



The Chairman and Chief Executive Officer

Mr. Philippe Varin,
Chairman of the Board of Directors
SUEZ
Tour CB21
16 place de l'Iris
92040 Paris-La Défense

Paris, January 7, 2021

Dear Philippe,

For nearly two months, you have complained that in implementing its industrial plan to create a French global champion of ecological transformation, Veolia has until now only given notice of its intention to make a takeover bid for Suez. In your opinion, "an intention is not a bid". I take note of what you say. As you know, Veolia cannot formally table such a bid at the present time. But since its inability to do so is temporary, and to move things forward, I set out below the proposed takeover bid for Suez that I will table at the AMF when it becomes possible to do so. This proposal contains the elements of our plan that have been communicated since August 30.

It summarizes the proposed takeover bid detailed in the offer document attached, but it also covers the additional points for discussion that I am prepared to include in the final version of this bid. For that purpose, I am willing to meet you, either alone or with your full Board of Directors.

The proposal is clear: to combine Suez and Veolia through the purchase of the whole of Suez's capital. As set out in the intended bid published on October 5, 2020 in accordance with Article L. 233-7 of the Commercial Code, Veolia intends, as soon as possible, to make a voluntary takeover bid for the stake in Suez's capital that it does not yet own (70.1%). This combination will provide an historic opportunity for our country to create a long-term world leader in ecological transformation, of French nationality and a European culture, an opportunity to give a strong response to the climatic and environmental concerns shared by the vast majority of our fellow citizens and by our planet's scientific, entrepreneurial and political leaders. This combination is consistent with the purposes of both companies, which, although expressed slightly differently, are extremely similar: Suez focuses on "preserving and restoring the planet's natural capital: water, soil and air", while Veolia's stated aim is to "contribute to human progress to achieve a better and more sustainable future for all".

1. The Industrial Plan

The combination of Veolia and Suez would considerably strengthen the position of the newly-formed group as the leading global player in the management of water and the treatment of waste. With the contribution made by Veolia's skills in energy, which is a key component of ecological transformation, the group would have access to a unique range of solutions and technologies. Currently, the industrial ecological transformation market remains extraordinarily fragmented: in global markets estimated at €625 billion for water and €360 billion for waste, Veolia is currently the world leader with a market share of only 2% or 3%, and its challenger is Suez, with a market share of about 2%. Consolidation of the sector appears to be inevitable, and in fact has already started, for example with the purchase of Viridor by KKR or of Urbaser by China Tianying. Indeed, such consolidation is necessary, particularly to meet the challenges of financing

the increasing Research & Development efforts essential to the development of new environmental technologies, of mobilizing the capital necessary to launch model operations for the treatment of hazardous waste or the protection of water resources – both strongly growing sectors, or of developing solutions to enable industries to meet environmental standards – which are bound to become stricter in the next few decades.

Due to their excellent geographical complementarity, particularly in Europe (Veolia is extremely strong in Central and Eastern Europe and the United Kingdom, while Suez's historical territories are located in Northern Europe and Spain), but also outside it, the combination of the two groups will result in the creation of the world's leading player in the management of water and the treatment of waste. This Veolia-Suez group will have a unique offer in terms of services and performance both for regional authorities and industrial customers. This complementarity will also be extremely strong in strategic future growth segments and in know-how, especially in digital.

The operation would effectively create a sustainably French "armed force" on the ecological transformation front, a force capable of making commitments to achieve tangible and measurable targets and results within short timeframes, not only to local authorities but also to industrial companies and the agricultural sector.

The combination of Suez and Veolia will create substantial value for the benefit of all its stakeholders:

- shareholders will benefit from the increase in net profit associated with operational synergies;
- the two groups' customers will have access to an enlarged global network, to a more extensive range of offers and technologies, and to a capacity for innovation accelerated by the ability to amortize over a wider customer base, enabling them to achieve their own environmental objectives faster;
- protection of the planet is central to this combination because its very foundation is ecological transformation (with broader offers and geographical complementarities);
- the two groups' employees will have greater professional development and wider mobility prospects, and their occupations will benefit from increased visibility and attractiveness;
- finally, regions will benefit from the greater dynamism of their supplier and subcontractor networks, and from an increased contribution to training and jobs.

