VEOLIA ENVIRONNEMENT
Société anonyme with a share capital of €2,836,332,695
Registered office: 21 rue La Boétie – 75008 Paris
403 210 032 RCS PARIS

QUARTERLY FINANCIAL INFORMATION

Consolidated Financial Statements for the three months ended March 31, 2020

Unaudited

Contents

1 Major events of the period

1.1 GENERAL CONTEXT AND COVID HEALTH CRISIS

In response to the public health crisis that the world has been facing for several weeks now, the Group – as a provider of essential services and a partner of cities and businesses – is fully mobilized to ensure the continuity of services while protecting the health of its employees, the Group's two overriding priorities.

Thanks to the commitment, courage and exemplary dedication of our teams working on the ground, the Group is able to provide communities with essential services on a daily basis.

It has also put in place business continuity plans, tailored to each country, that primarily aim to maintain the production and delivery of drinking water and the treatment of wastewater; waste collection and waste treatment activities; and energy management businesses, both in its heating networks and at industrial and tertiary sites that are continuing to operate.

To ensure the continuity of service while complying with containment measures, the Group has adjusted its organization and the way it works. Remote working arrangements are now in place for all tasks that can be done remotely using digital tools. Where work cannot be done remotely, the Group has organized staff rotations and back-up teams. Since the start of the coronavirus epidemic, i.e. since January in Asia, Veolia has taken steps to adjust the way it works in line with public health requirements.

Until March 12, the Group's activities outside Asia were not affected by the crisis.

Since then, the introduction of public health measures as the epidemic spread to the Group's other geographic regions has affected Veolia's activities to varying degrees.

Almost all of the Group's facilities remain open, although the impact on volumes varies between business lines:

- Essential municipal services such as drinking water, waste water, collection and treatment of municipal waste and district heating as well as energy services in hospitals are little impacted with a drop of about 5% of their usual volumes;
- Hazardous waste activities are moderately impacted with for example in Europe a utilisation rate of our incinerators in the order of 75%;
- On the other hand, the industrial and commercial waste activity is in sharp decline as a result of the compulsory closure of a large number of companies and tertiary activity centers such as shopping centers. The services on industrial sites and to buildings are also penalized when these sites are closed.
- Lastly, our work activities in France have been practically at a standstill for several weeks, and have slowed down outside of France to a varying degree depending on the regions.

This rapid deterioration in the situation has prompted the Group to adopt measures in all of its operations to minimize the effect of the crisis on its employees, to reduce its impacts on earnings and to make early preparations for the post-crisis recovery.

As such, the Group's two priorities since mid April are:
(i) to be able to ensure the gradual return of all our employees to onsite work with the generalisation of very strict health and safety measures including the wearing of masks, taking temperatures, the disinfection of our different sites and offices as well as medical tests for all of our employees and
(ii) to return to a normal level of activity as rapidly as possible for our activities the most affected by the crisis (works, industrial activities, etc.). Since the end of April, there have been signs of improvement in certain of our impacted activities with increasing activity rates (for example works in France, hazardous waste plants in Europe and in China (improvements since March in this region)).

The Group has also put in place a "Recover and Adapt" plan to address the challenges and opportunities of the post-COVID rebound, the main measures of which are:

- An additional cost savings program of €200 million: several projects focused on the reduction of our non-committed discretionary expenses are in progress such as (i) reduction of general expenses, (ii) reduction of purchases including subcontracting (iii) optimization and delay of maintenance costs where possible (iv) reduction of personnel costs, for example by furloughing and the reduction of temporary workers

- the 2020 investment program will be reduced by €500 million, with an increased selectivity, while preparing the Group for a post-crisis rebound; thus the investment program will pass from €2.5 billion to €2.0 billion representing a reduction of 20%: delay or cancellation of maintenance investments when possible giving priority to maintaining our discretionary investments;
- Finally, the development of new commercial offers for example disinfection, treatment of medical waste, digital offers or air quality.

Given the rapid development of the pandemic and the impact on its activities, the Group has implemented even stricter monitoring of cash management and in particular of investments and working capital requirements (see below).

The Group also benefits from a very solid financial position: it thus has cash of €5.4 billion as well as €4.2 billion of undrawn and available bilateral credit lines with a total cash position at March 31, 2020 of €9.6 billion (see below).

Overall, the activity in the first quarter was marked by the first impacts of COVID on the Group's operations, notably in China starting in January, then in Europe and in other regions starting in the second half of March, gradually and as a function of the local developments of the pandemic.

In this context, the first quarter of 2020 was marked by:

- Revenue of €6,675 million, -1.6% at current exchange rates and -0.5% at constant scope and exchange rates. Excluding the COVID impact, revenue growth was +2.3% (1) at constant scope and exchange rates.
- An EBITDA of €970 million down -5.9% at current exchange rates and -2.9% at constant scope and exchange rates. Excluding the COVID impact, the growth in EBITDA was +4.8% (1) at constant scope and exchange rates.
- Current EBIT of €392 million, down 18.9% at current exchange rates and by -13.3% (1) at constant scope and exchange rates. Excluding the COVID impact, current EBIT growth was +4.7% (1) at constant scope and exchange rates.
- Current net income attributable to owners of the company of €121 million, -41.9% at constant exchange rates; adjusted for variations in capital gains, the result is -38.1% in current and -29.3% at constant scope and exchange rates. Excluding the COVID impact the net current income excluding capital gains increased by 3.9% at constant scope and exchange rates.
- Net financial debt of €11,531 million.

