QUARTERLY FINANCIAL INFORMATION
Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021

Unaudited figures

VEOLIA

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VEOLIA ENVIRONNEMENT

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INTRODUCTION

Message from Antoine Frérot – Chairman and Chief Executive Officer

Antoine Frérot, Veolia's Chairman & CEO *commented : «As we had committed to, our performance is substantially above 2019: Veolia is off to a flying start in 2021! In a global context that remains difficult, Veolia has announced an outstanding pace of growth of both revenue and profits, notably thanks to our diversified client mix, our treatment solutions for new pollutants and our international footprint. Moreover, our strict cost control has enabled us to recover a strong operating leverage and to register an EBITDA growth of more than 13% compared to Q1 2020 and of 7.5% versus Q1 2019. We are therefore ahead of our 2021 objectives and I can confirm that 2021 will be a very good year in terms of growth and profits. This excellent performance comes at a historical moment for our Group. On April 11th, we signed an agreement to purchase Suez Group and to create the undisputed world champion of ecological transformation. This combination, which should be finalized by the end of the year, opens up great development prospects at a time when environmental priorities have never been higher on the agenda. "*

1

SUEZ COMBINATION PROJECT

Suez combination project

On **April 11, 2021, the Group entered a new phase** of this project initiated on the 30th of August, 2020, after the acquisition of a 29.9% stake in Suez from Engie in October 2020, by reaching an agreement in principle on the key terms and conditions of the combination of the two groups.

This transaction carries out a very ambitious project. By combining the very solid Suez and Veolia competencies, this transaction will significantly accelerate the developement of the new entity facing growing competition, and enable the sector in France, in Europe and worldwide to tackle the environmental challenges of the 21st century.

This agreement in principle provides for the signature of a definitive combination agreement by May 14, 2021.
Veolia's offer values Suez at €20.50 per share (coupon included) and will be recommended by Suez's Board of Directors. It will allow:

- on the one hand, the creation around Veolia of a global champion of ecological transformation, with revenues of approximately €37 billion, in which all the assets qualified as strategic by Veolia from October 2020 will remain;
- on the other hand, the creation of a new Suez made up of assets forming a coherent and sustainable group from an industrial and social standpoint, with real growth potential and revenues of around €7 billion, including €5 billion in France.

The New Suez

Comprising Suez's municipal water and solid waste activities in France, as well as Suez's Water activities in Italy, the Czech Republic, Africa, Central Asia, India, China, Australia and the global digital and environmental activities, its shareholders will be predominately French and committed over the long-term.

The new Group will generate an annual revenue of €37bn, with 230 000 employees.

This transaction will create value as from 2022 for Veolia shareholders thanks to €500 million of purchasing and operational synergies and will increase Current net income per share (including hybrid cost and before PPA) by 40 % in 2024.

In addition the agreement in principle concluded on April 11, 2021 also:

- reiterates Veolia's social commitments for a period of four years after the closing of the offer,
- suspends all the ongoing legal proceedings between the two Groups (the parties withdrawing from litigation procedures upon signature of the final combination agreement), the deactivation of the Dutch foundation in relation with the Suez announcements,
- establishes the principle of full cooperation between Suez, Veolia and the shareholders of the New Suez in order to obtain all the necessary authorizations as quickly as possible and under the best possible conditions,
- and finally freezes any major divestitures: the agreements signed with Cleanaway concerning the disposal of the assets in Australia being terminated (subject to the Sydney assets).

With the May 14 signature of the final agreement, the combination project will therefore enter a new two-part phase:

✓ on the one hand, obtaining the approval from the various competent competition authorities,

✓ and on the other hand, the finalization of the Takeover Bid for the remaining 70.1% of Suez shares.

Financing

A bridge loan was secured from a banking syndicate prior to the publication by Veolia of a draft offer document on the Suez Public Tender Offer on February 8, 2021. It is expected that this loan will be refinanced by proceeds from asset sales, as well by the issuance of hybrid bonds and the issue of shares or securities granting access to the share capital. The aim is to preserve a solid investment grade credit rating while maintaining the extended Group's net financial debt / EBITDA ratio below 3.0x in the medium term, in accordance with the Group's objectives.

The terms and conditions of this bridge loan are currently being updated following the combination agreement of April 11, 2021.

2

MAJOR EVENTS OF THE PERIOD

2.1 General context

Robust start to the year confirming the Group's return to profitable growth dynamic

Despite the repercussions of the third Covid-19 wave in Europe and other geographies, Q1 2021 results confirm the return to strong growth first felt in Q4 2020. These results reflect the resilience of the Group's businesses and expertise, the growth momentum of its high-potential strategic sectors and the ramp-up of innovation and operating and commercial efficiency measures.

Growth supported by dynamism in all Group’s segments and strong price effects

Q1 growth in activity was driven in particular by the resilience in the water business, new energy assets and continuous growth in waste volumes in the last three quarters. Furthermore, the vitality of the energy business in heat production and distribution in urban heating networks, and energy services for buildings benefited from a climatic effect driven by a harsh winter. As well, the waste business was boosted by a significant rise in recyclate prices (paper, cardboard and metal), higher tariffs in line with advances in recent quarters and a robust growth in hazardous waste (+4.4% at constant exchange rates in Q1 2021, following +4% in Q4 2020).

Growth was recorded across most geographies where the Group operates and particularly in France, where activity grew +5.7% in Q1, and in Europe excluding France, with growth of +9.0% since the beginning of 2021. Operations in the Rest of the world benefited from strong development and business recovery in our strategic segments in Asia (notably in China and India with a step up of the Group’s hazardous waste processing capacities) and Latin America.