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

For all these reasons, I believe that this French solution for Suez, based on a long-term view and on industrial logic, is the best both for our groups and for French industry.

There has recently been much talk of potential alternative bids for Suez, and in particular those that might be made by consortiums of financial partners. As we know all too well, consortiums potentially involve divergent interests that could harm Suez and pull the group in contradictory directions. Financial partners making a bid have higher expectations in terms of returns on capital invested than industrial companies, and they expect those returns to be delivered faster; sooner or later, this will result in Suez having more debt, having to make more asset sales and having to pay exceptional dividends to de-risk and boost the returns of those investors. There are no exceptions to this rule, and this will inevitably jeopardize Suez's stability and integrity. What is more, the inevitable disengagement of the various shareholders over time will pose a threat to the group's sustainability from the very outset and will result in a potential fragmentation of its assets through successive sales of businesses, a large proportion of which will, of necessity, be to foreign interests. A separation of the water and waste businesses would be prejudicial to the interests of customers, whose needs in terms of ecological transformation are frequently found at the boundary between those activities or where they overlap, not to mention the area of energy.

For all these reasons, I cannot see how such an alternative bid could be as attractive as a consistent, permanent and French industrial approach such as that presented above.

2. The Social Plan

This new Veolia-Suez group will be firmly rooted in France. This will not only ensure that today's jobs will be preserved (in the manner detailed below), but also that the jobs of the future will be invented in France. Indeed, the plan is to invest significantly in France, in particular in R&D (through the technological networks of excellence that are so crucial to tomorrow's world).

Specifically, Veolia undertakes to ensure that the combination does not have a negative impact on employment in France: the entire workforce of Suez and its controlled subsidiaries engaged in salaried activity in France will retain their positions and their social benefits. The ongoing acquisition of Osis from Suez provides concrete proof of this and has been welcomed by the unions at Osis. Veolia's undertaking will remain valid at least until the second half of 2023, which is already two years after this combination is finalized, representing an extraordinarily strong commitment in terms of employment. But the ambition for the new group goes much further than that and is to have a sustainably net positive impact on employment in France.

The history of employment relations at Veolia shows that commitments given are observed. But Veolia is ready to give commitments monitored by national representative bodies and subject to penalties, in order to provide a solemn "guarantee" that they will be fulfilled. These commitments combined with Veolia's track record and the possibility of penalties are worth more than the deafening silence from all the potential partners involved in alternative bids. I look forward to having an opportunity to discuss this matter with Suez employees.

As regards activities in France that will have to be sold to obtain regulatory approvals, Veolia also undertakes to ensure that the chosen purchasers enter into the same commitments in terms of jobs for employees of the purchased companies working in France, and price will be the last of the chosen criteria for the sale of such activities. Meridiam has already given the same commitments with regard to the areas that it would acquire and has even committed to recruiting more than 1,000 apprentices as early as the first year.

It is proposed that a joint committee be formed including representatives of Suez, Veolia and their employees, which will monitor the compliance of the purchaser selection process with these commitments.

The synergies published by Veolia, estimated at €500 million per year, relate to operational efficiency measures (in particular, improving plant performance and reducing the electricity consumption of water treatment plants) and savings made by the consolidation of purchasing activities; they are therefore entirely consistent and compatible with the employment commitments given in this letter.

In the same way, our intentions with respect to the jobs of employees at Suez's headquarters, numbering about 750 people, are entirely compatible with our commitments. Specifically, on the basis of the information we have, we currently envisage that between 100 and 200 employees whose work is mainly associated with Water France, will join this activity. The remaining employees are either in positions that are indispensable to Veolia (researchers, engineers, lawyers, etc.), or consist of about 300 individuals in other positions for whom Veolia undertakes to devise a suitable and stimulating career path, within a group that will provide unprecedented opportunities due to its new size.

In terms of combining the management teams to constitute the new group, we undertake to include senior executives from Suez in management bodies in a spirit of balance and based on skills criteria. In that spirit, Veolia undertakes to arrange an independent assessment of candidates for management positions within the new group in order to allocate responsibilities objectively between professionals from the two companies. In order to guarantee the objectivity of the allocation of management positions, and when necessary at least for the top 100, Veolia will put a system in place to assess skills and to make an impartial selection of the best applicants, using external expertise to ensure the independence of the assessment and to choose the best candidates, whether they come from Veolia or from Suez.