The COVID impacts are detailed in section 2.1 Key figures below.

Update on the Group's liquidity

Faced with an unprecedented crisis, Veolia immediately made monitoring of liquidity a priority. This includes the daily monitoring of changes in cash and the weekly five weeks forecasts by Business Unit, monitoring of the Finance Back Office operations (invoicing, collection, payments, suppliers), and a daily update of the financial market situation at the Group level.

The Group thus pursues a prudent and resilient financing policy, centralized cash is mainly placed in liquid monetary assets, qualifying as monetary equivalents according to the IAS7 standard: these are monetary UCITS or liquid bank deposits.

The Group's liquidity situation on March 31, 2020 is solid and mainly consists of the following:

- €3.5 billion in centralized cash.
- €1.9 billion of cash available in the Business Units
- Undrawn and available credit lines and bilateral credit lines of €4.2 billion

The Group also issued a €700 million bond on April 7 2020 (see below).

(1) Estimated COVID impacts of -€192 million on revenues, -€80 million on EBITDA and -€87 million on current EBIT at March 31, 2020.

1.2 CHANGES IN GROUP STRUCTURE

COMMERCIAL DEVELOPMENTS AND ACQUISITIONS

In Q1 2020, the commercial development of the Group's traditional businesses was marked by:

- In Municipal Water - in France - the renewal of several contracts in the Côte d'Azur and Pays de Montbéliard regions, as well as a drinking water contract win from the Auray - Quiberon joint district authority. Furthermore, in Industrial Water, the Group renewed an HPC contract in Korea for 20 years (estimated revenue of €645 million over the 20-year period).
- In heat, cold and electricity production activities (local loops of energy), the integration of Kedong Heating and Ybing reinforcing our presence in China.

SIGNIFICANT ACQUISITIONS

- Alcoa (United States)

  Announced on December 20, 2019, the Group acquired, via its subsidiary Veolia North America, the hazardous waste processing site of Alcoa USA Corporation for €225 million [(1)] in Q1 2020.
- Torrepet (Spain)

  In Q1 2020, the Group acquired Torrepet, specializing in plastic recycling. The acquisition price was €19 million [(1)].

(1) including shares and net financial debt of newly consolidated companies

SIGNIFICANT DIVESTITURES

- Foshan Medical (China)

  Veolia Environmental Services China Ltd sold the medical activities of Foshan for €13.9 million, thus completing its withdrawal from this company, whose treatment business (landfill) was sold in 2019. This withdrawal generated a capital gain of +€7.8 million.

1.3 GROUP FINANCING

In Q1 2020, the Group actively managed its debt benefiting from market conditions, including refinancing transactions leading to a stable maturity of gross debt.

CHANGE IN BONDS

On January 8, 2020, Veolia issued a €500 million bond, with a January 2031 maturity. This bond bears a coupon of 0.664% and was issued at par. The oversubscription ratio was close to 5, which enabled Veolia to materially improve the issuing rate and achieve a final pricing which was better than the secondary market.

On April 7, 2020, in a context where financial markets, and especially credit markets, experienced high volatility, Veolia took advantage of a constructive market window to issue a €700 million bond with an April 2028 maturity This bond bears a coupon of 1.25% and was issued at par. The transaction quickly generated strong interest from numerous investors and an order book of €5.8 billion enabled Veolia to materially improve the issuing rate and achieve a final pricing which was very close to the secondary market.

The proceeds of these two issues will be used for general financing purposes, and particularly in anticipation of bond repayments at the end of 2020.

CONFIRMATION OF THE CREDIT OUTLOOK

On February 6, 2020, Moody's confirmed Veolia Environnement's credit rating at P-2/Baa1 with a stable outlook.

On March 27, 2020, S&P confirmed the Group's rating at A-2/BBB with a stable outlook.

DIVIDEND PAYMENT POST COVID

The Combined Shareholders' Meeting of April 22, 2020 agreed to pay a dividend of €0.50 per share for fiscal year 2019. The Board of Directors - given the exceptional circumstances related to COVID and in order to protect the interests of all the Group's stakeholders in a spirit of solidarity – decided on April 1, 2020 to half the dividend for fiscal year 2019 initially proposed at €1.00. The dividend therefore amounted to €277 million to be paid from May 14, 2020.

PERFORMANCE SHARE PLAN

Considering the exceptional circumstances and the recommendation of the Compensation Committee, the Board of Directors has decided that with regard to the 2021 remuneration policy, it will revise the conditions for all beneficiaries of the 2018 performance share allocation plan implemented on May 2, 2018 (expiration date 2021) and relative to the 2018, 2019, and 2020 fiscal years.

This Plan provided, as a performance condition, for an average growth in current net income attributable to owners of the Company per share of 10% per year (for the acquisition of all performance shares granted) recorded at the end of plan expected in 2021, based on the 2017 financial statements and compared with the results of the 2018, 2019 and 2020 fiscal years. If this average growth is less than 5%, no performance shares will vest. Shares vest on a proportional basis between 5% and 10%.