Intensification of operational and commercial efficiency efforts

This growth was accompanied by a further increase in Group profitability. The 3-month EBITDA margin rate is 15.8% compared to 15.2% in the first quarter of 2019 (year of pre-health crisis), reflecting the resilience of the business and remaining above the exceptional Q4 2020 performance (EBITDA margin rate of 15.7%). Operating margins are reaping the rewards of the acceleration and strengthening of operational and commercial efficiency programs, which generated gains of €92 million over the first three months of the year.

Financial performance indicators

Group **Revenue of €6,807 million** up +4% compared to Q1, 2020 at constant exchange rates. With Q1 EBITDA of €1,078 million, up +13.6% at constant exchange rates year-on-year, 3-months EBITDA margin rate reached 15.8%.

From the first quarter, the Group reports a return to strong growth and an EBITDA margin up on fiscal year 2019 prior to the health crisis.

Δ *at constant exchange rates* (*in € million*)	Q1 2021	Δ *vs. Q1 2020*	Δ *vs. Q1 2019*
Revenue	6,807	+4.0%	+2.8%
EBITDA	1,078	+13.6%	+7.5%

Group **Current EBIT** amounted to **€469 million** for the period, up +22.7% at constant exchange rates compared with the first three months of 2020. **Current net income, Group share** is **€188 million** for the first quarter of 2021, up +59.8% at constant exchange rates, benefiting fully from the marked drop in the Group cost of debt.

This improvement in Group profitability ratios is accompanied by further optimization of **Free Cash Flow** before financial investments and dividends to **-€127 million** for the first three months of the year, a robust recovery compared with the same period in the past two years (+€468 million compared with Q1 2020 and +€398 million compared with Q1 2019). The Group further improved its control over working capital requirements, significantly decreasing the impact of seasonal business trends on **Net Financial Debt**. At the end of March 2021, Net Financial Debt is **€13.5 billion** (compared with €13.2 billion at the end of December 2020).

Changes in Group structure – Strategic program

COMMERCIAL INNOVATIONS AND DEVELOPMENTS

In the first quarter, the Group's commercial innovations and developments, in line with the Impact 2023 strategic program, confirmed the Group's ability to renew its offers and services.

Resource management for industrial customers

The Group continues to innovate in resource management for its industrial customers. Using an innovative collaborative approach, Veolia, through its Finish subsidiary, STEP, has joined forces with the German chemicals giant, BASF, to finance, build and operate a trigeneration plant (steam, water and compressed air) to deliver industrial utilities to the Harjavalta industrial park, where BASF has established a cluster to produce raw materials for electric vehicle batteries. This twenty-year contract is worth almost €240 million and represents an important milestone in the Impact 2023 strategic plan.

The Group was selected by Petroperu as the preferred bidder for a service agreement forming part of the modernization of the Talara refinery. Veolia will use its know-how in sulfuric acid processing and recycling to support the development of the industrial site. This ten-year contract is worth close to €96 million and should start before the end of 2021.

Water treatments and municipal water developments in France and Japan

In the municipal market, the Group achieved several major commercial successes in the first quarter. In Japan, the Group was selected as the preferred bidder for the grant of the first Miyagi water concession operating contract for a period of 20 years and a total estimated amount of €800 million.

In France, within the water distribution and treatment activities, the Group will start operating from this year public sector concessions for the Choletais agglomeration (11-year contract worth an estimated €74 million), the Grand Montauban agglomeration (15-year contract worth an estimated €135 million) and the Lens Liévin agglomeration (7-year contract worth an estimated €83 million).

Development of hazardous waste treatment in Asia

In the hazardous waste business, the Group is continuing its targeted development, notably in Asia, with the start-up of an incineration unit in Singapore and the first-quarter commissioning of the Jining hazardous waste treatment plant in China.

Continuation of the Group's asset rotation strategy

As part of the Impact 2023 asset rotation strategy, the Group has withdrawn from its minority and financial interests in the Shenzhen water concession in China. This operation – which will be completed before the end of the year – will generate an estimated cash inflow of €400 million.

During the first quarter, the Group fully benefited from contributions in local energy loop and urban heating activities with the municipal energy businesses in Central Europe (Prague Right Bank urban heating network and BERT group in Hungary, specializing in heat production and distribution for the Budapest urban heating networks) benefiting from favorable weather conditions due to a rigorous winter.

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MAIN FINANCIAL INVESTMENTS AND DIVESTITURES

The Group did not perform any major financial acquisitions or divestitures during the first quarter.

Group financing

BOND ISSUING

On January 11, 2021, Veolia successfully issued a €700 million bond maturing in January 2027 (6 years) with a negative yield of -0.021%. The proceeds of this issuance will be used for corporate financing purposes. The high subscription rate, the quality of the investor base, their diversification and the good conditions achieved are signs that Veolia's signature is viewed very favorably and of its financial strength.

CONFIRMATION OF THE CREDIT OUTLOOK

On April 16, 2021, Standard and Poor's confirmed Veolia Environnement's credit rating at A-2/ BBB with a stable outlook.

Moody's confirmed its rating at P-2/Baa with a stable outlook on April 15, 2021.

Performance share plan

PERFORMANCE SHARES

Adjustment of the internal economic performance of the share performance plans 2018, 2019 and 2020

At the recommendation of the Compensation Committee meeting of March 9, 2021, the Board of Directors decided to adjust the financial objective of the internal economic performance criteria (Current net income, Group share) in the 2018, 2019 and 2020 performance share plans. It is reminded that a communication was issued on the adjustment to the financial objective in the 2018 plan on April 1, 2020. Other than the change to the financial objectives in these plans, the other performance criteria in the 2019 and 2020 plans are unchanged.

Accordingly, in the exceptional context tied to the Covid-19 epidemic, the Board of Directors decided to propose the neutralization of fiscal year 2020 in calculating the attainment of this sole Company financial performance indicator and a reduction in the same proportion for this criteria, i.e. one-third, of the number of rights to shares currently vesting under the 2018, 2019 and 2020 performance share plans. This adjustment seeks to align the interests of shareholders with those of plan beneficiaries who are strongly committed to performance recovery after the health crisis. The Board of Directors considered its decision to adjust these plans, made at the recommendation of the Compensation Committee, to be balanced in consideration for the attainment in 2021 of ambitious financial objectives and results aimed at returning to or exceeding the Company's 2019 pre-crisis performance level.

