provisions and expense transfers	Note 12	44,918.3	164,582.8
Operating income		229,230.7	559,119.9
Other purchases and external expenses		(58,796.2)	(312,976.7)
Taxes and duties and other income tax		(5,450.1)	(6,617.0)
Wages and salaries		(39,136.8)	(86,237.3)
Payroll taxes		(25,157.9)	(44,886.6)
Depreciation, amortization and Impairment		(13,631.0)	(21,637.4)
Charges to provisions		(142.9)	(1,622.0)
Other current management expenses		(63,303.9)	(73,918.2)
Operating expenses		(205,618.7)	(547,895.4)
NET OPERATING INCOME (LOSS)	I	23,612.1	11,224.5
Profits transferred in or losses transferred out	II	976.4	1,091.2
Financial income from equity investments		1,222,726.4	397,827.7
Other financial income		-	-
Other interest and similar income		43,642.4	20,397.0
Gain on disposal of marketable securities		-	-
Reversals of provisions		33,210.9	46,827.3
Foreign exchange gains		496,919.5	112,294.9
Financial income		1,796,499.2	577,146.9
Interest and similar expenses		(72,500.8)	(62,808.2)
Loss on disposal of marketable securities		-	-
Charges to amortization and provisions		(8,855.5)	(32,212.1)
Foreign exchange losses		(507,947.6)	(122,028.3)
Financial expenses		(589,103.8)	(217,048.5)
NET FINANCIAL INCOME	II Note 13	1,207,395.3	360,098.4
NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX	III=I+II	1,231,983.8	372,414.0
Exceptional income from non-capital transactions		-	-
Exceptional income from capital transactions		5,730,339.0	513,468.1
Reversals of provisions and expense transfers		557,144.6	228,130.5
Exceptional income		6,287,483.6	741,598.6
Exceptional expenses on non-capital transactions		(29,304.7)	(79,233.6)
Exceptional expenses on capital transactions		(3,147,127.0)	(447,825.0)
Charges to depreciation, amortization and provisions		(693,584.2)	(37,894.2)
Exceptional expenses		(3,870,016.0)	(564,952.8)
NET EXCEPTIONAL ITEMS	IV Note 14	2,417,467.5	176,645.8
STATUTORY EMPLOYEE PROFIT-SHARING	V	(4,690.4)	(2,497.0)
INCOME TAX EXPENSE	VI Note 15	(151,917.4)	(5,169.2)
NET INCOME	III+IV+V+VI	3,492,843.5	541,393.6

PROPOSED APPROPRIATION OF 2022 NET INCOME

(in euros)

2022 Net income	3,492,843,497.01
Distributable reserves: Additional paid-in capital	1,601,209,512.56
Prior year retained earnings	521,533,296.66
Total distributable	5,615,586,306.23

To be appropriated as follows (1):

● to the legal reserve	19,123,953.03
● to dividends	0
● to retained earnings	3,473,719,543.98
Total appropriated	3,492,843,497.01

For information, shareholders' equity after appropriation of net Income:

Share capital	3,371,214,942.00
Additional paid-in capital	1,601,209,512.56
Legal reserve	337,121,494.20
Frozen reserves	489.8
2022 retained earnings	3,995,252,840.64
Total	9,304,799,279.20

(1) Subject to the approval of the sole shareholder

Appendix F.3

Approved financial statements of the Absorbing Company as of December 31, 2021

6.2 Company financial statements AFR

6.2.1 BALANCE SHEET AS OF DECEMBER 31, 2021

Assets

			As of December 31, 2021	As of December 31, 2020
(€ thousand)	Gross	Deprec., amort. & impairment	Net	Net
Share capital subscribed but not called				
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software, rights and similar	213,656	196,408	17,248	21,310
Purchased goodwill ⁽¹⁾	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets in progress	12,447	-	12,447	16,223
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other property, plant and equipment	39,528	30,890	8,638	11,549
Property, plant and equipment in progress	697	-	697	235
Payments on account – PP&E	-	-	-	-
Long-term loans and investments⁽²⁾				
Equity investments	16,704,877	1,166,188	15,538,689	15,476,691
Loans to equity investments	13,288,184	-	13,288,184	12,236,979
Long-term portfolio investments	7,149	1,152	5,997	5,712
Other long-term investment securities	9,280	-	9,280	8,777
Loans	1,091,872	-	1,091,872	1,256,429
Other long-term loans and investments	741,363	33,717	707,646	616,461
TOTAL (I)	32,109,053	1,428,355	30,680,698	29,650,366

	As of December 31, 2021			As of December 31, 2020
(€ thousand)	Gross	Deprec., amort. & impairment	Net	Net
Current assets				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process – goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	2,259	-	2,259	2,302
Receivables⁽³⁾				
Operating receivables:				
Trade receivables and related accounts	112,265	15,304	96,961	99,708
Other receivables	4,010,021	22,001	3,988,020	1,864,526
Miscellaneous receivables:				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	86,193	-	86,193	88,347
Other securities	7,485,562	-	7,485,562	2,772,762
Treasury instruments	223,500	-	223,500	234,785
Cash at bank and in hand	608,359	-	608,359	494,387
Prepayments⁽⁴⁾	252,945	-	252,945	122,521
TOTAL (II)	12,781,104	37,305	12,743,799	5,679,338
Accrued income and deferred charges				
Deferred charges (III)	61,586	-	61,586	68,258
Bond redemption premiums (IV)	80,284	-	80,284	93,297
Unrealized foreign exchange losses (V)	2,473,422	-	2,473,422	2,097,442
GRAND TOTAL (I+II+III+IV+V)	47,505,449	1,465,660	46,039,789	37,588,701
(1) Of which leasehold rights			-	-
(2) Portion due in less than one year			318,235	157,464
(3) Portion due in more than one year			19,592	19,800
(4) Portion due in more than one year			56,318	45,445

Equity and Liabilities

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Shareholders' equity		
Share capital (of which paid in: 3,498,626)	3,498,626	2,893,057
Additional paid-in capital	9,122,145	7,104,502
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	349,863	289,306
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	1,531,709	1,307,827
Net income for the year	1,248,830	620,913
Sub-total: Shareholders' equity	15,751,173	12,215,605
Investment subsidies	-	-
Tax-driven provisions	17,983	9,095
TOTAL (I)	15,769,156	12,224,700
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	2,500,000	2,000,000
TOTAL (I A)	2,500,000	2,000,000
Provisions		
Provisions for contingencies	26,246	36,499
Provisions for losses	9,138	7,029
TOTAL (II)	35,384	43,528

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Liabilities⁽¹⁾		
Convertible bonds	-	-
Other bond issues	11,200,222	11,027,063
Bank borrowings ⁽²⁾	715,023	10,010
Other borrowings ⁽³⁾	12,468,128	9,904,904
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	239,509	140,419
Tax and employee-related liabilities	88,965	76,804
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	351,002	6,633
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	104,611	67,196
Treasury instruments	312,347	192,654
Accrued income and deferred charges		
Deferred income⁽¹⁾	59,938	75,075
TOTAL (III)	25,539,745	21,500,758
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	2,195,504	1,819,715
GRAND TOTAL (I+II+III+IV)	46,039,789	37,588,701
(1) Portion due in more than one year	9,896,874	10,338,495
Portion due in less than one year	15,642,871	11,162,263
(2) Of which overdrafts and current bank facilities	15,692	10,010
(3) Of which equity equivalent loans	-	-

6.2.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

(€ thousand)	2021	2020
Operating revenue⁽¹⁾		
Sales of bought-in goods	-	-
Sales of own goods and services	512,206	526,656
Net sales	512,206	526,656
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	7,795	9,606
Operating subsidies	74	174
Write-back of provisions (and depreciation and amortization) and expense reclassifications	17,994	75,525
Other revenue	80,195	74,331
TOTAL (I)	618,264	686,292
Operating expenses⁽²⁾		
Purchases of bought-in goods	-	-
Change in inventories of bought-in goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other purchases and external charges*	401,495	366,401
Duties and taxes other than income tax	17,113	31,581
Wages and salaries	143,757	133,442
Social security contributions	82,400	73,120
Depreciation, amortization, impairment and charges to provisions:		
On non-current assets: depreciation and amortization	32,174	32,892
On non-current assets: impairment	139	211
On current assets: impairment	2,492	2,444
For contingencies and losses: charges to provisions	7,727	6,347
Other expenses	102,065	96,559
TOTAL (II)	789,362	742,997
1. OPERATING LOSS (I - II)	(171,098)	(56,705)
Joint venture operations	1,784	1,499
Profits transferred in or losses transferred out (III)	1,784	1,499
Profits transferred out or losses transferred in (IV)	-	-
* Of which:		
Equipment finance lease installments	-	-
Real estate finance lease installments	-	-
(1) Of which income relating to prior periods	-	-
(2) Of which expenses relating to prior periods	-	-

(€ thousand)	2021	2020
Financial income		
Financial income from equity investments ⁽³⁾	886,059	498,175
Financial income from other securities and long-term receivables ⁽³⁾	3,456	5,754
Other interest and similar income ⁽³⁾	186,714	162,916
Write-back of provisions for financial items, impairment and expense reclassifications	819,681	650,093
Foreign exchange gains	784,888	1,042,163
Net proceeds from sales of marketable securities	59	666
TOTAL (V)	2,680,857	2,359,767
Financial expenses		
Amortization, impairment and charges to provisions for financial items	26,932	220,720
Interest and similar expenses ⁽⁴⁾	497,389	504,037
Foreign exchange losses	785,626	1,041,032
Net expenses on sales of marketable securities	5,915	6,167
TOTAL (VI)	1,315,862	1,771,956
2. NET FINANCIAL INCOME (V-VI)	1,364,995	587,811
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	1,195,680	532,605
Exceptional income		
Exceptional income from non-capital transactions	3	6
Exceptional income from capital transactions	2,877	1,665
Write-back of provisions, impairment and expense reclassifications	11,761	4,045
TOTAL (VII)	14,641	5,716
Exceptional expenses		
Exceptional expenses on non-capital transactions	52	15
Exceptional expenses on capital transactions	10,031	3,136
Amortization, impairment and charges to provisions	11,549	4,560
TOTAL (VIII)	21,632	7,711
4. NET EXCEPTIONAL ITEMS (VII-VIII)	(6,991)	(1,995)
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	-	-
INCOME TAX EXPENSE (X)	60,140	90,303
TOTAL INCOME (I+III+V+VII)	3,315,546	3,053,274
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	2,066,716	2,432,361
NET INCOME/(LOSS)	1,248,830	620,913
(3) Of which income from related parties	927,580	536,346
(4) Of which interest charged by related parties	19,829	16,704

6.2.3 PROPOSED APPROPRIATION OF 2021 NET INCOME

(in euros)

2021

2021 Net income	1,248,829,856
Distributable reserves	9,122,144,895
Prior year retained earnings	1,531,708,868
i.e. a total of	11,902,683,619
To be appropriated as follows ⁽¹⁾	
• to the reserve required by law	0
• to dividends (€1.00 x 687,328,394 shares) ⁽²⁾	687,328,394
• to retained earnings	2,093,210,330
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	3,498,626,330
Additional paid-in capital	9,122,144,895
Reserve required by law	349,862,633
2021 retained earnings	2,093,210,330
TOTAL⁽³⁾	15,063,844,188

(1) Subject to the approval of the General Shareholders' Meeting.

(2) The total dividend distribution presented in the above table is calculated based on 699,725,266 shares outstanding as of December 31, 2021, less 12,396,872 treasury shares held as of this date and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Accordingly, amounts deducted from "2021 retained earnings" and/or "distributable reserves" may change depending on the definitive dividend amount paid.

(3) After appropriation of net income and distribution of the proposed dividend for 2021, shareholders' equity of the Company will be €15,063,844,188.