The Board of Directors decided to modify this performance objective by maintaining it for only the 2018 and 2019 fiscal years with respect to the reference period and by reducing the initial number of performance shares granted by a third in order to take into account the "neutralization" of the 2020 fiscal year. The Plan's expiry date remains unchanged (May 2, 2021).

1.4 CHANGES IN GOVERNANCE

As part of the annual renewal of the Board of Directors, the Board of Directors' meeting of April 22, 2020 formally noted the expiration of the terms of office of four Directors (Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier) at the end of the Shareholders' Meeting of April 22, 2020.

At the recommendation of the Nominations Committee, the Board of Directors decided on March 5, 2020 to propose at the Combined General Meeting of April 22, 2020 the renewal of the mandate of Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mrs. Nathalie Rachou and Mr. Guillaume Texier for a period of four years expiring at the end of the 2024 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

The Combined Shareholders' Meeting of Veolia Environnement was held on April 22, 2020 at the Company's administrative headquarters under the chairmanship of Company Chairman and Chief Executive Officer, Mr. Antoine Frérot, without the physical presence of the shareholders due to the COVID-19 epidemic health measures imposed and pursuant to the emergency measures adopted by the French government. It approved all the submitted resolutions.

In particular, shareholders renewed the terms of office as Director of Mrs. Isabelle Courville and Mrs. Nathalie Rachou and Messrs. Jacques Aschenbroich and Guillaume Texier for a four-year period expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2023.

Furthermore, shareholders:

- approved the Company and consolidated financial statements for fiscal year 2019;

- set the cash dividend for fiscal year 2019 at €0.50 per share. The shares will be ex-dividend on May 12, 2020 and the dividend will be paid from May 14, 2020;

- approved the fixed and variable items of total compensation and benefits of all kind paid or awarded to Mr. Antoine Frérot by virtue of his mandate as Chairman and Chief Executive Officer, with respect to fiscal year 2019;

- approved the information relating to the 2019 directors' fees (excluding the Chairman and Chief Executive Officer);

- approved the Chairman and Chief Executive Officer's compensation policy in respect of fiscal year 2020;

- approved the directors' fees policy (excluding the Chairman and Chief Executive Officer) in respect of fiscal year 2020;

- renewed all financial authorizations granted to the Board of Directors;

- authorized the Board of Directors to grant performance shares to corporate officers and employees of the Group and the Company;

- approved the harmonization of the Articles of Association of the Company with new legal and regulatory provisions in force.

After this Combined Shareholders' Meeting, the composition of the Veolia Environnement Board of Directors remained unchanged and is made up of thirteen directors, including two directors representing employees and five women (45.45%)(1):

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;

- Mr. Louis Schweitzer, Vice-Chairman;

- Mrs. Maryse Aulagnon, Senior Independent Director;

- Mr. Jacques Aschenbroich;

- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;

- Mrs. Isabelle Courville;

- Mrs. Clara Gaymard;

- Mrs. Marion Guillou;

- Mrs. Nathalie Rachou;

- Mr. Paolo Scaroni;

- Mr. Guillaume Texier;

- Mr. Pavel Páša, Director representing employees;

- Mr. Franck Le Roux, Director representing employees;

The four Board Committees also remain unchanged and are comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mr. Jacques Aschenbroich, Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees) and Mr. Guillaume Texier.

- Nominations Committee: Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon and Mrs Isabelle Courville.

- Compensation Committee: Mrs. Maryse Aulagnon (Chairman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer.

- Research, Innovation and Sustainable Development Committee: Mr. Jacques Aschenbroich (Chairman), Mrs. Isabelle Courville, Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

(1) Excluding Directors representing employees in accordance with Article L. 225-27-1 of the French Commercial Code (*Code de commerce*).

2 Accounting and financial information

2.1 KEY FIGURES

(in € million)	*Three months ended March 31, 2019*	***Three months ended March 31, 2020***	*Change 2019 / 2020* *Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Revenue	6,785	6,675	-1.6%	-1.3%	-0.5%
EBITDA	1,031	970	-5.9%	-5.3%	-2.9%
EBITDA margin	15.2%	14.5%			
Current EBIT [(1)]	484	392	-18.9%	-18.0%	-13.3%
Current net income – Group share	209	121	-41.9%	-40.2%	-33.9%
Current net income – Group share, excluding capital gains and losses on financial divestitures net of tax	189	117	-38.1%	-36.3%	-29.3%
Net industrial investments	(506)	(458)			
Net free cash flow [(2)]	(525)	(595)			
Net financial debt	11,962	11,531			

(1) Including the share of current net income of joint ventures and associates viewed as core Company activities.
(2) The indicators are defined in Section 3.10.3 of the 2019 Universal Registration Document.

The main foreign exchange impacts were as follows:

FX impacts for the three months ended March 31, 2020 (vs March 31, 2019)	%	(in € million)
Revenue	-0.4%	(26)
EBITDA	-0.6%	(7)
Current EBIT	-0.9%	(4)
Current net income - Group Share	-1.7%	(4)
Net financial debt	0.4%	51

COVID19 estimated impacts for the three months ended March 31, 2020 (vs March 31, 2019)	(in € million)
Revenue	(192)
EBITDA	(80)
Current EBIT	(87)
Current net income - Group Share	(63)

The impacts estimated in the table above correspond to the direct impacts of specific adaptation measures implemented and the indirect impacts of the current sanitary crisis (for example: lower volumes of activity, margin reductions, under utilization…) as measured by all the Business Units of the Group and as part of their quarterly performance analysis assessment.