This resolution - on the agenda of the general meeting of shareholders - was approved on April 22, 2021.

The detailed features of the performance plans can be found in Chapter 3, Section 3.4.3 of the 2020 Universal Registration Document.

Changes in governance

On March 9, 2021, the Board of Directors, on the recommendation of the Appointments Committee, noted that Mr. Paolo Scaroni was not requesting the renewal of his mandate and decided to propose to the Combined General Meeting of April 22, 2021, the renewal of the mandate of the Caisse des Dépôts et Consignations represented by Mr. Olivier Mareuse and Ms. Marion Guillou as well as the appointment of Mr. Pierre-André de Chalendar for a period of four years expiring at the 2025 Ordinary General Meeting.

The Combined General Meeting of Veolia Environnement was held on April 22, 2021 at the Company's administrative headquarters under the chairmanship of Company Chairman and Chief Executive Officer, Mr. Antoine Frérot. Pursuant to the emergency measures adopted by the French government in the context of the Covid-19 epidemic, this meeting was held behind closed doors and without the physical presence of shareholders and other persons entitled to attend, and was broadcast live, its retransmission being accessible on the Company's website. It approved all the submitted resolutions.

After this Combined General Meeting, the Veolia Environnement **Board of Directors is made up of thirteen directors**, including nine independent directors out of a total of eleven (excluding the two directors representing employees) (1), that is 81.81% and five women (45.45%)

Taking into account its new composition, the Board of Directors updated the **composition of its Committees** as follows:

- **Accounts and Audit Committee:** Mrs. Nathalie Rachou (Chairwoman), Mr. Jacques Aschenbroich (2), Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees), Mr. Olivier Mareuse and Mr. Guillaume Texier.
- **Nominations Committee:** Mr. Louis Schweitzer (Chairman), Mrs. Maryse Aulagnon, Mr. Pierre-André de Chalendar and Mrs. Isabelle Courville.
- **Compensation Committee:** Mrs. Maryse Aulagnon (Chairwoman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer.
- **Research, Innovation and Sustainable Development Committee:** Mrs. Isabelle Courville (Chairwoman), Mr. Jacques Aschenbroich[2], Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

1. Excluding Directors representing employees in accordance with Articles L. 225-27-1 and L. 22-10-7 of the French Commercial Code (Code de commerce).
2. The Board of Directors indicates that Mr. Jacques Aschenbroich's resignation will be effective as of May 28, 2021.

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ACCOUNTING AND FINANCIAL INFORMATION

Key figures

(€ million)	*March 31, 2020*	***March 31, 2021***	*Change 2020 / 2021* Δ	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Revenue	6,675	6,807	2.0%	4.0%	3.0%
EBITDA [(1)]	970	1,078	11.2%	13.6%	8.7%
EBITDA margin	14.5%	15.8%			
Current EBIT [(1)]	392	469	19.6%	22.7%	16.5%
Current net income - Group Share[(1)]	121	188	54.7%	59.8%	65.0%
Current net income - Group Share excluding capital gains and losses on financial divestitures net of tax	117	186	58.7%	64.0%	69.5%
Net industrial investments	(458)	(426)			
Net free cash flow [(1)]	(595)	(127)			
Net financial debt	11,531	13,509			

(1) Including the share of net current income of joint ventures extending the activities of the Group and associated companies

The main foreign exchange impacts on revenue were as follows:

FX impacts vs March 31, 2020	%	(€ million)
Revenue	-2.0%	(132)
EBITDA	-2.4%	(23)
Current EBIT	-3.1%	(12)
Current net income	-5.1%	(6)
Net financial debt	+1.0%	131

Group revenue

REVENUE BY OPERATING SEGMENT

Consolidated revenues totaled €6,807 million for the three months ended March 31, 2021, compared with €6,675 million for the three months ended March 31, 2020, **up +4.0% at constant exchange rates and +3.0% at constant scope and exchange rates**.

At the end of March 2021, the Group's revenue confirmed the growth dynamic with an upturn in commercial activity and business recovery observed since the final quarter of 2020. Material price effects on recyclates, positive tariff impacts, and a favorable weather offset the limited and controlled impact of a resurgence in the Covid-19 epidemic in all geographies.

			Change 2020 / 2021		
(€ million)	*March 31, 2020*	*March 31, 2021*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	1,305.2	1,379.3	5.7%	5.7%	5.7%
Europe excluding France	2,590.3	2,785.1	7.5%	9.0%	4.2%
Rest of the world	1,693.7	1,647.6	-2.7%	0.6%	0.0%
Global businesses	1,063.6	995.1	-6.4%	-5.0%	1.7%
Other	21.9	0.5	-97.7%	-	-
Group	**6,674.6**	**6,807.4**	**2.0%**	**4.0%**	**3.0%**

Revenue in **France** benefited from a strong activity in municipal water and the post-covid rebound in waste: it increased 5.7% at constant exchange rates compared with Q1 2020:

- Water revenue is up +0.8% at constant exchange rates compared with the three months ended March 31, 2020, with a +1.2% rise in water volumes distributed year-on-year, positive tariff indexation (+0.7%) and increased construction activity (reversal in 2021 of work stoppages in mid-March 2020), offsetting the negative commercial impacts of the loss of the Toulouse contract.
- Waste revenue grew +11.2% at constant exchange rates in Q1 2021 compared with Q1 2020, benefiting notably from favorable volume effects (Q1 2020 having been impacted by the health crisis), the continuation of the Group pricing policy for waste collection and processing, and recyclate price trends.