6.2.4 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(€ thousand)	2021	2020
Source of funds		
Operating cash before changes in working capital ⁽¹⁾	485,025	228,440
Disposals or decreases in non-current assets:		
• Disposals of intangible assets and property, plant and equipment	-	-
• Disposals of equity investments	21	100
• Disposals of long-term investment securities	-	-
Repayment of financial receivables (long-term advances)	861,558	2,189,754
Repayment of other long-term loans and investments	173,312	13
Increase in shareholders' equity ⁽²⁾	2,683,770	156,322
Increase in equity equivalents	500,000	2,000,000
New borrowings	700,000	2,077,400
TOTAL SOURCE OF FUNDS	5,403,686	6,652,029
Application of funds		
Dividend distribution (including registration fees)	397,031	277,125
Acquisitions or increases in non-current assets:		
• Intangible assets and Property, plant and equipment	9,742	14,983
Long-term loans and investments:		
• Equity investments ⁽³⁾	361,181	3,593,971
• Long-term financial receivables	1,072,955	3,261,981
• Long-term portfolio investments	186	231
Other long-term loans and investments	-	81,102
Decrease in shareholders' equity	-	-
Principal payments on borrowings	638,400	1,386,175
TOTAL APPLICATION OF FUNDS	2,479,495	8,615,568
Increase/decrease in working capital requirements	2,924,191	(1,963,539)
TOTAL	5,403,686	6,652,029

(1) Decrease of €115.7 million in operating items; increase of €400.8 million in financial items; increase of €1.6 million in exceptional items.

(2) Mainly the share capital increase for cash net of issues costs for €2.5 billion.

(3) Mainly the top-up payment payable to Engie of €347.4 million in respect of the acquisition of the 29.9% Suez share block by Veolia Environnement in 2020.

6.2.5 NOTES TO THE COMPANY FINANCIAL STATEMENTS

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NOTE 1

MAJOR EVENTS OF THE YEAR

1.1 Suez combination

1.1.1 Summary of the main combination stages

Key dates in 2021

February 8, 2021: publication by the AMF of the notice of filing for Veolia's Public Tender Offer for the Suez share capital.

April 12, 2021: agreement in principle between Suez and Veolia notably setting the price of the Public Tender Offer at €20.50 per Suez share (coupon attached) and creation of New Suez to be sold to the "Consortium" (Meridiam, Caisse des dépôts et consignations, CNP Assurances and Global Infrastructure Partners).

May 14, 2021:

- Combination agreement between Suez and Veolia setting the terms and conditions of the Public Tender Offer ("the Offer") and the general principles for the creation of New Suez;
- Memorandum of Understanding between Veolia, Suez and the Consortium for the acquisition of New Suez: Water and Waste activities (excluding hazardous waste) in France and certain international activities.

June 27, 2021: presentation by the Consortium of a firm offer defining the new Suez scope and conditional on certain reorganizations of the scope sold, the transfer to the Consortium of at least 90% of the revenues of the scope sold and the settlement delivery of the Public Tender Offer.

July 20, 2021: AMF notice of compliance on the draft Offer.

July 29, 2021: opening of the Offer at a price of €19.85 per share following the ex-dividend date for the €0.65 dividend per share approved by the Suez General Shareholders' Meeting of June 30, 2021.

December 14, 2021: approval by the European Committee of the proposed acquisition of Suez by Veolia.

January – February 2022: closing of the Public Tender Offer, sale to the Consortium

January 10, 2022: closing of the Public Tender Offer at €19.85 (distribution rights attached) per share

- 551,451,261 Suez shares held by Veolia, representing 86.22% of the share capital and voting rights of Suez.

January 12-27, 2022: reopening of the Offer enabling shareholders who have not tendered their shares to do so under unchanged conditions

- 613,682,445 Suez shares held by Veolia, representing 95.95% of the share capital and voting rights of Suez;
- Squeeze-out procedure for the remaining 26,020,336 Suez shares on February 18, 2022.

January 31, 2022: sale by Veolia to the Consortium of New Suez in accordance with the terms of the purchase agreement dated October 22, 2021, for an unchanged enterprise value.

February 18, 2022: delisting of the Suez shares from Euronext after market closing.

1.1.2 Merger control authorizations

As of December 31, 2021, the proposed combination had already received 17 authorizations from the main national competition authorities in addition to the European Commission.

The Transaction is the subject of an investigation by the UK's Combination and Markets Authority (CMA), which decided on December 21, 2021 to open an in-depth investigation to assess in greater detail the impact of the Transaction in the United Kingdom. It nonetheless authorized in advance the close of the Public Tender Offer which took place on January 18, 2022.

1.2 Transaction financing

Acquisition of a Share Block (29.9% of Suez share capital from Engie)

The acquisition of 29.9% of the Suez share capital was financed from the Group's own resources and then refinanced on October 14, 2020 by the issue of deeply subordinated perpetual hybrid notes in euros (€850 million bearing a coupon of 2.25% until the first reset date in April 2026 and €1,150 million bearing a coupon of 2.50% until the first reset date in April 2029).

Tender offer

The Public Tender Offer filed by Veolia concerned 451,892,781 shares not yet held by Veolia, at a price of €19.85, representing a maximum amount of €8.97 billion. The Offer was financed by a €9 billion bridge loan with a banking syndicate, as detailed in Financing commitments received (see Note 7.1 below). This loan was refinanced in part by the proceeds from the sale of "New Suez" received on January 31, 2022 and the share capital increase with preferential subscription rights finalized in October 2021 for €2.5 billion.

1.3 Impact in the Company financial statements for the year ended December 31, 2021 of the investment in Suez

Recognition of the Share Block (acquisition of 29.9% of Suez shares from Engie)

It is recalled that Veolia Environnement recognized the acquisition of the 29.9% share block in equity investments in the 2020 Company financial statements.

Top-up right in favour of Engie

Under the terms of the share purchase agreement signed in October 2020, Engie benefited from a top-up clause in the event the market received an improved offer from Veolia, thus allowing Engie to benefit from the increase in the Offer price to €20.50 (cum dividend). This top-up right was equal – according to the scheduled combination planning – for each share sold in the context of the Share Block Acquisition, to the difference between the price per share paid under the Offer and the price per share paid in the context of the Share Block Acquisition.

Veolia Environnement recognized this top-up in equity securities through a liability of the same amount to Engie. The gross unit value of the share was therefore increased to €19.85.

1.4 Merger absorption of Veolia Environnement Finance

A draft merger absorption agreement for Veolia Environnement Finance, hereinafter VEF, was signed on March 26, 2021 and published in the French Official Bulletin of Civil and Commercial Announcements (BODACC) on March 31, 2021.

VEF is a simplified joint stock company (*société par actions simplifiée*) whose purpose is to provide all services relating to short-, medium- and long-term financing and the pooling of cash transactions of Veolia Environnement group subsidiaries.

This restructuring sought to:

- rationalize the legal structure of the Veolia group by grouping the Veolia Environnement subsidiary, VEF, in a single legal structure to promote better communication with partners both external and internal to the Group;
- reduce the Group expenses.

The merger took effect retroactively from January 1, 2021 from an accounting and tax point of view.

VEF contributed by merger to Veolia Environnement, subject to ordinary and legal warranties, all assets and liabilities, rights, securities and obligations, without exception or reserve, including the assets and liabilities resulting from transactions conducted between January 1, 2021, the date of effect chosen to establish the conditions of the transaction and the completion of the merger.

The merger transaction represents a comprehensive transfer of the assets and liabilities as well as the off-balance sheet commitments and related guarantees, comprising VEF.

Net assets contributed total €1,021,326,851. After elimination of the net value of VEF securities in the amount of €1,000,037,000, the merger surplus is €21,289,851. This surplus is recognized in financial income.

The following table presents the impact of the VEF merger on the Veolia Environnement Company financial statements:

Assets

(€ thousand)	As of December 31, 2020 net	Merger impacts net	Merger eliminations net	January 1, 2021 As of net
Non-current assets				
Intangible assets	37,533	-	-	37,533
Property, plant and equipment	11,784	-	-	11,784
Long-term loans and investments	29,601,049	8,146,685	(8,647,649)	29,100,085
<i>of which equity investments</i>	15,476,691	-	(1,000,037)	14,476,654
<i>of which loans to equity investments</i>	12,236,979	8,146,685	(7,647,612)	12,736,052
Current assets				
Payments on account – inventories	2,302	-	-	2,302
Operating receivables	1,964,234	4,092,629	(1,681,579)	4,375,284
Marketable securities	3,095,894	119	(150)	3,095,863
Cash at bank and in hand	494,387	74,268	-	568,655
Prepayments	122,521	-	-	122,521
Accrued income and deferred charges	2,258,997	618,231	(672,696)	2,204,532
TOTAL ASSETS	37,588,701	12,931,932	(11,002,074)	39,518,559

6

Equity and Liabilities

(€ thousand)	As of December 31, 2020 net	Merger impacts net	Merger eliminations net	January 1, 2021 As of net
Shareholders' equity	12,215,605	1,021,327	(1,000,037)	12,236,895
Tax-driven provisions	9,095	-	-	9,095
Equity equivalents	2,000,000	-	-	2,000,000
Provisions for contingencies and losses	43,528	138	-	43,666
Financial liabilities	20,941,977	11,293,964	(9,322,280)	22,913,661
<i>of which Other borrowings</i>	9,904,904	11,283,587	(9,322,280)	11,866,211
Operating payables	217,223	3,272	(2,216)	218,279
Miscellaneous liabilities	266,483	150	(4,845)	261,788
Deferred income	75,075	-	-	75,075
Unrealized foreign exchange gains	1,819,715	613,081	(672,696)	1,760,100
TOTAL EQUITY AND LIABILITIES	37,588,701	12,931,932	(11,002,074)	39,518,559

VEF contributed by merger to Veolia Environnement the following off-balance sheet commitments:

(€ thousand)	As of December 31, 2020	Merger impacts	Merger eliminations	January 1, 2021 As of
Endorsements and guarantees (commitments given)	1,782,904	517,834	-	2,300,737

1.5 Treasury shares

On September 20, 2021, in the context of the €2.5 billion share capital increase for cash, Veolia Environnement sold the preferential subscription rights (PSR) attached to its treasury shares for €10.2 million.

Due to the increase in the share price, Veolia Environnement recognized a reversal of financial impairment of €109.2 million in 2021, based on an average share price of €30.71 in December 2021, compared with €19.85 in December 2020.

The gross value of the 12,396,872 treasury shares held as of December 31, 2021 was €377.4 million, impaired in the amount of €33.6 million, giving a net carrying amount of €343.8 million.

NOTE 2

ACCOUNTING POLICIES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2021 are prepared and presented in accordance with general accounting principles applicable in France, as set-out in Regulation no. 2014-03 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC).

Amounts recorded in the accounts are valued on a historical cost basis in accordance with the true and fair principle.

The accounting period ends on December 31, 2021 and has a duration of 12 months.

Veolia Environnement, whose registered office is located at 21, rue La Boétie 75008 Paris, prepared Group consolidated financial statement under the number: 403,210,032 R.C.S. Paris.

A copy of the financial statements may be obtained at the Company's administrative headquarters at 30, rue Madeleine Vionnet -93300 Aubervilliers.

2.2 Main accounting policies

2.2.1 Non-current assets

Non-current assets: on initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the Company.

Intangible assets: in the course of major IT projects, the Company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning.

Technical merger losses are recognized according to the nature of the underlying asset to facilitate monitoring over time, in accordance with the new rules defined by ANC Regulation no. 2015-06. Technical merger losses are amortized on the same basis as the underlying asset to which the unrealized capital loss relates. The share of the loss allocated to nondepreciable assets is not amortized but is impaired, where appropriate, in accordance with Article 745-8 of the French General Chart of Accounts.

Property, plant and equipment: depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of 6 to 10 years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over 5 years.

Equity investments: this heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into Company assets, the gross value of "Equity investments" is their acquisition cost. The Company has elected to capitalize costs relating to the acquisition of equity investments. At the closing date, the value in use of equity investments is determined by the Company based on criteria encompassing profitability, growth perspectives, the net assets of the Company held and the stock market value of the securities acquired, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (*Conseil National de la Comptabilité*), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of 5 years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in "Other long-term loans and investments".

Merger losses relating to financial assets are recognized in "Other long-term loans and investments" and are considered to have an unlimited duration.

Pursuant to Articles 214-15, 214-17 and 745-8 of ANC Regulation no. 2015-06, Veolia Environnement performs an impairment test at each period end to assess the net carrying amount of the asset compared with its current value. Where the current value of the asset

is less than its net carrying amount, an impairment is recognized in the amount of the difference and offset in priority against the share of the merger loss.