GROUP CONSOLIDATED REVENUE

Consolidated Group revenue amounted to €6,675 million at March 31, 2020, an increase of -1.3% at constant exchange rates and -0.5 % at constant scope and exchange rates compared to March 31, 2019. Excluding COVID impact, Revenue was up +2.3% at constant scope and exchange rates.

By segment, this change in revenue compared with the three months ended March 31, 2019 breaks down as follows:

			Change 2019 / 2020		
(in € million)	*Three months ended March 31, 2019*	***Three months ended March 31, 2020***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	1,346.9	1,305.2	-3.1%	-3.1%	-3.1%
Europe excluding France	2,571.8	2,590.3	0.7%	1.1%	0.5%
Rest of the world	1,757.9	1,709.9	-2.7%	-1.8%	2.2%
Global businesses	1,101.9	1,063.6	-3.5%	-3.6%	-4.1%
Other	6.7	5.6	-16.4%	-	-
Group	**6,785.3**	**6,674.6**	**-1.6%**	**-1.3%**	**-0.5%**

The impact of the health crisis linked to COVID-19 is estimated at -192 million euros (or -2.8% of turnover at March 31, 2020)

- Revenue decreased -3.1% in **France** at constant scope compared with the three months ended March 31, 2019; Water revenue declined -2.6% and Waste revenue dropped -3.7% at constant scope.
  - Water revenue decreased -2.6% year-on-year, with a significant slowdown in construction activity (virtual stoppage in the second half of March). Volumes are almost stable in Q1 (-0.1% decline compared with a +1.1% increase in Q1 2019), with a decline accentuated in March due to the lockdown (-1.0%), and higher tariff indexation in 2020 +1.5% (compared with +1.2% in Q1 2019)
  - Waste revenue in Q1 2020 declined -3.7% at constant scope year-on-year: the negative COVID impact on industrial collection in March and the decline in price of recycled materials (-€32 million, including -€25 million in paper) over the quarter were partially offset by the increase in incineration activity and the rise in landfill activity which benefited from greater volumes (+3%, in spite of the decrease of -24% in March) and higher tariffs.

- **Europe excluding France** grew 1.1% at constant exchange rates compared with Q1 2019, with solid momentum in the majority of regions:
  - In the United Kingdom / Ireland, revenue increased +5.4% at constant exchange rates to €590.7 million, thanks to increased waste volumes treated (landfill +17%, incinerators +2%) which offset recycled materials revenue that was heavily impacted by the fall in the price of paper (between -60% and -90% depending on the quality).
  - In Central and Eastern Europe, revenue increased +2.2% at constant exchange rates to €1,006.3 million compared with Q1 2019 and +3.7% excluding the negative climate impact of -€14.9 million. Growth was primarily driven by:

- in Energy (+1.5% at constant exchange rates), higher tariffs;
- in Water, higher tariffs in the Czech Republic (annual indexation), Bulgaria and Armenia, and slight increase in volume +1.5% in Q1 in the region, in spite of a negative -2.6% in Czech Republic due to the decrease of tourism in Prague.

▪ In Northern Europe, revenue declined -3.1% at constant exchange rates compared with Q1 2019 to €693.5 million. The decline was mainly a result of:

- Dwindling industrial activity in Sweden (closure of Volvo sites due to COVID 19) and the Netherlands (decrease of activities in Energy) as well as a fall in recycling activity across the region.
- Revenue erosion in Germany (the main contributor: €489 million in Q1 2020, -1.0%). In the Waste business, the rise in industrial collection and service volumes and higher tariffs could not offset the substantial slump in the price of paper (-47%).

○ Decline in the **Rest of the world** of -1.8% at constant exchange rates compared with Q1 2019, and +2.2% at constant FX and scope :

▪ Revenue in Asia sharply increased by +6.9% at constant exchange rates, mainly due to continued strong growth in China, Hong Kong and Taiwan, where revenue increased +6.6% at constant exchange rates to €297 million, driven:

- in Hong Kong, by the integration of Southa activities (energy services for buildings, +€15 million) and the construction of an extension at the Greenvalley site (+€6 million);
- in China, by the impact of acquisitions in 2019 in Energy (Yibin and Kedong Heating), network extensions and the higher heating tariffs of the Harbin network that offset the fall in volumes in waste;
- in Taiwan, by new commercial contracts that offset the decline in volumes.

▪ In Japan (+10.1%), there was a rise in Municipal Water revenue due to the organic growth of O&M activities, and a sharp increase in industrial EPC activity generated by the Lithium (+€8 million) and Hiroshima EPC projects.

▪ Revenue in North America increased +0.6% at constant scope and exchange rates (scope impact of €115.9 on 31 March, 2019 due to the divestiture of TNAI in the USA) to €439 million, fueled by the ramp-up in hazardous waste activity and positive price impacts in Municipal Water.

▪ The Pacific zone recorded +1.6% growth at constant exchange rates in Q1 2020, boosted by an increase in industrial services and hazardous waste activity and a rise in landfill taxes that offset the decline in waste volumes.