Europe excluding France revenue grew +9.0% at constant exchange rates compared with Q1 2020, benefiting from the integration of new entities in Central and Eastern Europe in the energy business and a positive weather effect due to a particularly severe winter combined with good resilience in the water and waste businesses despite the implementation of new lockdowns in the United Kingdom, Germany, the Czech Republic and Romania.

- In **Central and Eastern Europe**, revenue increased +23.5% at constant exchange rates year-on-year to €1,208 million. This growth was mainly driven by:
    - A scope impact of €158 million, with the integration of new activities acquired at the end of 2020 in cogeneration in Hungary (BERT), heat distribution in the Czech Republic (Prague Right Bank) and waste in Russia (MAG);
    - A positive weather effect of €57 million (Czech Republic and Poland);
    - Higher tariff indexation in energy, notably in Poland.
- In the **United Kingdom/Ireland**, business was resilient with revenue of €546 million. Higher recyclate prices and growth in incineration (higher volumes processed) offset lower commercial and industrial collection volumes due to the strict lockdown in the United Kingdom since the beginning of the year and lower landfill volumes.
- In **Northern Europe**, revenue grew +0.6% at constant exchange rates and +5.0% at constant scope and exchange rates year-on-year to €701 million. The increase is mainly driven in the Netherlands by higher construction activity in energy and in the Nordic countries by the development of recycling activities, with increased material prices offsetting the impacts of the health crisis in the industrial cleaning business. In Germany, revenue grew +6.2% at constant scope, impacted by the surge in recyclate prices, a positive weather impact in the energy sector and increasing waste volumes at the end of the quarter.

Rest of the world increased +0.6% at constant exchange rates year-on-year, with contrasted trends across the regions:

- Revenue in **Latin America** increased +5.1% at constant scope and exchange rates, demonstrating strong resilience in the face of the resurgent health crisis (in particular in Brazil and Chile). This growth was driven notably by favorable tariff indexation in Argentina (local inflation), Colombia, Ecuador and Mexico, industrial contract wins in Mexico and Peru, and higher volumes.
- Revenue increased +3.4% at constant exchange rates in **Asia.** Growth was mainly driven by a revenue surge in China (+12.1%), which benefited from higher hazardous waste volumes and the extension of the Harbin heating network in energy, as well as business growth in India.
- In **Africa/Middle East,** revenue grew +1.6% at constant exchange rates following new contract wins and positive tariff indexation in the Middle East and business growth in Western Africa offsetting a fall in construction in Morocco due to the pandemic.
- In **North America**, revenue decreased -2.9% at constant exchange rates year-on-year to €393 million. Hazardous waste activities were penalized by lower volumes year-on-year because of the pandemic and a severe winter storm which led to the shutdown of certain customers' sites in Texas.
- In the **Pacific** zone, revenue fell -5.8% at constant exchange rates. This downturn was due to the completion of the Springvale plant construction contract, reduced waste volumes tied to the impact of the health crisis and the sale of asset in energy.

Global businesses revenue fell -5.0% at constant exchange rates compared with the three months ended March 31, 2020, following the sale of the Sade Telecom business at the end of 2020. At constant scope and exchange rates, segment revenue increased +1.7% year-on-year:

- **Hazardous waste activities in Europe** reported a +1.9% increase at constant exchange rates in the quarter, demonstrating strong resilience with health measures impacting used oil recycling volumes offset by tariff increases and good sanitation business levels heavily impacted in the first quarter of 2020.

- **Veolia Water Technologies** revenue increased +2.1% at constant exchange rates, with higher technology activities in the United States offsetting the lower contribution from desalination projects (end of the Al Dur contract). VWT bookings are stable.

- **SADE** – which sold its Telecom activity at the end of 2020 (scope impact of -€74 million) reported a fall of -27.4% at constant exchange rates and -0.5% at constant scope and exchange rates. Commercial activity in France is dynamic while some international projects are slightly delayed due to current health constraints.

REVENUE BY BUSINESS

In the context of a third pandemic wave in Q1, 2021, the Group's activity by business is marked by a resilience in the **Water** business (-0.1% at constant scope and exchange rates year-on-year), a resumption of activity in the **Waste** business (+3.4% at constant exchange rates) and a strong growth in the **Energy** business (+13.8% at constant exchange rates excluding the weather impact).

			Change 2020 / 2021		
(€ million)	*March 31, 2020*	***March 31, 2021***	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	2,645.3	2,502.9	-5.4%	-3.4%	-0.1%
of which Water Operations	2,023.9	1,962.6	-3.0%	-1.1%	-0.5%
of which Technology and Construction	621.4	540.3	-13.1%	-11.0%	0.9%
Waste	2,469.9	2,515.7	1.8%	3.4%	3.4%
Energy	1,559.3	1,788.8	14.8%	17.4%	7.7%
Group	**6,674.6**	**6,807.4**	**2.0%**	**4.0%**	**3.0%**

Water revenue

Water revenue is stable at constant scope and exchange rates, down -0.1% year-on-year.

Water operations are slightly down -0.5% at constant scope and exchange rates year-on-year with stable volumes (-0.1%) partially offset by positive tariffs indexations (+0.8%).

- France water business is up +0.8% at constant scope and exchange rates, with volumes continuing to increase (+1.2%) and favorable price indexations (+0.7%).

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**2019**	Q1 2020	Q2 2020	Q3 2020	Q4 2020	**2020**	Q1 2021
Water France volumes	+1.1%	+1.1%	+1.0%	+0.7%	**+0.7%**	-0.1%	+0.3%	+0.8%	+0.8%	**+0.8%**	+1.2%
Water France tariffs	+1.2%	+1.4%	+1.4%	+1.4%	**+1.4%**	+1.5%	+1.5%	+1.5%	+1.5%	**+1.5%**	+0.7%

- In **Europe excluding France** (-0.4% at constant exchange rates), price indexation hikes in Central Europe (+3.1%) partially offset lower volumes in the Czech Republic tied to the health crisis which impacted tourist numbers and the end of construction and maintenance work in Romania.
- Activity remains slightly down in the **Rest of the world** (-1.3% at constant exchange rates), due mainly to the completion of construction contracts in the Pacific region and lower water volumes treated for industrial clients in the United States.