Following this objective assessment procedure, Veolia could bring in four or five executives from Suez to be among the dozen or so members of its executive committee. In the same way, about fifteen to twenty country managers would be selected from the Suez workforce in the forty or so countries where the combined group will be represented upon completion of the operation.

Ultimately, Suez employees will have nothing to lose and much to gain from the new opportunities presented by the enlarged, more innovative and international group. The aim will be to build a French, global, ecological transformation champion, an exciting and motivating project for all.

The social environment at Veolia, the humanist philosophy that guides the company, the importance that I attach to such matters and the reality of the social management of our group, all provide a guarantee of their own observance and of the success of the enterprise that we wish to build with Suez and all its employees.

3. The Terms of the Bid

For the acquisition of the Suez shares not owned by Veolia (about 70.1%), Veolia proposes a cash price of €18 per share tendered, with dividend rights, without interest and subject to the deduction of any withholding tax that might be applicable. The tender offer will be conditional upon the successful completion of competition procedures and upon preservation of the integrity and consistency of your group's strategic assets.

This price will be reduced by any other distribution or adjusted to take account of any capital transaction (for example, a share split or consolidation, capital increase or reduction, redemption of shares, merger, spin-off, asset transfer, etc.) decided upon between now and the date of settlement and delivery of the acquired shares.

In particular, the following factors have been taken into account by Veolia in determining the price per share:

- Market references:
 - analysis of Suez's historic share price on July 30, 2020
 - the share price target of financial analysts
 - the purchase price of 29.9% of Suez from Engie in October 2020
- Intrinsic valuation:
 - discounting future available cash flows
- Relative valuation:
 - multiples of comparable listed companies.

In addition, account has been taken of Suez's financial information available in annual and interim financial statements, presentations and reports of financial analysts, financial communications and press releases.

This price of €18 per share is extremely attractive and represents:

- a premium of 75% on the Suez share price unaffected by the announcement of Engie's intentions on July 31, 2020, of €10.30;
- a premium of 73% on the weighted average for the three months preceding July 31, 2020, of €10.40;
- a premium of 57% compared to the average target prices for Suez shares published between June 3, 2020 and July 31, 2020, of €11.00;
- a premium on all Suez closing prices since November 2015, more than five years ago.

The tabling of the takeover bid will be subject to the suspensive condition that the necessary regulatory approvals will be obtained. We hope to obtain approval as early as phase 1. According to our analyses, we should have to notify in 20 jurisdictions, including the European Union. Contacts have already been made, particularly with the EU, and the first pre-notifications were made in mid-November.

Apart from Water France, mentioned below, a certain number of disinvestments will have to be made in the waste sector in France, which we will endeavor to carefully select. A number of industrial and financial players will certainly be candidates for the purchase of these. Internationally, the disposals to be envisaged should, overall, be extremely limited and concern few assets, mainly in Australia and perhaps in the United Kingdom.

Veolia has the necessary funds to complete the bid and its payment is not subject to any financing condition. The bid will be financed by a bridging loan concluded with a banking syndicate. It is anticipated that this loan will be refinanced in part by the proceeds of the sales required by the competition authorities and by the issue of hybrid debt securities and equity or convertible securities, in order to preserve a credit rating equivalent to a solid investment grade rating.

Veolia's bid will not include any withdrawal threshold type clause or any clause relating to a material adverse change between now and its closing date.

4. Points open for discussion in the context of your Board's agreement

I have carefully analyzed the terms of execution of the Veolia-Suez combination in order to anticipate and overcome any difficulties so that they do not have an unfavorable impact either on Veolia or Suez. Since the public announcement of our plan on August 30, 2020, we have been able to refine our proposal and even to offer improvements and specific undertakings which, I think, answer all the fears that this ambitious project may legitimately have generated.

Veolia's Board of Directors authorizes me to enter into discussions with you immediately provided that they take place in good faith for the purposes of reaching an agreement, which could take the form of a Combination Agreement.