Where the current value of the asset cannot be determined separately, the current value of the group of assets is determined.

2.2.2 Marketable securities and Cash at bank and In hand

Marketable securities: marketable securities comprise treasury shares held in respect of Group savings plans, share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Shares acquired and sold under the liquidity contract generate movements in the “marketable securities” account. Marketable securities are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

2.2.3 Foreign currency-denominated transactions

During the year, foreign currency-denominated transactions are translated into euro at the spot exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables at year-end exchange rates are recorded in “Unrealized foreign exchange gains and losses”. In accordance with Article 420-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses, except where hedge accounting principles are applied.

Pursuant to ANC Regulation no. 2015-05, Veolia Environnement applies hedge accounting to clearly identified and documented matching foreign exchange positions, which seek to reduce the risk associated with currency fluctuations. Accordingly, all foreign exchange gains and losses calculated on liabilities and receivables and related hedging transactions included in these matching positions are recorded in dedicated unrealized foreign exchange gains and losses – matching positions accounts.

The corresponding increase or decrease in the value of treasury instruments is recorded in the Treasury instruments – Assets or Treasury instruments – Liabilities accounts.

Furthermore, in order to comply with the matching settlement principle, foreign exchange gains and losses realized on instruments hedging underlying items not yet matured are recorded in new balance sheet accounts in the French General Chart of Accounts: Change in the value of treasury instruments – Assets and Change

in the value of treasury instruments – Liabilities. On maturity of the underlying items, the foreign exchange gains and losses realized on the corresponding hedging instruments are released to profit or loss.

Pursuant to Article 628-11 of ANC Regulation no. 2014-03, when the underlying is unwound, the gains/loss on the hedging instrument is presented in the same section of the income statement (operating, financial) as the hedged item.

Hedge accounting is also applied to equity investments acquired in foreign currency and hedged by borrowings or foreign exchange derivatives in accordance with Article 628-8 of ANC Regulation no. 2014-03.

Other liabilities, receivables and foreign currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 420-6 of the French General Chart of Accounts. For those transactions with sufficiently close terms and conditions, the provision amount is determined by limiting the excess of unrealized losses over unrealized gains. This provision is calculated individually for each currency on realizable items maturing in the same fiscal year.

In the case of isolated open positions, a provision for foreign exchange losses is only recorded in respect of unrealized losses at the accounts closing.

Finally, pursuant to Articles 946-65 and 947-75 of ANC Regulation no. 2015-05, foreign exchange gains and losses on commercial receivables and payables and related hedging gains and losses are recorded in the accounts: Foreign exchange gains or Foreign exchange losses on commercial receivables and payables.

Foreign exchange gains and losses on financial transactions and related hedging gains and losses continue to be recorded in the accounts, Foreign exchange gains or Foreign exchange losses on financial items.

2.2.4 Recognition of financial transactions

Financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Deeply-subordinated perpetual securities (TSSDI): these securities represent perpetual bonds and are classified in equity equivalents. Issue premiums are recognized in balance sheet assets. Accrued interest is expensed in the accounting period to which it relates through an accrued interest on bond issues account. Accrued interest is recognized as a financial expense in the Income Statement. TSSDI issue costs are amortized on a straight-line basis over the estimated debt repayment period by Veolia Environnement, that is the period from the debt issue date to the first reset date.

Derivatives: Veolia Environnement hedges asset risks (acquisition of securities in foreign currencies), balance sheet risks (financing of subsidiaries in their local currency) and transaction risks (hedging of commercial flows on its own account and for all its operating subsidiaries). The Company has therefore adopted a strategy that consists in backing foreign currency-denominated borrowings with either assets denominated in the same currency or using foreign exchange derivatives (forex swaps, currency forward contracts, hedging options, cross currency swaps).

All transaction flows are hedged, primarily by currency forward contracts and forex swaps. Finally, market risks relating to interest rate fluctuations are hedged by interest rate swaps or interest rate caps and floors.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest rate derivatives: pursuant to ANC Regulation no. 2015-05, income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions.

These transactions are recognized as follows:

- transactions qualifying as hedges:
 - a provision for unrealized losses is not recognized as changes in the value of the underlying item reduce the related risk;
- open-isolated positions:
 - unrealized losses, calculated individually for each instrument, are provided in full,
 - unrealized gains on instruments are recognized in income on the unwinding of the transaction only.

Foreign currency derivatives: for hedging transactions, currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recorded in the dedicated unrealized foreign exchange gains and losses – matching position accounts and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled “premium/discount”. This distinguishes the interest rate impact from the currency impact. The premium/discount is spread on a straight-line over the hedge period and is classified in net financial expense.

Realized gains and losses on currency transactions are recorded to match the gains and losses on the hedged transactions. If the underlying item has not matured, realized gains and losses on hedging instruments are recorded in accounts created in the French Chart of Accounts – Change in the value of treasury instruments – Assets and Change in the value of treasury instruments – Liabilities.

Where transactions do not qualify as hedges, the foreign exchange derivatives are included in the overall foreign exchange position.

2.2.5 Valuation of provisions

Provisions for contingencies and losses

These provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Provision for incentive schemes

The unit amount of incentive payments is defined:

- based on the results of Group subsidiaries for the following criteria:
 - current net income (Group share) compared to the 2021 budget,
 - 2021 purchase expenditure, excluding taxes, recorded for the sheltered employment sector (France scope);
- based on the results and performance of Veolia Environnement for the following criteria:
 - average number of training hours per employee in Veolia Environnement for 2021,
 - participation rate in the Veolia Environnement employee engagement survey in 2021,
 - employee engagement rate under the Veolia Environnement engagement survey,
 - employee subscription rate to the Veolia Environnement employee share ownership transaction in 2021.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

The maximum amount of the provision for incentive schemes cannot exceed €5,000 gross per beneficiary and per fiscal year.

Provision for bonuses

This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage change and changes in employee numbers.

2.2.6 Income from ordinary activities and exceptional income

Items concerning the ordinary activities of the Company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the Company are recognized in exceptional items.

2.2.7 Valuation of employee-related commitments

Pursuant to Article L.123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

NOTE 3

BALANCE SHEET ASSETS

3.1 Non-current assets

Movements in gross values

(€ thousand)	Opening balance	Contributions	Increase	Decrease	Closing balance	Notes
Intangible assets	237,546		8,783	20,226	226,103	3.1.1
Property, plant and equipment	39,812		959	546	40,225	3.1.1
Long-term loans and investments						
Equity investments	17,351,251		361,181	1,007,555	16,704,877	3.1.2
Loans to equity investments	12,236,979	8,154,855	1,441,416	8,545,066	13,288,184	3.1.3
Long-term portfolio investments	6,864		285	-	7,149	
Other long-term investment securities	8,777		663	160	9,280	
Loans	1,256,429		1,843	166,400	1,091,872	3.1.4
Other long-term loans and investments	749,801		510	8,948	741,363	3.1.5
TOTAL	31,887,459	8,154,855	1,815,640	9,748,902	32,109,053	

Movements in depreciation, amortization and impairment

(€ thousand)	Opening balance	Contributions	Increase Charge	Decrease, removals and write-backs	Closing balance	Notes
Amortization of intangible assets	198,261		17,562	20,227	195,596	3.1.1
Depreciation of property, plant and equipment	27,311		3,338	546	30,103	3.1.1
Impairment of intangible assets	1,752			940	812	3.1.1
Impairment of property, plant and equipment	717		139	69	787	3.1.1
Impairment of equity investments	1,874,560		1,803	710,175	1,166,188	3.1.2
Impairment of loans to equity investments	0	8,170	-	8,170	0	
Impairment of long-term portfolio investments	1,152		-	-	1,152	
Impairment of other long-term loans and investments	133,340		-	99,623	33,717	3.1.5
TOTAL	2,237,093	8,170	22,842	839,750	1,428,355	

Nature of charges and write-backs:

Operating		20,676	21,782
Financial		1,803	809,798
Exceptional		363	-
TOTAL		22,842	831,580

3.1.1 Intangible assets and Property, plant and equipment

Intangible assets have a gross value of €226.1 million and a net value of €29.7 million.

Property, plant and equipment have a gross value of €40.2 million and a net value of €9.3 million.

3.1.2 Long-term loans and investments: equity Investments

Equity investments have a gross value of €16.7 billion as of December 31, 2021. Impairments total €1.2 billion, reducing the net value to €15.5 billion.

3.1.3 Long-term loans and investments: loans to equity investments

Loans to equity investments have a gross value of €13.3 billion as of December 31, 2021. Loans movements relating to the merger of Veolia Environnement Finance total €8.2 billion.

Movements recorded in 2021 break down as follows:

(€ thousand)	Opening balance	Contributions	Increase	Decrease	Unrealized foreign exchange gains (losses)	Closing balance
VE Finance	7,647,682	-	19,017	7,720,203	53,504	0
Veolia Eau – Compagnie Générale des Eaux	503,209	1,669,278	30,691	115,874	30,918	2,118,222
Veolia UK	712,212	1,161,626	1,428	5,734	124,482	1,994,024
Veolia Propreté	0	732,660	-	16	-	732,644
Veolia Česká Republika AS	746,687	-	-	19,534	(6,594)	720,559
Veolia Énergie International	427,741	299,410	1,317	40,586	16,266	704,148
Veolia Energia Polska SA	519,548	-	5,334	17,216	(3,736)	503,930
Veolia China Holding Limited	14,651	375,754	38,971	40	35,868	465,204
Veolia Propreté France headquarters	0	424,306	-	9	-	424,297
CHP Energia ZRT	323,595	-	11,013	894	(13,702)	320,012
Veolia Deutschland GmbH	0	300,522	-	7	-	300,515
SARP SA	10,011	38,046	180,370	11	-	228,416
Veolia (HARBIN) Heat Power Co Ltd	44,205	133,896	26,437	145	20,153	224,546
Veolia Environmental Services (Australia) Pty Ltd	0	211,713	-	8,460	7,135	210,388
Veolia Water Technologies	83,704	116,262	9	5,751	1,155	195,379
VUS Beteiligungsverwaltungs GmbH	17,034	165,260	30	34	-	182,290
Veolia Energie CR AS	0	171,766	319	-	9,547	181,632
Veolia Umweltservice GmbH	21,018	158,293	14	18	-	179,307
Veolia Energia Lodz SA	163,049	-	510	319	(1,317)	161,923
Veolia Holding America Latina SA	0	78,273	74,349	-	(4,188)	148,434
Vigie 43 AS	97,129	11,239	7,114	431	7,143	122,194
Veolia Nordic AB	0	124,688	-	9	(2,623)	122,056
Veolia Central & Eastern Europe	0	-	88,946	-	3,127	92,073
Veolia Water Industrial Shanghai Co. Ltd	56,793	-	25,037	145	7,502	89,187
Veolia Energia Poznan SA	106,907	-	271	22,672	(157)	84,349
Veolia Japan KK	0	95,114	-	10,783	(3,031)	81,300
Veolia Energia Slovensko AS (formerly DALKIA AS)	0	88,371	-	13,017	-	75,354
Veolia Verwaltungsgesellschaft MBH	0	73,733	-	2	-	73,731
Veolia Nederland Grondstof Beheer BV	0	56,516	15,011	-	-	71,527
Veolia Middle East	3,521	36,365	27,267	9	316	67,460
Vigie 1 AS	0	67,099	-	1	-	67,098
Veolia Environmental Services China Ltd	0	71,444	-	15,957	4,899	60,386
Veolia Es Singapore Industrial Pte Ltd	0	39,543	17,233	-	2,567	59,343
Veolia Umweltservice Sud GmbH & Co Kg	0	59,066	-	1	-	59,065
Aquiris	70,525	-	866	12,800	-	58,591
SARP Industries	0	56,347	643	-	210	57,200
Veolia Energy Hungary Co Ltd	0	57,889	90	-	(829)	57,150
Dalian Changxing Island Renewable Resource Co. Ltd	22,734	-	27,616	75	4,113	54,388
Société Eaux Régionalisées	0	-	53,956	-	-	53,956
Nova Veolia	0	58,369	-	5,182	-	53,187
Veolia Middle East For Environmental Services	0	-	49,509	-	2,086	51,595
Other	645,024	1,194,079	361,006	529,131	46,915	1,717,893
TOTAL	12,236,979	8,154,855	1,100,536	8,545,066	340,880	13,288,184

3.1.4 Long-term loans and investments: loans

Loans total €1.1 billion as of December 31, 2021.