In addition**, Technology and Construction** revenue grew +0.9% at constant scope and exchange rates year-on-year, driven by good performances in the technology and services business in the United States, and the ramp-up of mobile units.

Waste revenue

Revenue increased +3.4% in the **Waste** business at constant exchange rates, compared with the three months ended March 31, 2020. Waste revenue was boosted by a recyclate price effect (+3.2%) and the positive impact of tariff increases (+1.7%), which offset lower volumes (-0.9%), but in continuous improvement for three quarters..

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**2019**	Q1 2020	Q2 2020	Q3 2020	Q4 2020	**2020**	Q1 2021
Waste volumes	+2.6%	+1.1%	+2.0%	+0.4%	**+1.5%**	-1.8%	-14.7%	-2.6%	-1.8%	**-5.2%**	-0.9%
Waste tariffs	+2.7%	+2.3%	+3.5%	+1.1%	**+2.4%**	+2.4%	+1.9%	+1.6%	+2.3%	**+2.0%**	+1.7%

- In **France**, first quarter solid waste revenue (+11.2% at constant scope) was marked by increased volumes (+1.6%) and higher tonnage processed in incineration (despite the lockdown period), continued tariff discipline and higher recyclate prices.
- In **Europe excluding France**, commercial and industrial volumes fell, impacted in particular by lockdown measures in the United Kingdom in the first quarter. This decline was nonetheless partially offset by highly favorable recyclate price effects and a favorable trend in service prices.
- Waste activities in the **Rest of the world** benefited from growth in hazardous waste activities in Asia, positive price effects in Latin America and good performance of waste activities in North America, despite a period of severe weather in the first quarter.

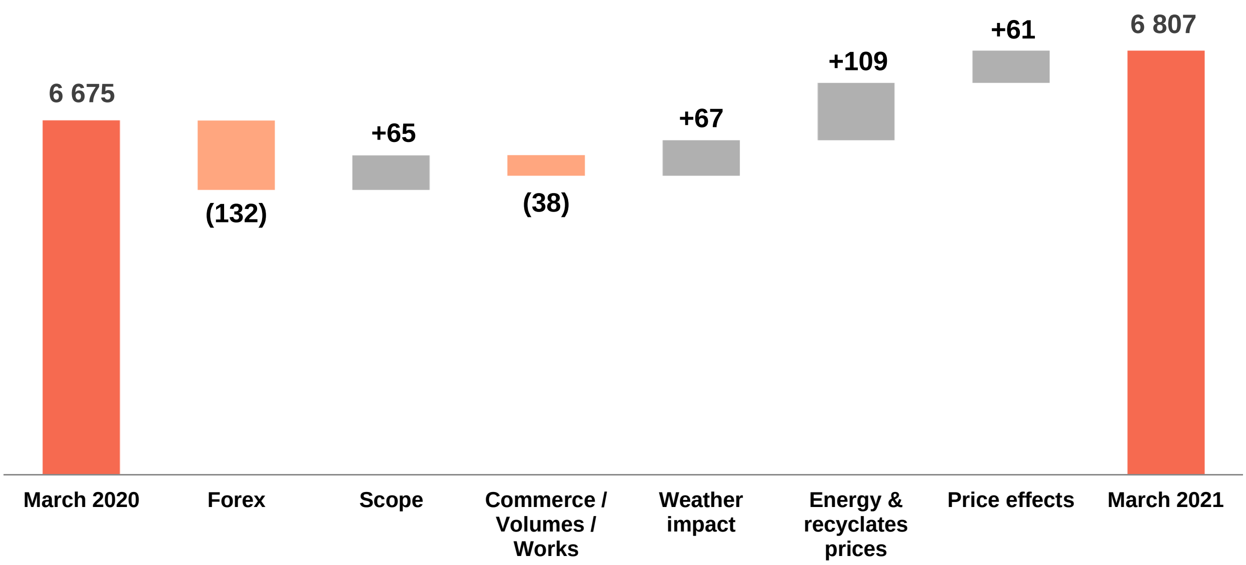
Energy revenue

Energy revenue grew +17.4% at constant exchange rates compared with the three months ended March 31, 2020 and +7.7% at constant scope and exchange rates, restated for a scope effect of +€151 million encompassing the integration of Prague Right Bank heating network activities and cogeneration installations in Budapest.

The business' strong resilience is supported by a highly positive weather impact during the quarter in Central and Eastern Europe (+3.6%), an increased price effect (+1.6% driven by price rises in Poland) and higher volumes (+1.0%) notably in Italy (rebound effect of the health crisis which had a strong impact on energy activity in the first quarter of 2020).

ANALYSIS OF THE CHANGE IN GROUP REVENUE

The increase in revenue breaks down **by main impact** as follows:



The **foreign exchange impact** of -€132million (-2.0% of revenue) mainly reflects fluctuations in North American and Latin American currencies (-€72 million) as well as Central European currencies (-€34 million)[1].

The **consolidation scope impact** of €65 million mainly concerns the impact of integrating the Prague Right Bank urban heating network (€82 million), the Budapest cogeneration installations (€66 million) as well as the sale of SADE's Telecom network activities in the Global businesses segment (-€74 million).

Energy and recyclate prices had an impact of +€109 million, driven by a strong increase in recyclate prices (+€80 million, including €68 million for paper) and energy prices in Europe (Central and Eastern Europe benefited from heating tariff increases in Poland and Germany, with favorable impacts on electricity tariffs).