I am ready to open such discussions on three main points:

o The terms of the Bid:

- In addition to the main offer in cash, I am prepared to discuss the introduction in due course of a subsidiary offer in shares, subject to a percentage limit, particularly for the benefit of our many common shareholders and all those who clearly see the value of our industrial plan. The terms of this offer would be defined when the time comes, before the opening of the offer. Of course, shareholders preferring cash will be able to take advantage of the main offer without any limit.

o The sale of Suez's Water activities in France

- I would like to see a solution offering real, long-term competition on the French market for local authorities. For France, the main issue concerns all Suez's Water activities. I have taken the initiative of securing a partnership agreement and an offer for this asset from Meridiam, a very reputable French infrastructure management company, which, subject to obtaining the required merger control approvals, has undertaken to purchase all the Water activities in France of Suez and its subsidiaries, including the business of designing and building water treatment installations in France (Degrémont France) and the R&D activity (Centre International de Recherche sur l'Eau et l'Environnement (CIRSEE)) associated with that division, which are not owned by Suez Water France.
- In fact, local public services have been central to Meridiam's industrial plan since its creation in 2005. The assets managed by Meridiam are managed for a minimum period of 25 years and it can therefore give a commitment without any exit obligation. As a company with a mission, Meridiam works closely with the French regions on specific projects distributed throughout the country such as large infrastructure projects in the area of transport, local social facilities or key energy transition infrastructures. Meridiam wishes to develop a water platform, and, along with taking over the investment, has effectively undertaken to invest €800 million in the next 5 to 7 years.
- In the context of an agreement, we could find a solution that allows for the divested business to have an international component, subject to this not undermining the industrial logic of the project that we are proposing: for example, a presence in two or three countries and international revenue equivalent to the revenue in France.

o Social commitments

- In spite of the uncertainties associated with the current health crisis and economic situation, I have made exemplary commitments in the area of employment. These commitments would last until the second half of 2023 in the context of the integration of the two groups. I have proposed public monitoring of these commitments, which would be a first in France, in the form of a parliamentary, multi-year mechanism, including, if necessary, penalties for non-compliance. We can cover these commitments in detail in our discussions. I would also like to reserve a place for the management of Suez and give them an exemplary role in the conduct of this operation both at the Comex and country management levels. The manner in which these commitments would be organized can also be discussed.
- The joint committee to ensure compliance with the criteria for the selection of disinvestments may also be discussed.
- Finally, the participation of certain Suez directors, including an employee director, on the Board of Directors of Veolia, may also be envisaged.

I would also like the following three counterpart measures on the part of Suez to be discussed:

- The effective deactivation of the inalienability mechanism relating to Suez Water France and its subsidiaries and assets;
- A commitment to manage the Suez SA group in the ordinary course of business and as a prudent owner, particularly from the point of view of its liquidity, and in particular a commitment not to sell assets other than those necessary to obtain regulatory approvals, with a limited list of strategic assets that could not be sold by Suez during the validity of the Combination Agreement: Suez's activities in Spain, Chile and the United States in water, and in the United Kingdom and Australia in waste;
- The usual cooperation clauses, particularly in the antitrust process.

Veolia's Board of Directors unanimously supports this letter and the project that it describes. Completion of the envisaged operation will not require the approval of Veolia's shareholders. This proposal contains all the constituent elements of Veolia's plan. I hope that it will allow the discussions between our two companies, as outlined at the beginning of October, to be reopened. If dialog is refused again, I will be obliged to draw the necessary conclusions as to our intentions concerning the conduct of the bid.

5. Expenses

Each of the parties will pay any expenses and fees that it may incur for the purposes of the discussions mentioned in this letter and for the preparation and completion of the agreements referred to herein.

6. Choice of law and jurisdiction

This letter is subject to French law. Any disputes arising or that may arise in connection with this letter will be subject to the exclusive jurisdiction of the courts under the jurisdiction of the Paris Court of Appeal, even in the case of multiple defendants, connected issues, indemnity claims or applications to intervene. This letter is indicative and does not create any obligation on Veolia's part that is not included in a definitive agreement with Suez.

The above therefore summarizes our proposal to Suez stakeholders and how it will be reflected in terms of a Bid to all Suez shareholders, with whom the final decision on this offer legitimately rests. I would ask you please to pass this letter on to all the members of your Board of Directors and to the staff representative bodies concerned.

I look forward to hearing from you and to holding the discussions necessary to formalize an agreement.

Sincerely,



Antoine Frérot