Loans mainly include term accounts not classified as cash equivalents of €1.1 billion (including accrued interest).

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €741.4 million and a net value of €707.7 million as of December 31, 2021 and mainly comprise:

- the technical merger loss of €448.1 million recognized on the merger by absorption of Veolia Services Énergétiques in 2014. Impairment testing in 2021 did not give rise to the recognition of an impairment loss;

- the net carrying amount of the 8,389,059 treasury shares held by Veolia Environnement, with a gross value of €291.2 million and a net value of €257.6 million. An impairment reversal of €99.6 million was recorded in fiscal year 2021. Impairment of treasury shares totals €33.6 million as of December 31, 2021.

3.2 Trade receivables

Trade receivables have a gross value of €112.3 million and a net value of €97 million as of December 31, 2021 and primarily concern services billed to Group subsidiaries.

3.3 Other receivables

Other receivables total €4 billion and mainly comprise the following balances:

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Current accounts with Group subsidiaries ⁽¹⁾	3,909,865	1,775,690
Other receivables	76,149	61,546
• Income tax receivables	24,442	26,947
• Other tax receivables	41,679	25,113
• Financial receivables on derivatives	4,470	6,319
• Accrued interest on current accounts	5,558	3,167

(1) Current accounts in debit include current accounts resulting from the VEF merger in the amount of €2.4 billion.

3.4 Marketable securities

3.4.1 Treasury shares

The remaining 4,007,813 shares recorded in marketable securities have a gross carrying amount of €86.2 million at the end of 2021. These shares are mainly allocated to cover stock option programs or other share award programs to Group employees, with 53,000 shares allocated to the liquidity contract.

An impairment reversal of €9.6 million was recognized in 2021 and reflects the difference between the average purchase cost of the Veolia Environnement shares and the average stock market price in December 2021.

Liquidity contract

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 24, 2014.

In 2021, 1,002,832 shares were purchased for a total amount of €26.1 million and a weighted average share price of €26 and 1,349,832 shares were sold for a total amount of €31.6 million and a weighted average share price of €25.25. A net capital gain of €2.5 million was generated under this contract.

3.4.2 Other securities

Other securities total €7.5 billion as of December 31, 2021 and comprise SICAV mutual funds.

3.4.3 Treasury instruments - Assets

Treasury instruments total €223.5 million as of December 31, 2021 and break down as follows:

- interest-rate derivative spreads: €1.4 million;
- foreign currency derivatives: €202.9 million;
- premium/discount: €19.2 million.

3.5 Cash at bank and in hand

Liquid assets total €608.4 million as of December 31, 2021 and include term accounts classified as cash equivalents and related accrued interest in the amount of €145 million.

3.6 Prepayments

Prepayments total €252.9 million and mainly concern:

- balancing cash adjustments paid on interest rate swaps of €45.6 million;
- expenditure incurred in relation to the Suez acquisition of €167.1 million;
- operating expenditure of €33 million.

3.7 Accrued income and deferred charges

3.7.1 Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2021 total €61.3 million. The charge for the year was €11.5 million.

Other deferred charges total €0.3 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term. The charge for the year was €0.1 million.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €80.3 million and mainly comprise the redemption premium recognized on the bond exchange performed in 2015 of €64.9 million as of December 31, 2021.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

3.8 Accrued income

Accrued income totals €106.1 million and primarily comprises the following items:

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Accrued interest on loans to equity investments	36,514	36,061
Sales invoice accruals	42,224	34,208
Supplier credit notes receivable	17,308	16,840
Accrued interest on current accounts	5,558	3,167

3.9 Foreign exchange gains and losses and changes in value of treasury Instruments

Foreign exchange gains and losses include unrealized foreign exchange gains and losses on matching positions and on the overall position per currency. In addition, matching positions include realized gains and losses on instruments where the underlying item has not yet matured.

(€ thousand)	Unrealized foreign exchange losses	Change in value of treasury instruments – Assets	Unrealized foreign exchange gains	Change in value of treasury instruments – Liabilities	Notes
Matching foreign exchange positions	690,470	1,778,293	357,133	1,834,118	3.9.1
Overall foreign exchange position	4,659	-	4,254	-	3.9.2
TOTAL	695,129	1,778,293	361,387	1,834,118	

The following tables present the foreign exchange positions for the main currencies determined at the reporting date.

3.9.1 Unrealized foreign exchange gains and losses and changes in value of treasury assets and liabilities on matching foreign exchange positions

Unrealized foreign exchange gains and losses presented below include not only unrealized gains and losses, but also realized gains and losses on financial instruments recognized in accordance with ANC Regulation no. 2015-05.

The following information concerns the most material currencies:

Account heading concerned by matching foreign exchange positions (€ thousand)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Change in value of treasury instruments - Assets	Change in value of treasury instruments - Liabilities	Total asset matching position	Total liability matching position
Loans	25,119	0	0	0		
Foreign currency derivatives	0	98	3,201	22,084		
Total ARS	25,119	98	3,201	22,084	28,320	22,182
Loans	41,150	0	3,389	1,649		
Current account hedges	0	0	391	1,724		
Foreign currency derivatives	8,128	110	165,900	201,545		
Total AUD	49,278	110	169,680	204,918	218,958	205,028
Loans	46,219	623	19	0		
Foreign currency derivatives	838	6,952	29,186	70,525		
Total BRL	47,057	7,575	29,205	70,525	76,262	78,100
Loans	0	199	1,754	1,477		
Foreign currency derivatives	231	0	16,841	17,100		
Total CAD	231	199	18,595	18,577	18,826	18,776
Loans	11,396	0	212	0		
Foreign currency derivatives	0	3,134	4,133	12,560		
Total CLP	11,396	3,134	4,345	12,560	15,741	15,694
Loans	1,203	71,989	14,906	15,540		
Borrowings	37,921	7	561	6,177		
Current account hedges	0	0	12,063	1,103		
Foreign currency derivatives	20,414	408	39,182	32,218		
Total CNY	59,538	72,404	66,712	55,038	126,250	127,442
Loans	32,724	0	0	0		
Foreign currency derivatives	0	2,972	24,781	47,425		
Total COP	32,724	2,972	24,781	47,425	57,505	50,397
Loans	0	34,836	23,370	57,060		
Current account hedges	0	0	66	0		
Foreign currency derivatives	22,182	1,908	94,134	50,032		
Total CZK	22,182	36,744	117,570	107,092	139,752	143,836
Loans	20,872	131,405	24,610	17,807		
Borrowings	13,623	7,795	0	0		
Current account hedges	0	0	135,009	87		
Foreign currency derivatives	13,185	0	522,387	574,289		
Total GBP	47,680	139,200	682,006	592,183	729,686	731,383

Account heading concerned by matching foreign exchange positions (€ thousand)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Change in value of treasury instruments - Assets	Change in value of treasury instruments - Liabilities	Total asset matching position	Total liability matching position
Loans	11,194	6,273	268	1,529		
Current account hedges	0	0	3,596	13		
Foreign currency derivatives	12,658	1,626	150,153	135,367		
Total HKD	23,852	7,899	154,017	136,909	177,869	144,808
Loans	46,714	0	73	9,215		
Current account hedges	0	0	0	82		
Foreign currency derivatives	41	16,249	40,772	55,268		
Total HUF	46,755	16,249	40,845	64,565	87,600	80,814
Loans	2,401	1,556	0	0		
Foreign currency derivatives	3,927	0	8,020	4,971		
Total INR	6,328	1,556	8,020	4,971	14,348	6,527
Loans	15,796	1,703	9,625	3,134		
Current account hedges	0	0	830	0		
Foreign currency derivatives	163	672	43,489	64,308		
Total JPY	15,959	2,375	53,944	67,442	69,903	69,817
Loans	7,993	525	456	16		
Foreign currency derivatives	431	3,844	5,709	10,394		
Total KRW	8,424	4,369	6,165	10,410	14,589	14,779
Loans	1,679	105	99	0		
Foreign currency derivatives	983	0	12,194	14,850		
Total MXN	2,662	105	12,293	14,850	14,955	14,955
Loans	30,755	14	29,067	5,020		
Foreign currency derivatives	3,150	2,274	148,575	192,182		
Total PLN	33,905	2,288	177,642	197,202	211,547	199,490
Loans	8,460	0	0	0		
Current account hedges	0	0	0	709		
Foreign currency derivatives	11	530	4,433	11,674		
Total RON	8,471	530	4,433	12,383	12,904	12,913
Loans	4,056	656	702	0		
Current account hedges	0	0	76	0		
Foreign currency derivatives	0	1,479	15,837	18,508		
Total SEK	4,056	2,135	16,615	18,508	20,671	20,643
Loans	391	38,659	13,203	9,746		
Borrowings	221,378	483	20,458	32,534		
Foreign currency derivatives	5,883	62	105,778	86,949		
Total USD⁽¹⁾	227,652	39,204	139,439	129,229	367,091	168,433
Total Other currencies	17,201	17,987	48,785	47,245	65,986	65,234
Grand total	690,470	357,133	1,778,293	1,834,118	2,468,763	2,191,251

(1) A provision was not booked in respect of US dollar net unrealized foreign exchange losses on matching positions of €201.7 million, as they correspond to a hedge of securities.

3.9.2 Unrealized foreign exchange gains and losses on the overall foreign exchange position per currency, excluding matching positions

The following table presents the most material unrealized gains and losses on foreign currencies included in the overall foreign exchange position:

Currencies concerned by the unrealized foreign exchange gains and losses (€ thousand)	Total net unrealized foreign exchange losses	Total net unrealized foreign exchange gains
AED	542	2
AMD	15	41
ARS	122	0
AUD	537	11
BHD	0	58
CAD	0	180
CLP	53	106
CNY	136	207
COP	959	180
CZK	0	350
GBP	3	526
HKD	5	113
HUF	518	1
JPY	585	0
KRW	1	228
MXN	615	242
PEN	0	221
PLN	355	0
QAR	0	116
RON	0	373
RUB	13	273
SAR	0	269
SGD	0	73
SEK	3	97
USD	73	121
ZAR	2	365
Other currencies	122	101
GRAND TOTAL	4,659	4,254

Provisions for foreign exchange losses concern:

- the overall foreign exchange position for €6.7 million, determined based on the overall foreign exchange position for each currency and year of maturity;
- operating receivables for €0.5 million.

NOTE 4

BALANCE SHEET EQUITY AND LIABILITIES

4.1 Share capital and reserves

(€ thousand)	Opening balance	Increase	Decrease	Closing balance
Share capital⁽¹⁾	2,893,057	605,569	-	3,498,626
Additional paid-in capital ⁽¹⁾	2,972,826	2,121,642	103,999	4,990,469
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	2,725
Reserve required by law	289,306	60,557	-	349,863
Special long-term capital gains reserve	-	-	-	-
Frozen reserves	-	-	-	-
Other reserves	-	-	-	-
Retained earnings	1,307,827	223,882	-	1,531,709
Prior year net income/(loss)	620,913	-	620,913	-
Tax-driven provisions	9,095	8,888	-	17,983
TOTAL BEFORE NET INCOME FOR THE YEAR	12,224,700	3,020,538	724,912	14,520,326
Net income for the year	-	1,248,830	-	1,248,830
TOTAL AFTER NET INCOME FOR THE YEAR	12,224,700	4,269,368	724,912	15,769,156

(1) €2.7 billion net share capital increase through the issue of 121,113,904 new shares with a par value of €605.6 million, plus net additional paid-in capital of €2.1 billion (see Note 7.8 below).

The share capital comprises 699,725,266 shares with a par value of €5 each, compared with 578,611,362 shares with a par value of €5 each as of December 31, 2020.

The €605.6 million increase in share capital is the result of the share capital increase for cash for €552 million, subscriptions under the Group employee savings plan for €48.7 million and performance shares for €4.9 million.

The €2.1 billion increase in "Additional paid-in capital" is due to the share capital increase for cash for €2 billion and the share capital increase under the Group employee savings plan for €167.6 million.