[1] Main foreign exchange impacts by currency: US dollar (-€42 million), Polish zloty (-€19 million), Argentine peso (-€15 million), pound sterling (-€9 million), Brazilian real (-€9 million), Mexican peso (-€4 million), Japanese yen (-€9 million), Czech koruna (-€6 million), Australian dollar (+€18 million).

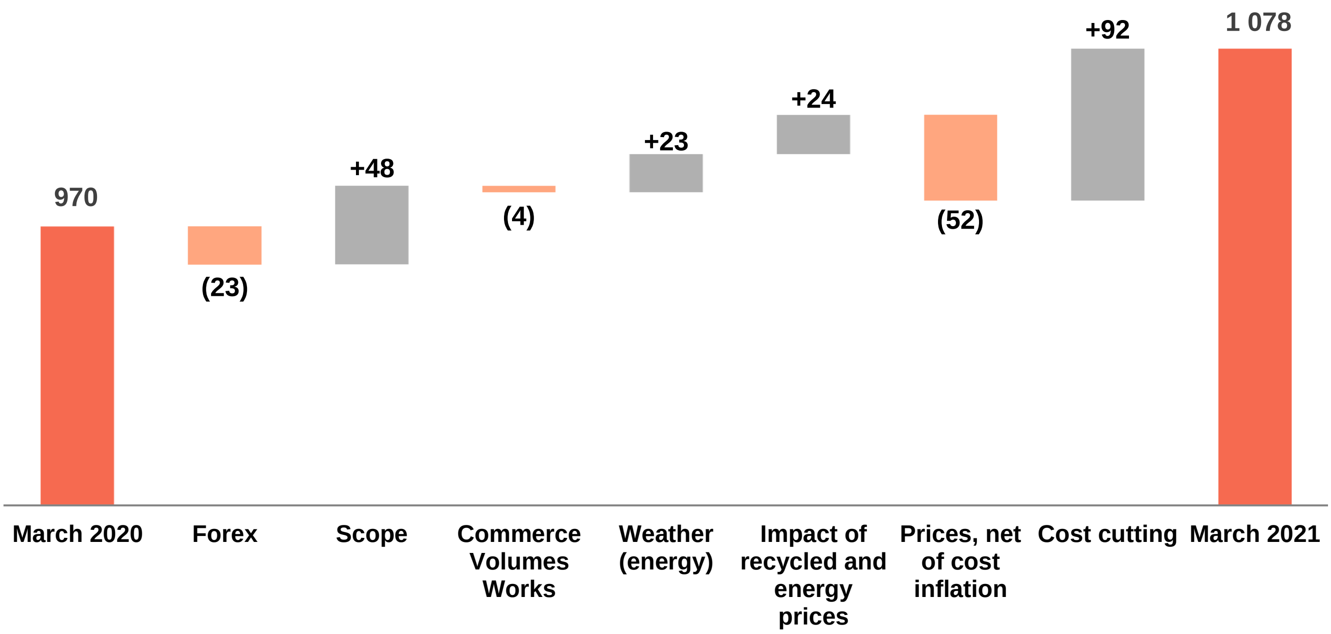
The **Commerce / Volumes / Works impact** is -€38 million and notably includes lower construction volumes in Asia with the end of construction contracts in Japan.

Favorable **price effects** (+€61 million) are mainly tied to tariff indexation of +1.7% in waste and +0.8% in water (notably +0.7% in France and +3.1% in Central and Eastern Europe).

Group EBITDA

Group consolidated **EBITDA** for the three months ended March 31, 2021 was €1,078 million, up 13.6% at constant exchange rates year-on-year. The margin rate is 15.8% for Q1 2021, compared with 14.5% for Q1 2020 and 15.2% in Q1 2019.

The increase in EBITDA between 2020 and 2021 breaks down by impact as follows:



The **foreign exchange impact** on EBITDA was -€23 million and mainly reflects unfavorable currency fluctuations in the Americas (-€9 million), and Central Europe (-€10 million)[1].

The **consolidation scope impact** of +€48 million mainly reflects the impact of the acquisition of the Prague Right Bank urban heating network and the Budapest cogeneration installations in 2020.

[1] Foreign exchange impacts by currency: Polish zloty (-€6 million), US dollar (-€4 million), Argentine peso (-€3 million), Columbian peso (-€1 million), Czech koruna (-€2 million), Hungarian forint (-€1 million), pound sterling (-€2 million), United Arab Emirates dirham (-€2 million).

Commerce and volume impacts are -€4 million. The decline in construction activity in certain geographies and lower industrial waste volumes in Europe had a limited impact on the margin notably due to the contribution to the margin of higher hazardous waste volumes in Asia.

The **energy weather impact** is +€23 million and primarily concerned Central and Eastern Europe.

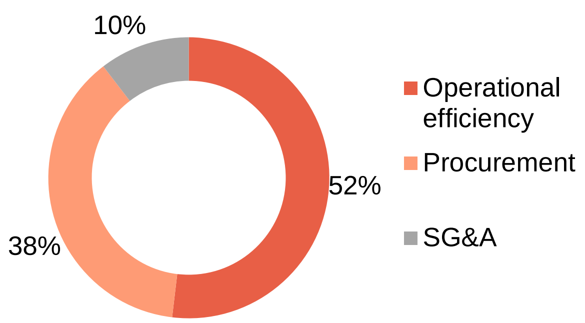
Energy and recyclate prices had a favorable impact on EBITDA of +€24 million (versus +€21 million at March 31, 2020) including +€16 million in recyclates and +€8 million in energy.

The impact of **prices net of inflation and other items** is -€52 million.

Cost savings plans contributed +€92 million. These savings mainly comprise the contribution of the Recover & Adapt plan[1] for €24 million and the efficiency plan for €68 million, which mainly concerns operating efficiency (52%) and procurement (38%), and were achieved across all geographic zones: France (20%), Europe excluding France (35%), Rest of the world (21%), Global businesses (9%) and Corporate (15%).