▪ Strong revenue growth in Latin America (+12.3% at constant exchange rates), driven by tariff increases in Argentina (tied to inflation), the start-up of new contracts in Peru and scope impacts (Stericycle in Chile, Gadere in Ecuador and Panachi in Colombia - impact of €10 million).

▪ In Africa/Middle East, revenue rose +6.0% at constant exchange rates due to the integration of DCLM activities in South Africa acquired in Q3 2019.

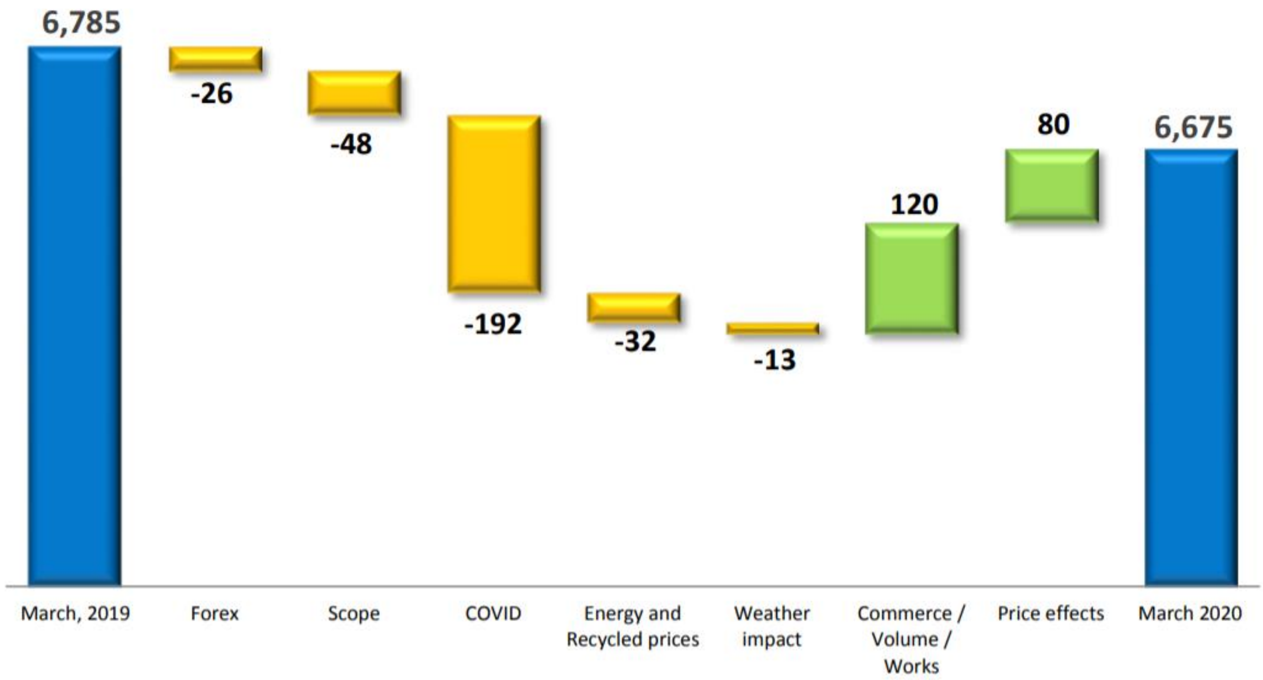
○ **Global businesses:** revenue decreased -3.6% at constant exchange rates versus Q1 2019:

▪ Hazardous Waste reported resilient revenue in Europe with a slight decrease of -1.1% at constant exchange rates, thanks to solid incineration activity, with volume evolution varying among sectors: pharma, food, chemical proving more resilient (less impact from the sanitary crisis), and positive commercial impacts that offset the decrease in storage facility volumes and decontamination heavily impacted by the shutdown of construction and public works sites;

▪ Veolia Water Technologies revenue increased by +10.4% at constant exchange rates compared with Q1 2019, with the positive impact of desalination projects won in 2019 (Al Dur II, Um Al Quwain and Rabigh 3) and the growth of technological and services activity relating to project start-ups in the United States (HPD) and Egypt (Bahr al Bakar).

These improvements offset the sharp decline in construction activities at SADE (-13.5%), whose business was heavily impacted by the lockdown measures.

The increase in revenue between 2019 and 2020 breaks down **by main impact** as follows:



The **foreign exchange impact** totaled -€26 million (-0.4% of revenue) and mainly reflects fluctuations in the US dollar (+€12 million), the Argentine peso (-€14 million), the Australian dollar (-€13 million), the Hungarian forint (-€7 million) and the Brazilian real (-€5 million).

The **consolidation scope impact** of -€48 million mainly reflects:

- operations in 2019: sale of heating networks in the United States (-€116 million), acquisition of Southa in Hong Kong (+€15 million), sludge treatment assets in Germany (+€9 million), and Stericycle hazardous waste activities in Chile (+€6 million);
- operations in 2020, including the acquisition of Torrepet in Spain for €6.0 million and Alcoa assets (hazardous waste) in the United States for +€3.5 million.

Energy and recyclate prices impact of -€32 million of which +€30 million energy price increases mostly in Central and Eastern Europe, offset by -€62 million impact of recycled material prices decrease.