The €104 million decrease in "Additional paid-in capital" corresponds to the €60.6 million charge to the reserve required by law, performance shares for €4.9 million and net issue costs for €38.6 million.

Dividends distributed to shareholders totaled €397 million and were deducted from net income for fiscal year 2020 and retained earnings for the balance of €223.9 million.

4.1A Equity equivalents

(€ thousand)	Opening balance	Increase	Decrease	Closing balance
Proceeds from issues of equity equivalent securities	-	-	-	-
Subordinated loans	-	-	-	-
Other	2,000,000	500,000	-	2,500,000
TOTAL EQUITY EQUIVALENTS	2,000,000	500,000	-	2,500,000

The €500 million issue of deeply-subordinated perpetual securities (TSSDI) in November 2021 bears a coupon of 2% until the first reset date in February 2028.

4.2 Provisions for contingencies and losses

Movements in provisions for contingencies and losses

(€ thousand)	Opening balance	Contributions	Charge	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange losses	7,955	138	586	1,467	-	7,212
Provision for other contingencies	28,544		2,298	1,107	10,701	19,034
Provision for losses	7,029		7,254	1,993	3,152	9,138
TOTAL	43,528	138	10,138	4,567	13,853	35,384
Nature of charges and write-backs:						
Operating			7,727	3,323	3,198	
Financial			113	137	-	
Exceptional			2,298	1,107	10,655	
TOTAL			10,138	4,567	13,853	

4.3 Bond issues

(€ thousand)	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	10,878,135	700,000	638,400	110,232	11,049,967
Accrued interest on bond issues	148,928	150,255	148,928	-	150,255
TOTAL	11,027,063	850,255	787,328	110,232	11,200,222

The €700 million increase reflects the issue of a new bond loan on January 11, 2021, maturing in January 2027 (6 years) and paying a coupon of 0.00%.

The €638.4 million decrease reflects the maturity on January 6, 2021 of a euro-denominated bond line.

4.4 Bank and other borrowings

Bank and other borrowings total €13.2 billion and break down as follows:

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Current accounts with Group subsidiaries ⁽¹⁾	6,527,520	3,809,758
Treasury note outstandings	5,873,937	5,949,859
Bank borrowings ⁽²⁾	699,331	-
Tax group current accounts	66,671	145,287
Bank accounts in overdraft and short-term bank facilities	15,692	10,010
TOTAL	13,183,151	9,914,914

(1) Current accounts in credit include current accounts resulting from the VEF merger in the amount of €2 billion.

(2) Bank borrowings include two loans maturing in 2022 for an amount of €700 million and accrued interest payable of -€669 thousand.

4.5 Operating payables

Tax and employee-related liabilities

This heading totals €89 million and mainly includes:

- personnel costs – accrued expenses: €48.5 million;
- social welfare organizations: €31.6 million;
- taxes collected on behalf of the French State: €2.3 million;
- value added tax: €4.8 million;
- French State – accrued expenses: €1.6 million.

4.6 Miscellaneous liabilities

Treasury instruments – Liabilities

This heading totals €312.3 million and includes:

- interest-rate derivative spreads: €1.8 million;
- foreign currency derivatives: €253.3 million;
- premium/discount: €57.2 million.

Deferred income

Deferred income totals €59.9 million and mainly concerns financial instruments:

- balancing payments on derivatives of €40.8 million;
- bond issue premiums of €14.1 million;
- interest on treasury notes of €4.9 million.

4.7 Accrued expenses

Accrued expenses total €427 million and primarily comprise the following items:

(€ thousand)	As of December 31, 2021	As of December 31, 2020
Accrued interest on bond issues	150,255	148,928
Purchase invoice accruals	193,323	102,804
Provisions for personnel costs	69,878	56,562
Accrued customer credit notes	5,803	12,441

NOTE 5

RECEIVABLES AND DEBT MATURITY ANALYSIS

(€ thousand)	Amount	Falling due in one year	Falling due in more than one year
Non-current assets			
Loans to equity investments	13,288,184	36,514	13,251,670
Other long-term investment securities	9,280	-	9,280
Loans	1,091,872	281,721	810,151
Other long-term loans and investments	741,363	-	741,363
Current assets			
Payments on account – inventories	2,259	2,259	-
Trade receivables and related accounts	112,265	112,265	-
Group and associates	3,909,865	3,909,865	-
Other receivables	100,156	80,564	19,592
Marketable securities	7,795,255	7,727,445	67,810
Cash at bank and in hand	608,359	608,359	
Prepayments	252,945	196,627	56,318
TOTAL RECEIVABLES	27,911,803	12,955,619	14,956,182

(€ thousand)	Amount	Falling due in one year	Falling due in one to five years	Falling due in more than five years
Liabilities				
Bond issues	11,200,222	1,444,847	4,566,964	5,188,411
Bank borrowings	699,331	699,331	-	-
Other borrowings	5,873,937	5,873,937	-	-
Group and associates	6,594,192	6,594,192	-	-
Bank accounts in overdraft and short-term bank facilities	15,692	15,692	-	-
Other	1,156,371	1,014,872	78,442	63,057
TOTAL LIABILITIES	25,539,745	15,642,871	4,645,406	5,251,468

NOTE 6

INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €1.2 billion.

6.1.1 Operating revenue

(€ thousand)	Year ended December 31, 2021	Year ended December 31, 2020	Notes
Sales of services and other	512,206	526,656	Note 1
Own production capitalized	7,795	9,606	
Operating subsidies	74	174	
Write-back of provisions (and depreciation and amortization) and expense reclassifications	17,994	75,525	
Other revenue	80,195	74,331	Note 2
TOTAL	618,264	686,292	

Note 1: the decrease in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: other revenue includes indemnities in full and final settlement of repair and maintenance work (see Note 7.2. below).

6.1.2 Operating expenses

(€ thousand)	Year ended December 31, 2021	Year ended December 31, 2020	Notes
Other purchases and external charges	401,495	366,401	
Duties and taxes other than income tax	17,113	31,581	
Personnel costs (wages, salaries and social security contributions)	226,157	206,562	
Depreciation, amortization, impairment and charges to provisions	42,532	41,894	
Other expenses	102,065	96,559	Note 1
TOTAL	789,362	742,997	

Note 1: other expenses consist of renewal expenses (see Note 7.2. below).

6.1.3 Financial income and expenses

(€ thousand)	Year ended December 31, 2021	Year ended December 31, 2020	Notes
Expenses on borrowings	(336,707)	(320,913)	
Income from other securities and long-term receivables	3,456	5,754	
Foreign exchange gains and losses	(738)	1,131	
Other financial income and expenses	26,032	(20,208)	
Amortization, impairment and charges to provisions for financial items	(26,932)	(220,720)	
Investment income	886,059	498,175	Note 1
Net gain/loss on sales of marketable securities	(5,856)	(5,501)	
Write-back of provisions for financial items, impairment and expense reclassifications	819,681	650,093	Note 2
Other financial income and expenses	1,698,984	901,839	
NET FINANCIAL EXPENSE	1,364,995	587,811	

Note 1: investment income comprises dividends received of €373.9 million and income from other loans to equity investments of €512.1 million.

Note 2: write-backs of provisions and impairment in 2021 primarily break down as follows:

- reversal of impairment of the investment in Veolia Eau – Compagnie Générale des Eaux for €700 million.

6.2 Exceptional items

Exceptional items, representing a net expense of €7 million, break down as follows:

(€ million)	Year ended December 31, 2021
Net reversal of contingency provisions	9.5
Net exceptional income from non-capital transactions	0.0
Loss on redemption of bond and convertible issues	0.0
Other ⁽¹⁾	(16.5)
TOTAL	(7.0)

(1) Mainly the net carrying amount of equity investments for -€7.5 million and charges to accelerated depreciation of -€8.9 million.

6.3 Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group.

The income tax expense is allocated to the different entities comprising the tax group according to the “neutrality” method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime.

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of the five-year period.

The application of the tax group regime in 2021 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €91.1 million.

A tax charge of €34 million corresponding to income tax and tax credits not offset against current income tax was also recognized.

6.4 Net income

Veolia Environnement reported net income of €1.2 billion for fiscal year 2021.

NOTE 7

OTHER DISCLOSURES

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €11.2 billion as of December 31, 2021, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

(€ thousand)	As of December 31, 2021	As of December 31, 2020	Notes
Commitments given			
Discounted notes not yet matured			
Endorsements and guarantees ⁽¹⁾	11,178,759	1,782,904	Note 1
Equipment finance lease commitments			
Real estate finance lease commitments			
Pension obligations and related benefits	69,768	71,478	Note 2
TOTAL	11,248,527	1,854,382	Note 3
Commitments received			
Endorsements and guarantees	9,000,000	-	Note 4

(1) Of which commitments given in respect of related companies: €1.8 million.

Note 1: Main endorsements and guarantees

The €9.4 billion increase in commitments given breaks down as follows:

- a €9 billion increase relating to the Suez Public Tender Offer scope;
- contributions of €517.8 million resulting from the Veolia Environnement Finance merger;
- a €203.3 million net decrease in guarantees given during the period;
- a €111.3 million increase related to foreign exchange impacts.

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €1.5 billion**

These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, customers and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees of €9.7 billion**

These primarily relate to guarantees given to financial institutions in connection with the borrowings of subsidiaries, including project financing, and Veolia Environnement's joint and several commitments regarding divestments by subsidiaries or direct Veolia Environnement warranties on asset divestitures.

Warranties mainly included:

- warranties given on the divestiture in 2004 of Veolia Environnement's activities in the United States in the amount of €66.2 million;
- warranties relating to guarantees (joint and several) covering obligations of US and Canadian subsidiaries under letters of credit granted by several banking institutions in the amount of €477.5 million;
- warranty given under the trade receivables factoring program in France, the United Kingdom and the United States in the amount of €92.1 million.

In addition, financial guarantees include a guarantee relating to the Suez Public Tender Offer scope of €9 billion.

Note 2: Pension obligations and related benefits

Obligations net of plan assets break down as follows:

(€ thousand)

Pension obligations pursuant to Title V of the Collective Agreement	49,966
Collective insurance contract in favour of Group executives (active and retired)	15,697
Insurance company contract in favour of Executive Committee members (retired)	4,105
TOTAL⁽¹⁾	69,768

(1) Of which obligations for Executive Committee members as of December 31, 2021: €3.7 million.

The economic assumptions underlying the actuarial valuation of employee-related commitments as of December 31, 2021 are a discount rate of 0.90% and an inflation rate of 1.5%.

Note 3: Other commitments given

In addition to commitments given of €11.2 billion, Veolia Environnement also granted commitments of an unlimited amount in respect of:

- completion or performance bonds;
- a sludge incineration plant construction contract and waste processing contracts in Hong Kong in the Water and Waste businesses;
- a Hong Kong landfill contract.

These commitments are limited to the duration of the related contracts and were approved in advance by the Veolia Environnement Board of Directors.

Note 4: Commitments received

In the context of the Public Tender Offer for Suez Group, two banks, HSBC Continental Europe and Crédit Agricole Corporate Investment Bank, acted as guarantor banks covering the content, finality and nature of commitments given by Veolia Environnement. Commitments received total €9 billion.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for certain French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau-Compagnie Générale des Eaux.

Therefore, Veolia Environnement, as an active partner of certain water and heating subsidiaries of Veolia Eau-Compagnie Générale des Eaux, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee.

7.3 Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk

- Interest rate risk (interest rate hedges, cash flow hedges).

The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

- Foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure).

Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia Environnement organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency.

Equity risk

As of December 31, 2021, Veolia Environnement held 12,396,872 treasury shares, of which 8,389,059 were allocated to external growth operations and 4,007,813 were acquired for allocation to employees under employee savings plans. As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

Liquidity risk

Liquidity management involves the pooling of financing in order to optimize liquidity and cash. Veolia Environnement secures financing on international bond markets, international private placement markets, the treasury note market and the bank lending market.

Credit risk

Veolia Environnement is exposed to credit risk on the investment of its surplus cash and on its use of derivative instruments to manage interest rate and foreign exchange risk. Credit risk reflects the loss that Veolia Environnement may incur should a counterparty default on its contractual obligations. Veolia Environnement minimizes counterparty risk through internal control procedures limiting the

choice of counterparties to leading banks and financial institutions. Veolia Environnement does not expect the default of any counterparties which could have a material impact on transaction positions or results.