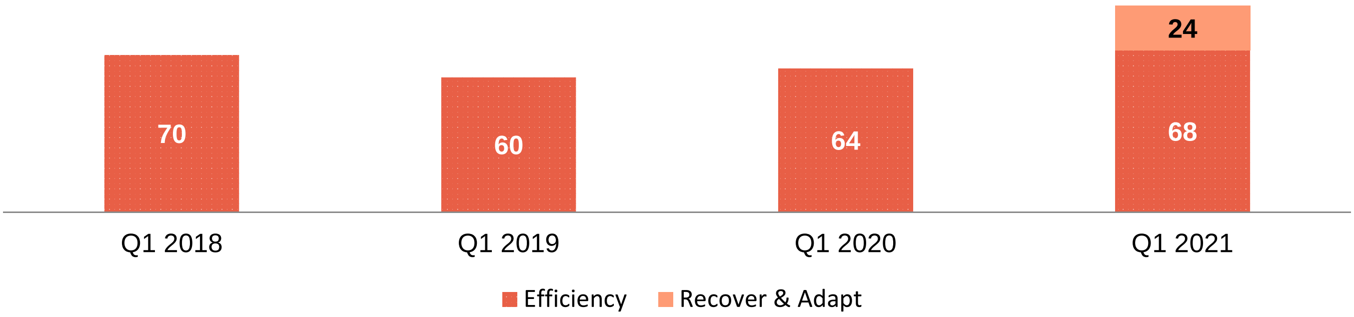
Cost Savings Plans (incl. R&A)		
EBITDA impact *(€ million)*	2021 Objective	March 2021 Actual
Gross cost savings	**350**	**92**

Breakdown of the Efficiency Plan:



Significant increase in efficiency gains with the contribution of the Recover & Adapt plan

[1] Adaptation program implemented in 2020 to generate additional savings in operational costs



Other Income Statement items

CURRENT EBIT

Group consolidated current EBIT for the three months ended March 31, 2021 was €469.1 million, up significantly by 22.7% at constant exchange rates on the three months ended March 31, 2020.

EBITDA reconciles with Current EBIT for the three months ended March 31, 2021 compared with March 31, 2020 as follows:

(€ million)	*March 31, 2020*	*March 31, 2021*
EBITDA	**969.5**	**1,078.1**
Renewal expenses	(60.9)	(65.2)
Depreciation and amortization[1]	(535.4)	(527.8)
Provisions, fair value adjustments & other	3.0	(26.8)
Share of current net income of joint ventures and associates	16.1	10.8
Current EBIT	**392.3**	**469.1**

The €89 million improvement in Current EBIT (+22.7% at constant exchange rates year-on-year) is mainly due to the rise in EBITDA (+€131 million at constant exchange rates) and the quasi stability of depreciation and amortization expenses partially offset by higher carbon credit provisions generated by the increase in valuation rates in 2021.

[1] Including principal payments on operating financial assets

The share of current net income of joint ventures and associates fell slightly.

The foreign exchange impact on Current EBIT was -€12 million and mainly reflects fluctuations in Central and Eastern Europe currencies (-€5 million) and in Argentina[1].

NET FINANCIAL EXPENSE

Cost of net financial debt

The cost of net financial debt totaled -€85.7 million for the three months ended March 31, 2021, compared with -€112.3 million for the three months ended March 31, 2020. This significant decrease in the Group's cost of net financial debt is due to favorable bond issue refinancing conditions in 2020 and 2021 and the lower cost of non-euro denominated debt.

Gross cost of euro borrowing rate is 1.92% (compared to 2.88% in Q1 2020)

The Group's financing rate (including IFRS 16 impacts) was therefore 2.77% at March 31, 2021, compared with 4.87% at March 31, 2020.

Other financial income and expenses

Other financial income and expenses totaled -€34.5 million for the three months ended March 31, 2021, compared with -€43.2 million for the three months ended March 31, 2020.

These expenses include interest on concession liabilities (IFRIC 12) of -€19.0 million, IFRS 16 lease financial charges of -€7.4 million, and the unwinding of discounts on provisions of -€4.3 million.

Gains on financial divestitures recognized in 2021 totaled €1.5 million. In Q1 2020, gains on current financial divestitures totaled €4.0 million.

CURRENT INCOME TAX EXPENSE

The current income tax expense for the three months ended March 31, 2021 amounted to -€92.8 million, compared with -€61.9 million for the three months ended March 31, 2020.

The current tax rate is 27.4% (versus 27.5% at March 31, 2020).

CURRENT NET INCOME

[1] Foreign exchange impacts by currency: Polish zloty (-€4 million), Argentine peso (-€2 million), United Arab Emirates dirham (-€2 million), Czech koruna (-€1 million), pound sterling (-€1 million)

Current net income attributable to owners of the Company is €188 million for the three months ended March 31, 2021, compared with €121 million for the three months ended March 31, 2020. Excluding capital gains and losses on financial divestitures net of tax, current net income attributable to owners of the Company increased +64% at constant exchange rates to €186 million from €117 million for the three months ended March 31, 2020.

4

FINANCING

Change in Free Cash Flow and Net Financial Debt

Net free cash flow is -€127 million for the three months ended March 31, 2021, compared with -€595 million for the three months ended March 31, 2020 improving by €468 million year-on-year.

The change in net free cash flow year-on-year reflects:

- the increase in EBITDA driven by the rebound in activity in our main businesses in line with the fourth quarter of 2020 and the intensification of operational and commercial efficiency efforts
- net industrial investments of €426 million, down 7.0% at current exchange rates (-7.4% at constant exchange rates), including:
  - maintenance investments of €182 million (3% of revenue);
  - growth investments in the current portfolio of €186 million (€180 million in the three months ended March 31, 2020);
  - discretionary investments of €58 million, down -€10 million compared with 2020.
- the strong improvement in the seasonal evolution in the change in operating working capital requirements of -€480 million, compared with -€794 million for the three months ended March 31, 2020.