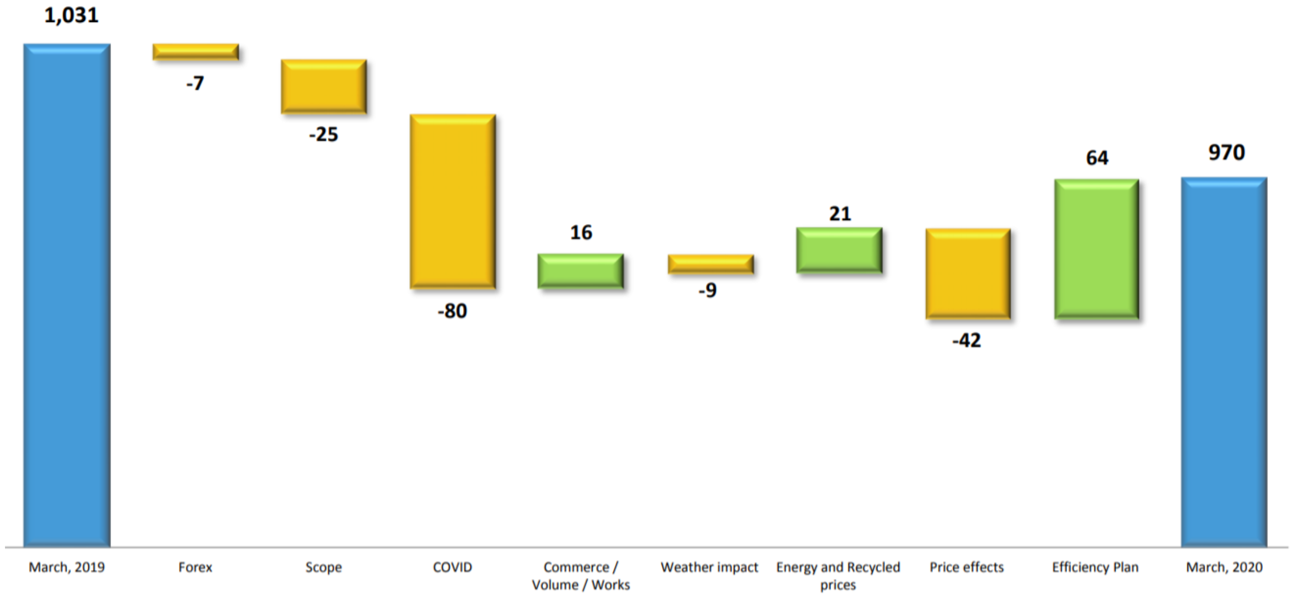
Commerce effect (Volume and Works) was +€120 million (excluding Covid impact)

Favorable **Price increases** (+€80 million) mostly due to positive water tariff indexations in France (+1.5%), and in Central and Eastern Europe as well as improvements in waste tariffs (+2.4%) in France, the United Kingdom, Northern Europe and Latin America.

EBITDA

Group consolidated EBITDA for the three months ended March 31, 2020 was €970 million, down -5.9% at current exchange rates compared to the three months ended March 31, 2019, and -2.9% at constant scope and exchange rates. Excluding COVID impact EBITDA was up +4.8% at constant scope and exchange rates.

The increase in EBITDA between 2019 and 2020 breaks down **by impact** as follows:



The foreign exchange impact on EBITDA was -€6.5 million. It mainly reflects fluctuations in the U.S. dollar (+€1.0 million), the Argentine peso (-€2.6 million), the Australian dollar (-€1.3 million), the Colombian peso (-€1.1 million), the Hungarian forint (-€1.0 million) and the Japanese yen (-€0.6 million).

The consolidation scope impact of -€25 million mainly reflects operations completed in 2019: the divestiture of heating network activities in the United States (-€29 million), the acquisition of Stericycle activities in Chile (+€1.2 million) as well as the Yibin and Kedong heating networks in China (+€1.5 million), but also some developments in 2020, including the integration of Torrepet assets in Spain (+€1.2 million).

Commerce and volume impacts of -€64 million (+€16 million excluding COVID) mostly due to COVID which was partially offset by good waste volumes (+8%).

Weather impact of -€9 million (-€24 million at March 31, 2019) notably due to unfavourable weather conditions in Central and Eastern Europe and in Asia.

Energy and recycled material prices had a positive impact on EBITDA and represent a marked improvement compared to 2019: +€21 million (versus -€8 million at March 31, 2019) including +€36 million in energy and -€15 million in recyclates, with a significant increase in the price of energy sold in Central and Eastern Europe (+36 million euros mainly in Poland with rising heating prices) partially offset by -10 million euros in Italy resulting from the drop in the price of gas (-18%) and electricity (-12%) in connection with the health crisis.

The impact of **prices net of inflation** is -€42 million.

Cost savings plans contributed +€64 million. These savings mainly concern operating efficiency (55%) and purchasing (34%) and were achieved across all geographic zones: France (29%), Europe excluding France (35%), Rest of the world (25%), Global businesses (10%) and Corporate (1%).

COST SAVINGS PLAN

EBITDA impact *(in € million)*	2020 objective	Actual March 2020
Gross cost savings	**At least 250**	**64**

CURRENT EBIT

Group consolidated current EBIT for the three months ended March 31, 2020 was €392.3 million, down -18.9% at current exchange rates and -13.3% at constant scope and exchange rates compared to the three months ended March 31, 2019. Excluding COVID 19 impact, current EBIT was up +4.7% at constant scope and exchange rates.