As of December 31, 2021, the main derivative products held primarily comprised:

- interest rate swaps;
- trading swaps;
- cross-currency swaps;
- forward purchases of currency;
- forward sales of currency;
- hedging options.

The net carrying amount of derivatives at the reporting date is presented below:

(€ thousand)	Assets	Liabilities
Accrued interest on swaps	1,384	1,821
Foreign currency derivatives	202,941	253,358
Premium/discount ⁽¹⁾	19,174	57,168
Prepayments	45,617	-
Deferred income	-	40,837
TOTAL	269,116	353,184

(1) The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.

The fair value of derivatives at the reporting date is presented below:

(€ thousand)	Assets	Liabilities
Interest rate derivatives		
Hedging derivatives	24,472	400
Derivatives not qualifying for hedge accounting (trading)	-	-
Foreign currency derivatives		
Derivatives used in matching foreign exchange positions	102,316	137,040
Derivatives used in the overall foreign exchange position	87,472	90,379
Commodity derivatives		
Derivatives hedging fuel and metals	5,271	5,271
TOTAL	219,531	233,090

The notional amounts of interest rate swaps globally designated as interest rate hedges at the reporting date are presented below:

(€ thousand)		Foreign currency amount	€ equivalent
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	515,819	515,819
Floating-rate payer/fixed-rate receiver swaps	EUR	540,500	540,500
TOTAL		1,056,319	1,056,319
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	-	-
Fixed-rate payer/floating-rate receiver swaps	EUR	-	-
TOTAL		-	-

The notional amounts by currency of the most material cross-currency swaps, currency swaps and currency forwards at the reporting date are presented below:

(€ thousand)	Purchases	Sales
Currency hedging instruments included in matching foreign exchange positions:		
Cross currency swaps:		
CNY	87,314	-
CZK	-	181,028
EUR	288,666	60,000
KRW	-	108,847
TOTAL	375,980	349,875
Currency forwards:		
AUD	5,123	377,201
BRL	58,188	53,153
CAD	133,818	8,788
CLP	1,448	41,234
CNY	188,289	364,317
COP	43,218	13,399
CZK	420,493	521,053
EUR	6,387,040	446,978
GBP	651,684	451,353
HKD	142,885	292,838
HUF	252,586	228,154
IDR	68,011	59,005
INR	35,605	-
JPY	49,169	31,967
KRW	50,432	17,603
MXN	13,740	21,798
MYR	7,630	30,519
NOK	11,012	5,306
PLN	237,768	787,170
RON	61,224	58,497
RUB	85,764	85,468
SAR	9,870	47,976
SEK	57,657	161,565
SGD	17,344	54,124
USD	306,019	420,241
Other currencies	17,751	50,043
TOTAL	9,313,768	4,629,750

(€ thousand)	Purchases	Sales
Currency hedging instruments included in the overall foreign exchange position:		
Cross currency swaps:		
CNY	-	-
EUR	60,000	-
TOTAL	60,000	-
Currency forwards:		
AED	43,950	17,053
AUD	134,016	73,251
CAD	45,468	177,727
CHF	32,555	774
CNY	243,708	100,777
COP	16,004	4,019
CZK	482,573	443,444
DKK	24,099	11,607
EUR	2,996,180	4,027,729
GBP	1,270,752	167,830
HKD	200,307	359,634
HUF	331,206	270,487
JPY	135,486	104,023
MXN	43,148	7,150
NOK	8,490	5,703
OMR	12,942	10,568
PLN	515,306	321,886
RON	105,243	96,846
RUB	22,178	2,405
SAR	21,066	7,962
SEK	203,503	71,823
SGD	35,024	19,236
USD	1,425,635	457,717
Other currencies	68,106	11,048
TOTAL	8,416,945	6,770,699

7.4 Average workforce

	2021 Salaried employees	2020 Salaried employees
Executives	981	978
Supervisors and technicians	36	41
Administrative employees	62	52
Workers	-	-
TOTAL	1,079	1,071

The average workforce as defined by Article D.123-200 of the French Commercial Code (French Chart of Accounts Articles 832-19, 833-19, 834-14 and 835-14) is now disclosed. The average number of salaried employees is equal to the arithmetical average of the number of employees at the end of each quarter of the calendar year, holding an employment contract with the Company.

7.5 Management compensation

<i>(in euros)</i>	Amount
Compensation granted to members of management bodies	3,063,046

The above amount only includes compensation borne by Veolia Environnement.

Compensation paid by other entities is, therefore, excluded.

7.6 Deferred tax

Deferred tax liabilities <i>(€ thousand)</i>	Amount
Tax-driven provisions	
Accelerated depreciation	17,983
Provisions for price increases	-
Provisions for exchange rate fluctuations	-
Other	
Investment subsidies	-
Income temporarily nontaxable	-
Income deferred for accounting but not tax purposes	-
Expenses deducted for tax purposes but deferred for accounting purposes	75,219
Unrealized foreign exchange losses	2,352,526
Change in value of treasury instruments – Assets	-
TOTAL	2,445,728

Deferred tax assets <i>(€ thousand)</i>	Amount
Provisions not deductible in the year recorded	
Provisions for paid leave	-
Statutory employee profit-sharing	-
Provisions for contingencies and losses	-
Other nondeductible provisions	103,717
Other	
Taxed income not recognized	30,961
Difference between the net carrying amount/tax value of treasury shares	90,203
Amortization of option premiums	-
Unrealized foreign exchange gains	2,195,505
Change in value of treasury instruments – Liabilities	-
TOTAL	2,420,386
Tax losses carried forward	3,536,425
Long-term capital losses	-

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €907 million (income tax rate hypothesis for the calculation of the deferred tax position: 25.83%).

7.7 Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligence procedures are presented in the Veolia Environnement annual financial report (see Chapter 6, Section 6.1.6, Note 17 above).

7.8 Share-based compensation

2021 Employee savings plan

Veolia Environnement regularly sets up, through Group Savings Plans (GSP), in France and internationally, standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer.

In 2021, Veolia proposed a new Group employee share ownership transaction, rolled-out across 40 countries.

Under this transaction, shares were subscribed with a 20% discount on the average closing price of the share during the twenty trading days preceding the date the subscription price was set by the Chairman and Chief Executive Officer. The subscription price was set at €22.20.

Under the so-called secure format, employees benefit from:

- a gross contribution from the Group equal to 100% of the employee's investment up to a maximum of €300;
- a leveraged system supplementing their personal investment in the event of an increase in the share price.

This personal investment and the net contribution from the Group are guaranteed in the event of a fall in the share price and receive a guaranteed minimum return.

A financial institution is appointed by Veolia Environnement to hedge the transaction.

On December 8, 2021, Veolia Environnement issued 9,745,281 new shares under the Group Savings Plan, representing a share capital increase of €216.3 million.

In 2021, an expense of €11.5 million was recognized in respect of the savings plan and rebilled in part to Group subsidiaries.

2021 Performance share grant plan

In 2021, the Group granted 937,182 performance shares (PS) to executives and employees of the Group, subject to the beneficiary's presence in the Group on May 4, 2024 and performance conditions based on the following criteria:

- financial criteria (average increase in Current net income attributable to owners of the Company and relative performance of the total shareholder return (TSR) of the Veolia Environnement share compared with the Stoxx 600 Utilities (Price) SX6P index);
- quantifiable non-financial criteria relating to the Company's Purpose.

Taking account of these characteristics and market conditions at the plan implementation date, the fair value of the instruments was estimated at €24.97.

A charge to the provision for performance share grant plans was recorded in operating income in the amount of €0.54 million in 2021.

Plans implemented before 2021

Veolia Environnement implemented the following plans in previous years:

- **2020 Employee Savings Plans:** in 2020, the Group proposed a Veolia Environnement employee share ownership transaction, rolled-out across 31 countries. This plan expired on December 31, 2020 and therefore had no impact on the Company financial statements in 2021;
- **2019 and 2020 Performance Share Grant Plans:** the Group set-up performance share grant plans (PSP) in 2019 and 2020 subject to the beneficiary's presence in the Group at the vesting dates on April 30, 2022 and May 5, 2023, respectively, and performance conditions. A net charge to the provision for performance share grant plans was recorded in operating income in the amount of €3.8 million and €1.4 million, respectively, in 2021;
- **settlement of the 2018 Performance Share Grant Plan:** the Group set-up a performance share grant plan (PSP) in 2018 subject to the beneficiary's presence in the Group at the vesting date on May 2, 2021 and a performance condition. The plan expired and the Company performed a share capital increase in the first half of 2021. The net expense for the year is €2.3 million.

7.9 Related-party transactions

Relations with Icade SA, a subsidiary of Caisse des dépôts et consignations (6.04% shareholding as of December 31, 2021)

On January 31, 2013, Icade SA and Veolia Environnement entered into a firm lease for off-plan property (BEFA) for the building housing Veolia's administrative headquarters in Aubervilliers. This nine-year lease entered into effect on July 18, 2016, for an annual rent of €16,590,104, excluding taxes and VAT.

Veolia Environnement recorded a rental expense payable to the lessor of €17,624,171 in respect of fiscal year 2021.

As of December 31, 2021, Caisse des dépôts et consignations (CDC) and its subsidiary, Icade SA, are considered related parties in the context of this lease agreement. CDC is a director on the Board of Directors of Veolia Environnement, as a legal entity, and of Icade SA. In addition, Mr. Olivier Mareuse, CDC's representative on the Veolia Environnement Board of Directors, also sits on the Icade SA Board of Directors as a private individual.

7.10 Subsequent events

Suez combination

With regard to the Suez combination, the Public Tender Officer for Suez was closed and the sale of New Suez to the Consortium was completed in January 2022 (see Note 1, Suez combination, for further details).

7.11 Subsidiaries and equity investments ⁽¹⁾

Investments acquired in 2021, within the meaning of Article L.233-7 of the French Commercial Code (crossing of investment thresholds laid down by law) concern:

- Institut de l'Économie Positive at 5.35%.

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held	
					GROSS	NET
Veolia Eau – Compagnie Générale des Eaux ⁽¹⁾	214,187,296	2,207,287	2,256,808	100.00%	8,300,000	7,366,473
Suez ⁽¹⁾	187,810,000	2,558,399	NC	29.36%	3,771,773	3,771,773
Veolia Propreté ⁽¹⁾	8,967,700	143,483	1,144,343	100.00%	1,930,071	1,930,071
Veolia Énergie International ⁽¹⁾	87,996,970	1,760,127	369,106	99.99%	1,137,296	1,137,296
Veolia North America Inc. ⁽²⁾	198	1	925,562	13.43%	693,526	693,526
Veolia Holding America Latina SA	16,283	97,698	35,033	100.00%	311,397	311,397
Veolia Environnement Énergie et Valorisation ⁽¹⁾	13,703,700	137,037	6,238	100.00%	137,037	137,037
Artelia Ambiente S.A.	10,000	50	(36)	100.00%	134,211	0
Veolia Environnement Services – RE	11,099,999	111,000	53,973	100.00%	111,000	111,000
Campus Veolia Environnement	10,000	100	(11,910)	100.00%	85,351	0
Codeve	18,000,000	18,000	30,840	100.00%	53,000	48,910
Veolia Industries Global Solutions	1,33,334	15,500	(10,351)	100.00%	16,113	16,113
VIGIE 43 AS ⁽¹⁾	3,700	37	(9,430)	100.00%	10,037	10,037
Veolia Environnement Ingénierie Conseil	14,657	147	121	100.00%	7,521	159
Veolia Water Information Systems (VW IS)	260,173	9,625	1,669	13.52%	1,717	1,527
Tallano Technologie	9,090	556	19,942	1.63%	1,000	1,000
Veolia Innove	3,700	37	(4,195)	100.00%	903	0
SA LT 65	60,000	1,220	(1,162)	1.03%	300	0
VIGIE 3 AS	41,829	251	11,576	100.00%	266	266

* Including net income for the year.

** Including partner current accounts.

(1) Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income, excluding provision write-backs and foreign exchange gains and losses.

(2) The main activity of this company is head holding company of the US consolidated tax group.

(3) The main activity of this company is head holding company of the UK consolidated tax group.