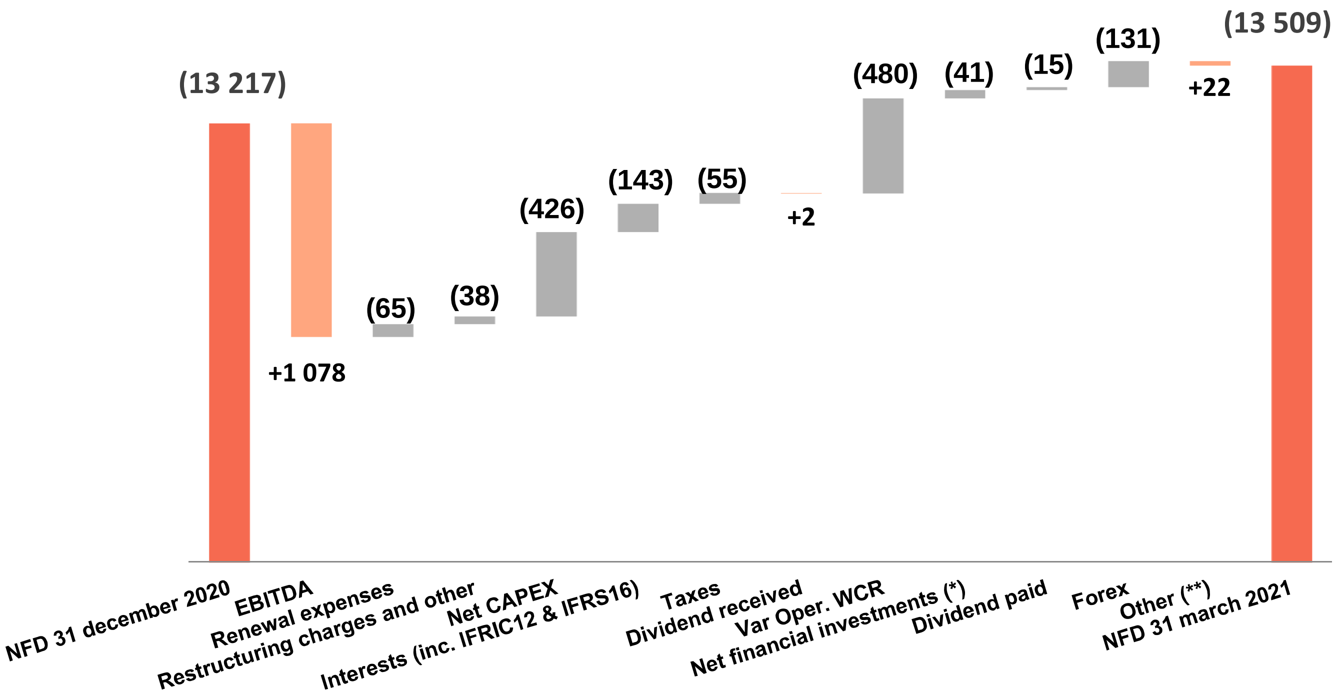
Overall**, net financial debt** amounted to €13,509 million, compared with €13,217 million as of December 31, 2020.

Compared with December 31, 2020, the change in **net financial debt** is mainly due to:

- net free cash flow generation of -€127 million for the period;
- net financial investments of €41 million (including acquisition costs and net financial debt of new entities) and mainly comprising the impact of the acquisition of an organic fertilizer plant in France.

Net financial debt is also impacted by negative foreign exchange effects of -€131 million as of March 31, 2021 compared with December 31, 2020[1].

[1] Mainly driven by negative impacts on the pound sterling (-€53 million), US dollar (-€42 million), Hong Kong dollar (€21 million) and to a lesser extent the Canadian dollar (-€9 million).



(*) Financial investments of -€46 million net of financial divestitures of +€5 million.
(**) mainly repayment of joint venture loans

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OTHER ITEMS

Outlook

2021 Prospects[1] (before Suez integration) fully confirmed

Despite continued impact of sanitary crisis in the beginning of the year, Veolia will more than offset 2020 and deliver strong results growth in 2021.

- Revenue: above 2019 level
- €350 million of efficiency gains : €250 million recurring efficiencies and €100 million of complementary savings from the Recover & Adapt plan
- EBITDA above €4 billion, a growth of more than 10% vs.2020
- Net Financial Debt below €12 billion at the end of 2021, and a leverage ratio below 3 times
- Objective to return to the pre-crisis dividend policy in 2021

[1] These objectives are at constant exchange rates (based on rates at the end of December 2020) and are founded on:

- constant accounting standards;
- average temperature assumptions in our water and power operations,
- price and commodity assumptions based on market conditions at the end of December 2020.

These objectives are set and determined on a comparable basis to historical financial information and in accordance with the issuer's accounting methods.

6

APPENDICES

Definitions

The definition of one of the non-GAAP financial indicators used by the Group has been modified.

From fiscal year 2021 and with a view to improving comparability with other issuers, the impacts of applying IFRS 2, Share-based payments, are now included in Current EBIT.

NON-GAAP INDICATORS

To calculate **Current EBIT** (which includes the share of current net income of joint ventures viewed as core Company activities and associates), the following items are deducted from operating income:

- goodwill impairments of fully controlled subsidiaries and equity-accounted entities;
- restructuring charges;
- non-current provisions and impairments;
- non-current and/or significant impairment of non-current assets (property, plant and equipment, intangible assets and operating financial assets);
- share acquisition costs.

For the other indicators, please refer to Section 5.5.8 of the 2020 Universal Registration Document.

Resourcing the World

Veolia Environnement

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