EBITDA reconciles with Current EBIT for the three months ended March 31, 2020 and March 31, 2019 as follows:

(in € million)	*Three months ended March 31, 2019*	***Three months ended March 31, 2020***
EBITDA	**1,030.8**	**969.5**
Renewal expenses	(68.0)	(60.9)
Depreciation and amortization (*)	(515.8)	(535.4)
Provisions, fair value adjustments & other	13.8	3.0
Share of current net income of joint ventures and associates	22.9	16.1
Current EBIT	**483.7**	**392.3**

(*) Including principal payments on operating financial assets (OFA) of -€43 million for the three months ended March 31, 2020 (compared with -€23 million for the three months ended March 31, 2019.)

The decline in Current EBIT at constant exchange rates reflects:

- a decrease in EBITDA;
- depreciation and amortization of €492 million;
- a decrease in the contribution of associates, especially in China (-€7 million) relating to the Coronavirus crisis in the opening months of the year.

The foreign exchange impact on Current EBIT was -€4.3 million and mainly reflects fluctuations in the Argentine peso (-€2.0 million), the Japanese yen (+€0,3 million) and Hungarian forint (-€0.7 million) and the Colombian peso (-€0.5 million).

NET FINANCIAL INCOME

The cost of net financial debt totaled -€112 million for the three months ended March 31, 2020, compared with -€113 million on March 31, 2019 due to:

- savings relating to bond repayments and the repayment of the USD loan following the sale of energy assets in the United States in 2019;
- offset by a lower investment return, a widening of the differential between the euro and the Hong Kong dollar and Indian rupee and the costs of refinancing Panda bonds maturing at the end of 2019.

The financing rate was therefore 4.65% in Q1 2020, compared with 4.51% in Q1 2019.

Other financial income and expenses totaled -€43.2 million for the three months ended March 31, 2020, compared with -€40.4 million for the three months ended March 31, 2019.

These expenses include interest on concession liabilities (IFRIC 12) of -€20.3 million, interest on right-of-use (IFRS 16) of -€9.1 million and the unwinding of discounts on provisions of -€5.3 million.

Gains on financial divestitures recognized in Q1 2020 totaled €4.0 million, compared with €18.3 million period-on-period and include the capital gain on the sale of Foshan medical activities in China for €7.8 million, whose landfill operation had already been sold in Q1 2019.

CURRENT INCOME TAX EXPENSE

The current income tax expense for the three months ended March 31, 2020 amounted to -€61.9 million, compared with -€77.8 million period-on-period.

The current tax rate for the three months ended March 31, 2020 increased to 27.5% (versus 23.9% in Q1 2019).

CURRENT NET INCOME

Current net income attributable to owners of the Company was €121.5 million for the three months ended March 31, 2020, compared with €209.1 million period-on-period. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company decreased by €68.8 million at constant exchange rates to €117.3 million, from €189.4 million in Q1 2019, due to the negative impact of COVID 19 on the Group's March 31, 2020 financial statements.

FINANCING

Net free cash flow was -€594.5 million for the three months ended March 31, 2020, compared with -€524.8 million in Q1 2019.

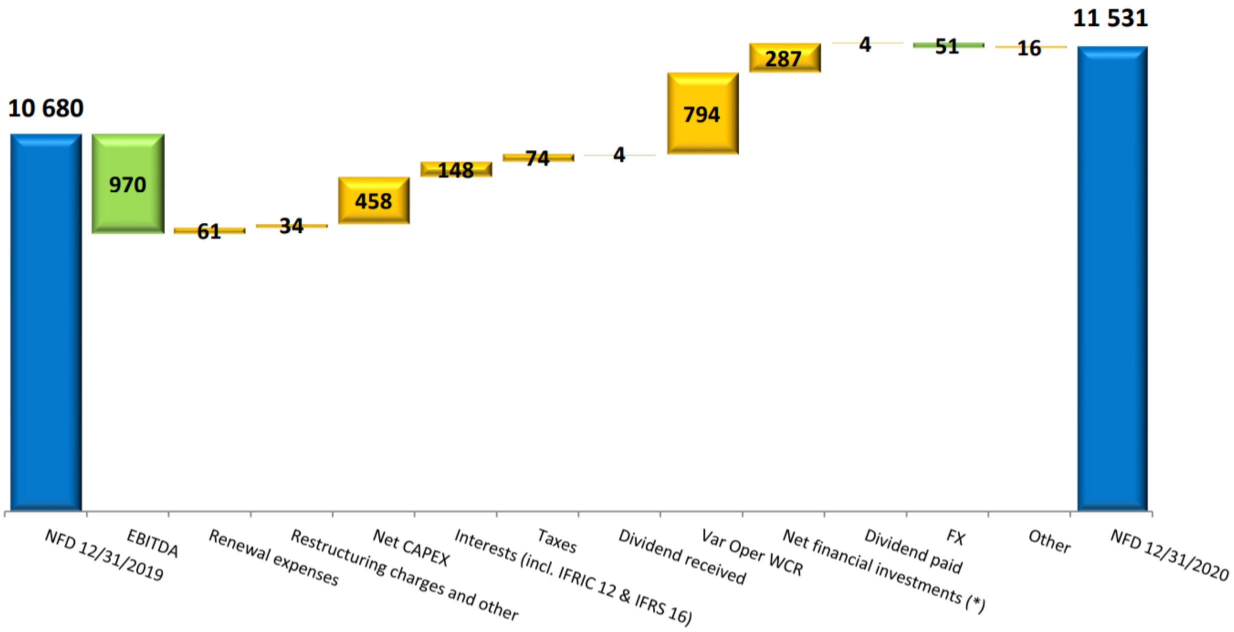
The change in net free cash flow for the three months ended March 31, 2020 reflects:

- a decline in EBITDA
- lower net industrial investments, down -9.5% compared with Q1 2019 (€458 million) and including:
    - maintenance investments of €211 million (3.2% of revenue)
    - growth investments in the current portfolio of €179 million (€146 million in Q1 2019)
    - discretionary investments of €68 million, down €20 million compared with Q1 2019.
- a seasonal deterioration of the change in operating working capital of -€794 million, compared with -€758 million in Q1 2019.

Overall, **net financial debt** amounted to €11,531 million, compared with €11,962 million as of March 31, 2019.

In addition to the change in net free cash flow, net financial debt comprises financial investments (including acquisition costs and the net financial debt of new entities) of €287 million

Net financial debt was also impacted by positive exchange rate fluctuations of €51 million as of March 31, 2020 compared with December 31, 2019, primarily in the Australian dollar (€30 million), the pound sterling (€18 million), the Chinese renminbi (€14 million) and the Czech crown (€12 million) that offset the substantial depreciation of the US dollar (-€27 million).



(1) Financial investments of -€289 million net of financial divestitures of €2 million

2.2 REVENUE BY BUSINESS

(in € million)	*Three months ended March 31, 2019*	***Three months ended March 31, 2020***	*Change 2019 / 2020*		
			Δ	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water, of which	2,636.9	2,645.3	0.3%	0.0%	-0.4%
Water Operations	*2,005.1*	*2,023.9*	*0.9%*	*0.6%*	*0.1%*
Technology and Construction	*631.9*	*621.4*	*-1.6%*	*-1.7%*	*-2.1%*
Waste	2,455.2	2,469.9	0.6%	1.6%	0.2%
Energy	1,693.2	1,559.3	-7.9%	-7.3%	-1.8%
Group	**6,785.3**	**6,674.5**	**-1.6%**	**-1.3%**	**-0.5%**

WATER

Water Operations revenue increased by 0.6% at constant exchange rates compared to March 31, 2019. This evolution can be explained by :

- An estimated COVID impact of -€32 million (-1.5% of revenue).
- In France : revenues down -2.6% due to the halt of construction activity, stable volumes (-0.1% of which -1% for the month of March) and tariff increases of +1.5% ;
- In Central and Eastern Europe : volumes were up +1.5% despite a drop of -2.6% in Czech Republic (due to the decrease in tourism in Prague) and rising prices;

- Continuous growth in Rest of the World, especially in Asia.

Technology and Construction revenues are down -1.7% at constant exchange rates compared to March 31, 2019. This decrease is explained by:

- Significant COVID impact of -€46 million (-7.3%) mainly in Sade;
- VWT revenue of €346 million (+10.4% at constant exchange rates), due to desalination projects won in 2019 and materializing in the first quarter of 2020.
  - A limited COVID impact in the first quarter in China;
  - A more resilient Technology & Services activity.
- Sade revenues of €275 million, down -13.5% at constant exchange rates: construction projects in France being at a standstill since March 17.

WASTE

Revenue increased +1.6% in the Waste business at constant scope compared with the three months ended March 31, 2019 :

- An estimated COVID impact of -€85 million (-3.5% of revenue);
- A commerce and volume effect of -1.8%, of which -3.8% of estimated COVID impact (especially in France, in Germany and in Asia);
- A positive price effect of +2.4% especially in France, in the UK, in Germany and in Latin America which is partially offset by the continued sharp drop in recycled paper prices.

ENERGY

Energy revenue decreased by -7.3% at constant exchange rates compared to March 31, 2019 (-1.8% at constant scope and exchange rates). This change is mainly due to :

- An estimated Covid impact of -€29 million (-1.7% of revenue)
- A scope effect of -€93 million mainly due to the disposal of heating network activities in the United States in 2019;
- A negative weather effect of -€17 million (-1%) especially in Central and Eastern Europe ;
- A positive price effect of +1.7% with an increase of heat and electricity prices in Central and Eastern Europe.

3 Outlook

As previously announced, due to the absence of visibility associated with the sanitary crisis, the 2020 objectives have been suspended.

The Group launched a specific cost savings plan of €200M at the very beginning of the crisis which comes in addition to our annual objective of €250M. This “Recover and Adapt” Plan aims at mitigating the impacts of the sanitary crisis of the Group’s results in 2020 as much as possible.

In addition to the increased cost cutting, Veolia has also initiated a program to cut 2020 capital expenditures by €500M (i.e. 20% of the initial 2020 capital expenditures budget) in order to limit the impact of the crisis on 2020 net free cash flow.

The strategy Impact 2023 remains relevant. Due to the sanitary crisis, its implementation is delayed and its planning will be adapted. The group will be able to seize opportunities which will arise as the crisis ends.

4 Appendices

DEFINITIONS

The definitions of the financial indicators used by the Group are unchanged. Please refer to Section 3.10.3 of the 2019 Universal Registration Document.