(4) Number of votes.

NC Not communicated

N/A Not applicable

(1) Reporting currency in thousands of euros.

Loans and advances granted by the Company (gross)**	2020 revenue	2021 revenue (provisional figures)	2020 net income	2021 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
1,283,058	2,006,198	1,992,439	151,526	1,703,871	152,387	Year ended December 31, 2021
-	681,999	NC	246,143	NC	122,077	Year ended December 31, 2021
822,949	365,617	536,178	21,996	28,405	93,174	Year ended December 31, 2021
(218,417)	116,820	59,394	(36,695)	26,675	-	Year ended December 31, 2021
109,132	47,776	38,223	994	(42,425)	-	Year ended December 31, 2021
226,366	11,178	15,692	(12,141)	9,855	-	Year ended December 31, 2021
(202,108)	102,191	199,376	(170)	(467)	-	Year ended December 31, 2021
318	-	-	(105)	59	-	Year ended December 31, 2021
(310,587)	72,131	71,457	6,541	9,304	-	Year ended December 31, 2021
44,469	26,681	26,732	(10,851)	(13,497)	-	Year ended December 31, 2021
-	42,962	41,341	2,361	2.29	-	Year ended December 31, 2021
1,456	182,143	214,140	(9,866)	1,787	-	Year ended December 31, 2021
166,023	1,245	1,398	(9,147)	(8,210)	-	Year ended December 31, 2021
6,937	111	119	(15)	108	-	Year ended December 31, 2021
-	89,866	104,549	196	205	-	Year ended December 31, 2021
-	1,214	388	326	(3,719)	-	Year ended December 31, 2021
6,173	5,744	771	(4,272)	(458)	-	Year ended December 31, 2021
-	1,108	925	1	166	-	Year ended June 30, 2021
8,508	-	-	4,421	3,496	5,579	Year ended December 31, 2021

Company	Number of shares held	Share capital	Shareholders' equity other than share capital*	% share capital held	Carrying amount of shares held	
					GROSS	NET
VIGIE 1 AS ⁽¹⁾	21,100	211	(2,233)	100.00%	238	238
Institut de l'Économie Positive	10,796	2,019	(154)	5.35%	24	100
Campus Cyber	100,000	8,030	NC	1.25%	100	100
Vestalia	519	37	335	14.03%	89	89
SIG 41	2,000	20	(7)	100.00%	53	13
VIGIE 28 AS	3,700	37	25	100.00%	37	37
VIGIE 33	2,000	20	(8)	100.00%	37	12
VIGIE 34	3,694	37	(26)	99.84%	37	14
VIGIE 41 AS	3,700	37	(25)	100.00%	37	15
VIGIE 48 AS	3,700	37	(12)	100.00%	37	25
VIGIE 50 AS	3,700	37	(12)	100.00%	37	25
VIGIE 51 AS	3,700	37	(12)	100.00%	37	25
VIGIE 52 AS	3,700	37	(12)	100.00%	37	25
Veolia Eau d'Île-de-France	100	100	21,333	1.00%	1	1
GIE Veolia Placements ⁽⁴⁾	1	N/A	421	50.00%	0	0
SNCM Judicial liquidation	1,581,185	32,477	(701,917)	73.03%	0	0
Other subsidiaries and equity investments (Less than 1% of share capital)						
Veolia UK ⁽³⁾	866,733	921,150	52,590	0.11%	1,387	1,387
Fovarosí Csatornazási Művek Reszvénytársaság	1	189,726	80,779	0.00%	0	0

* Including net income for the year.

** Including partner current accounts.

(1) Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income, excluding provision write-backs and foreign exchange gains and losses.

(2) The main activity of this company is head holding company of the US consolidated tax group.

(3) The main activity of this company is head holding company of the UK consolidated tax group.

(4) Number of votes.

NC Not communicated

N/A Not applicable

Loans and advances granted by the Company (gross)**	2020 revenue	2021 revenue (provisional figures)	2020 net income	2021 net income (provisional figures)	Dividends recorded in the last fiscal year	Year-end
69,183	-	-	(2,545)	1,043	-	Year ended December 31, 2021
-	1,042	1,284	(390)	484	-	Year ended December 31, 2021
-	N/A	1,556	N/A	NC	-	Year ended December 31, 2021
-	10,672	9,565	350	158	78	Year ended December 31, 2021
(9)	-	-	(2)	(2)	-	Year ended December 31, 2021
(24)	-	-	0	3	-	Year ended December 31, 2021
(12)	-	-	(2)	(3)	-	Year ended December 31, 2021
(12)	-	-	(2)	(2)	-	Year ended December 31, 2021
-	-	-	(2)	(2)	-	Year ended December 31, 2021
-	-	-	(2)	(3)	-	Year ended December 31, 2021
-	-	-	(2)	(2)	-	Year ended December 31, 2021
-	-	-	(2)	(2)	-	Year ended December 31, 2021
-	-	-	(2)	(2)	-	Year ended December 31, 2021
-	433,801	436,638	19,149	21,333	-	Year ended December 31, 2021
-	5,744	3,431	3,186	421	-	Year ended December 31, 2021
-	NC	NC	NC	NC	-	Year ended December 31, 2021
906,024	74,714	74,124	30,537	1,073	-	Year ended December 31, 2021
-	102,853	101,811	12,815	5,518	-	Year ended December 31, 2021

6.2.6 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2021

To the General Shareholders' Meeting of Veolia Environnement,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meetings, we have audited the accompanying annual financial statements of Veolia Environnement for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Accounts and Audit Committee.

Basis for opinion

Audit framework

We conducted our work in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2020 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014.

Justification of Assessments – Key Audit Matters

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

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Measurement of equity investments and loans to equity investments

Risk identified

As of December 31, 2021, equity investments and loans to equity investments are recorded in the balance sheet at a net carrying amount of €28,827 million and represent 63% of total assets. At their date of entry into Company assets, they are recorded at acquisition cost.

As disclosed in Note 2.2.1 to the financial statements, the value in use of equity investments is determined by your Company based on criteria encompassing profitability, growth perspectives, the net assets of the Company held and the stock market value of the securities acquired, where applicable. If the value in use of investments is lower than their net carrying amount, an impairment is recognized in the amount of the difference.

Given the amount of equity investments in the balance sheet and the sensitivity of the value in use to changes in assumptions, we considered the measurement of the value in use of equity investments and loans to equity investments to be a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the compliance of the methodology used to determine the values in use applied by your Company with prevailing accounting standards and its consistency with the methodology applied last year for the relevant equity investments;
- assessing the methodology and data used by the Company to estimate the values in use and conducting a critical assessment of the implementation of this methodology and particularly, where applicable:
 - assessing the consistency of forecast cash flows with the most recent Company estimates used in the budget process and with respect to the economic and financial context in which the entities operate by analyzing the source of any differences between forecast and actual cash flows of prior periods,
 - assessing the multiples used and, in particular, the reference panel and transactions adopted to determine these multiples.

Besides assessing the value in use of equity investments, our procedures also consisted in:

- assessing the recoverable amount of loans to equity investments with respect to analyses of equity investments performed;
- controlling the recognition of a contingency provision where the Company is committed to bearing the losses of a subsidiary with negative equity.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest the inclusion in the section of the Board of Directors' management report on corporate governance of the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits paid or awarded to Directors and any other commitments made in their favour, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your Company from companies controlled by it and included in the scope of consolidation. Based on this work, we attest the accuracy and fair presentation of this information.

We verified the compliance of the information provided pursuant to Article L.22-10-11 of the French Commercial Code (*Code de commerce*) on factors that your Company considered likely to have an impact in the event of a public offer for cash or shares, with the relevant source documents communicated to us. Based on this work, we have no matters to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other Legal and Regulatory Verifications or Information

Format of presentation of the annual financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the annual financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Chairman and Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the annual financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the annual financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Veolia Environnement by your General Shareholders' Meetings of December 18, 1995 for KPMG SA and December 23, 1999 for Ernst & Young et Autres.

As of December 31, 2021, KPMG SA was in the twenty-seventh year of total uninterrupted engagement and Ernst & Young et Autres the twenty-third year, including twenty-two years since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Accounts and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality with which the Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. These conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Accounts and Audit Committee

We submit a report to the Accounts and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Accounts and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Accounts and Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Accounts and Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, April 13, 2022

The Statutory Auditors

KPMG Audit

A Division of KPMG S.A.

Eric Jacquet

Baudouin Griton

ERNST & YOUNG et Autres

Jean-Yves Jégourel

Quentin Séné

6.2.7 PARENT COMPANY RESULTS FOR THE LAST FIVE YEARS AND OTHER SPECIFIC INFORMATION

Parent company results for the last five years

	2021	2020	2019	2018	2017
Share capital at the end of the fiscal year					
Share capital (€ thousand)	3,498,626	2,893,057	2,836,333	2,827,967	2,816,824
Number of shares issued	699,725,266	578,611,362	567,266,539	565,593,341	563,364,823
Transactions and results for the fiscal year (€ thousand)					
Operating income	618,265	686,292	616,344	670,285	617,915
Income before taxes, depreciation, amortization and impairment	432,591	138,209	212,057	489,543	256,086
Income tax expense	60,140	90,303	75,327	73,693	94,566
Income after taxes, depreciation, amortization and impairment	1,248,830	620,913	1,058,299	883,060	314,498
Distributed income	687,328 ⁽¹⁾	397,031	277,125	509,050	462,640
Earnings per share (in euros)					
Income after taxes, but before depreciation, amortization and impairment	0.70	0.39	0.51	1.00	0.62
Income after taxes, depreciation, amortization and impairment	1.78	1.07	1.87	1.56	0.56
Dividend per share	1.00	0.70	0.50	0.92	0.84
Personnel					
Number of employees	1,079	1,071	1,082	1,075	1,074
Total payroll (€ thousand)	143,757	133,442	137,281	139,234	132,793
Total benefits (social security, benevolent works, etc.) (€ thousand)	82,400	73,120	71,638	82,478	58,385

(1) The total dividend distribution presented in the above table is calculated based on 699,725,266 shares outstanding as of December 31, 2021, less 12,396,872 treasury shares held as of this date and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.

Other disclosures

Expenses not deductible for tax purposes

Pursuant to Article 223 *quater* of the French General Tax Code, expenses and charges referred to in Article 39-4 of the French General Tax Code totaled €1,007,331 (additional depreciation on passenger vehicles and compensation paid to directors).

Branches

Pursuant to Article L.232-1 of the French Commercial Code, Veolia Environnement declares it had branches as of December 31, 2021.

Supplier and customer settlement periods

Pursuant to Article D.441-6 of the French Commercial Code, the following disclosures are provided for supplier and customer settlement periods:

- for suppliers, the number and amount of invoices received, not settled at the year end and past due; this amount is broken down by period past due and presented as a percentage of total purchases, including VAT, for the period;
- for customers, the number and amount of invoices issued, not settled at the year end and past due; this amount is broken down by period past due and presented as a percentage of total revenue, including VAT, for the period.

Invoices received and issued, not settled as of December 31, 2021 and past due

Invoices **received** not settled at the year end and past due

	0 days (information only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment period						
Number of invoices concerned	477					89
Total invoice amount concerned (incl. VAT) (€million)	14,936	1,222	8,606	1,296	162	11,286
As a percentage of total purchases of the fiscal year (incl. VAT)	2.85%	0.23%	1.64%	0.25%	0.03%	2.16%
Percentage of total revenue of the fiscal year (incl. VAT)						
(B) Invoices not included in (A) relating to receivables and payable in dispute or not recognized in the accounts						
Number of invoices excluded	133					
Total invoice amount excluded (incl. VAT) (€million)	5,917					
(C) Reference settlement periods applied (contractual or statutory period – Article L.441-6 or Article L.443-1 of the French Commercial Code)						
Settlement periods applied to determine late payment	Generally, 45 days from the end of the invoice month and 30 days from the invoice date					

Invoices issued not settled at the year end and past due					
0 days (information only)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
112					591
26,329	(11,116)	(14,386)	(1,384)	24,587	(2,300)
4.64%	-1.96%	-2.54%	-0.24%	4.34%	-0.41%
35					
16,028					
Generally, 45 days from the end of the invoice month					

Appendix F.4

Financial statements of the Absorbing Company as of December 31, 2022

6.2 Company financial statements AFR

6.2.1 BALANCE SHEET AS OF DECEMBER 31, 2022

Assets

(€ thousand)	As of December 31, 2022			As of December 31, 2021
	Gross	Depreci., amort. & impairment	Net	Net
Share capital subscribed but not called				
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes, and software, rights and similar	218,059	203,914	14,145	17,248
Purchased goodwill (1)	-	-	-	-
Other intangible assets	-	-	-	-
Intangible assets in progress	12,225	-	12,225	12,447
Property, plant and equipment				
Land	-	-	-	-
Buildings	-	-	-	-
Industrial and technical plant	-	-	-	-
Other property, plant and equipment	36,498	29,771	6,727	8,638
Property, plant and equipment in progress	1,800	-	1,800	697
Payments on account - PP&E	-	-	-	-
Long-term loans and investments (2)				
Equity investments	22,459,951	639,803	21,820,148	15,538,689
Loans to equity investments	13,884,524	131,610	13,752,914	13,288,184
Long-term portfolio investments	7,460	1,152	6,308	5,997
Other long-term investment securities	14,280	191	14,089	9,280
Loans	1,965,124	262	1,964,862	1,091,872
Other long-term loans and investments	5,202,293	85,704	5,116,589	707,646
TOTAL (1)	43,802,214	1,092,407	42,709,807	30,680,698

(€ thousand)	As of December 31, 2022			As of December 31, 2021
	Gross	Depreci., amort. & impairment	Net	Net
Current assets				
Inventories and work-in-progress				
Raw materials & supplies	-	-	-	-
Work in process - goods and services	-	-	-	-
Semi-finished and finished goods	-	-	-	-
Bought-in goods	-	-	-	-
Payments on account – inventories	4,235	-	4,235	2,259
Receivables (3)				
Operating receivables:				
Trade receivables and related accounts	201,383	26,884	174,499	96,961
Other receivables	5,388,266	38,947	5,349,319	3,988,020
Miscellaneous receivables:				
Share capital subscribed and called but not paid in	-	-	-	-
Marketable securities				
Treasury shares	91,267	-	91,267	86,193
Other securities	3,676,423	-	3,676,423	7,485,562
Treasury instruments	499,174	-	499,174	223,500
Cash at bank and in hand	583,036	-	583,036	608,359
Prepayments (4)	53,321	-	53,321	252,945
TOTAL (II)	10,497,105	65,831	10,431,274	12,743,799
Accrued income and deferred charges				
Deferred charges (III)	72,117	-	72,117	61,586
Bond redemption premiums (IV)	95,880	-	95,880	80,284
Unrealized foreign exchange losses (V)	2,991,095	-	2,991,095	2,473,422
GRAND TOTAL (I+II+III+IV+V)	57,458,411	1,158,238	56,300,173	46,039,789
(1) Of which leasehold rights			-	-
(2) Portion due in less than one year			366,571	318,235
(3) Portion due in more than one year			3,979	19,592
(4) Portion due in more than one year			30,512	56,318

Equity and Liabilities

(€ thousand)	As of December 31, 2022	As of December 31, 2021
Shareholders' equity		
Share capital (of which paid in: 3,572,872)	3,572,872	3,498,626
Additional paid-in capital	9,282,907	9,122,145
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	357,287	349,863
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	2,092,707	1,531,709
Net income for the year	1,300,487	1,248,830
Sub-total: Shareholders' equity	16,606,260	15,751,173
Investment subsidies	-	-
Tax-driven provisions	7,133	17,983
TOTAL (I)	16,613,393	15,769,156
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	3,600,000	2,500,000
TOTAL (I A)	3,600,000	2,500,000
Provisions		
Provisions for contingencies	23,486	26,246
Provisions for losses	9,506	9,138
TOTAL (II)	32,992	35,384

(€ thousand)	As of December 31, 2022	As of December 31, 2021
Liabilities (I)		
Convertible bonds	-	-
Other bond issues	17,398,124	11,200,222
Bank borrowings (2)	104,335	715,023
Other borrowings (3)	14,591,047	12,468,128
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	178,869	239,509
Tax and employee-related liabilities	116,516	88,965
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	298,352	351,002
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	48,904	104,611
Treasury instruments	531,619	312,347
Accrued income and deferred charges		
Deferred income (I)	43,810	59,938
TOTAL (III)	33,311,576	25,539,745
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	2,742,212	2,195,504
GRAND TOTAL (I+II+III+IV)	56,300,173	46,039,789
(1) Portion due in more than one year	15,926,449	9,896,874
Portion due in less than one year	17,385,127	15,642,871
(2) Of which overdrafts and current bank facilities	104,335	15,692
(3) Of which equity equivalent loans	-	-

6.2.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

(€ thousand)	2022	2021
Operating revenue (1)		
Sales of bought-in goods	-	-
Sales of own goods and services	666,681	512,206
Net sales	666,681	512,206
Of which export sales		
Changes in inventory of own production of goods and services	-	-
Own production capitalized	5,359	7,795
Operating subsidies	90	74
Write-back of provisions (and depreciation and amortization) and expense reclassifications	518,260	17,994
Other revenue	85,866	80,195
TOTAL (I)	1,276,256	618,264
Operating expenses (2)		
Purchases of bought-in goods	-	-
Change in inventories of bought-in goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other purchases and external charges *	691,240	401,495
Duties and taxes other than income tax	53,945	17,113
Wages and salaries	181,587	143,757
Social security contributions	99,083	82,400
Depreciation, amortization, impairment and charges to provisions:		
On non-current assets: depreciation and amortization	35,011	32,174
On non-current assets: impairment	139	139
On current assets: impairment	10,046	2,492
For contingencies and losses: charges to provisions	7,996	7,727
Other expenses	106,614	102,065
TOTAL (II)	1,185,661	789,362
1. OPERATING LOSS (I – II)	90,595	(171,098)
Joint venture operations	2,935	1,784
Profits transferred in or losses transferred out (III)	2,935	1,784
Profits transferred out or losses transferred in (IV)	-	-
* Of which		
Equipment finance lease installments	-	-
Real estate finance lease installments	-	-
(1) Of which income relating to prior periods	-	-
(2) Of which expenses relating to prior periods	-	-

(€ thousand)	2022	2021
Financial income		
Financial income from equity investments (3)	1,751,602	886,059
Financial income from other securities and long-term receivables (3)	8,182	3,456
Other interest and similar income (3)	684,245	186,714
Write-back of provisions for financial items, impairment and expense reclassifications	544,132	819,681
Foreign exchange gains	2,156,372	784,888
Net proceeds from sales of marketable securities	2,181	59
TOTAL (V)	5,146,714	2,680,857
Financial expenses		
Amortization, impairment and charges to provisions	237,363	26,932
Interest and similar expenses (4)	1,586,817	497,389
Foreign exchange losses	2,163,815	785,626
Net expenses on sales of marketable securities	17,500	5,915
TOTAL (VI)	4,005,495	1,315,862
2. NET FINANCIAL INCOME (V-VI)	1,141,219	1,364,995
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	1,234,749	1,195,680
Exceptional income		
Exceptional income from non-capital transactions	2	3
Exceptional income from capital transactions	146,024	2,877
Write-back of provisions for financial items, impairment and expense reclassifications	13,324	11,761
TOTAL (VII)	159,350	14,641
Exceptional expenses		
Exceptional expenses on non-capital transactions	11,882	52
Exceptional expenses on capital transactions	287,261	10,031
Amortization, impairment and charges to provisions for financial items	825	11,549
TOTAL (VIII)	299,968	21,632
4. NET EXCEPTIONAL ITEMS (VII-VIII)	(140,618)	(6,991)
STATUTORY EMPLOYEE PROFIT-SHARING (IX)	75	-
INCOME TAX EXPENSE (X)	206,431	60,140
TOTAL INCOME (I+III+V+VII)	6,585,255	3,315,546
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	5,284,768	2,066,716
NET INCOME/(LOSS)	1,300,487	1,248,830
(3) Of which income from related parties	2,024,785	927,580
(4) Of which interest charged by related parties	245,259	19,829

Appendix 1.4

Off-balance sheet commitments of the Absorbed Company as of December 31, 2022

OFF-BALANCE SHEET COMMITMENTS

COMMITMENTS GIVEN:

Financial commitments given

Vigie Groupe enters into derivative instruments to reduce its exposure to interest and foreign exchange rate volatility or to secure the value of certain financial assets.

Foreign exchange risk

Firm sales contracts

In thousands of euros	Fixed commitments as of Dec. 31, 2022				Fair value	Fixed commitments as of Dec. 31, 2021
	Less than one year	One to five years	Six to ten years	Over ten years		
AUD	161 396,2	-	-	-	8,0	262 201,3
CHF	18 954,8	-	-	-	-	36 300,9
COP	2 264,1	-	-	-	(27,6)	-
CLP	3 306,4	-	-	-	-	6 201,4
CNY	-	-	-	-	-	1 758,0
CZK	26 953,1	-	-	-	-	62 354,2
DKK	-	-	-	-	-	786,7
GBP	19 824,6	171 315,4	-	-	314,7	183 799,6
HKD	1 047 191,4	-	-	-	-	1 207 086,4
HRK	3 596,4	-	-	-	-	13 841,9
IDR	-	-	-	-	0,0	465,8
MAD	11 308,3	-	-	-	-	31 348,2
MXN	3 142,5	-	-	-	0,1	7 598,7
PLN	-	-	-	-	0,0	3 086,1
QAR	-	-	-	-	0,0	9 240,2
RON	11 074,4	-	-	-	-	47 364,5
SEK	-	-	-	-	0,0	-
SGD	2 100,8	-	-	-	-	4 244,4
THB	13 249,1	-	-	-	(1,7)	31 693,6
TRY	268,2	-	-	-	-	655,6
USD	95 052,2	-	-	-	654,4	189 010,6
ZAR	-	-	-	-	0,0	1 665,6
TOTAL IN EUROS	1 419 682,4	171 315,4	-	-	947,8	2 100 703,5

Firm purchase contracts

In thousands of euros	Fixed commitments as of Dec. 31, 2022				Fair value	Fixed commitments as of Dec. 31, 2021
	Less than one year	One to five years	Six to ten years	Over ten years		
AUD	425 389,7	-	-	-	(984,1)	320 525,1
CHF	18 954,8	-	-	-	-	36 300,9
COP	-	-	-	-	-	-
CLP	3 306,4	-	-	-	-	6 201,4
CNY	-	-	-	-	-	1 758,0
CZK	-	-	-	-	-	2 011,4
GBP	21 375,7	-	-	-	(71,4)	22 870,1
HKD	4 128,6	-	-	-	-	5 397,9
HRK	3 596,4	-	-	-	-	13 841,9
IDR	-	-	-	-	-	465,8
MAD	-	-	-	-	-	19 342,6
MXN	5 946,5	-	-	-	(150,1)	1 940,4
PLN	-	-	-	-	-	8 120,9
QAR	-	-	-	-	-	9 240,2
RON	11 074,4	-	-	-	-	47 364,5
SGD	2 100,8	-	-	-	-	1 994,3
USD	57 595,2	-	-	-	(118,6)	227 213,8
ZAR	-	-	-	-	0,0	1 665,6
TOTAL EN EUROS	553 468,4	-	-	-	(1 324,3)	726 254,8

Other financial commitments given

In thousands of euros	As of Dec. 31, 2022	2023	Maturing in 2024 to 2026	2027 and beyond
FINANCING COMMITMENTS				
Securities, endorsements and guarantees given to subsidiaries	688,917.9	155,953.3	189,079.0	343,885.6
TOTAL	688,917.9	155,955.3	189,079.0	343,885.6

Other non-financial commitments given

	As of Dec. 31, 2022
In thousands of euros	
Operating lease commitments (1)	
Commitments regarding pensions and retirement	6,190.9
TOTAL	6,190.9

	As of Dec. 31, 2022	2023	Maturing 2024 to 2026	2027 and beyond
In metric tons				
Commodity instruments (diesel)	1,224.0	1,224.0		-
TOTAL	1,224.0	1,224.0	-	-

TOTAL COMMITMENTS GIVEN: € 2,839,574,931.5

COMMITMENTS RECEIVED:

None