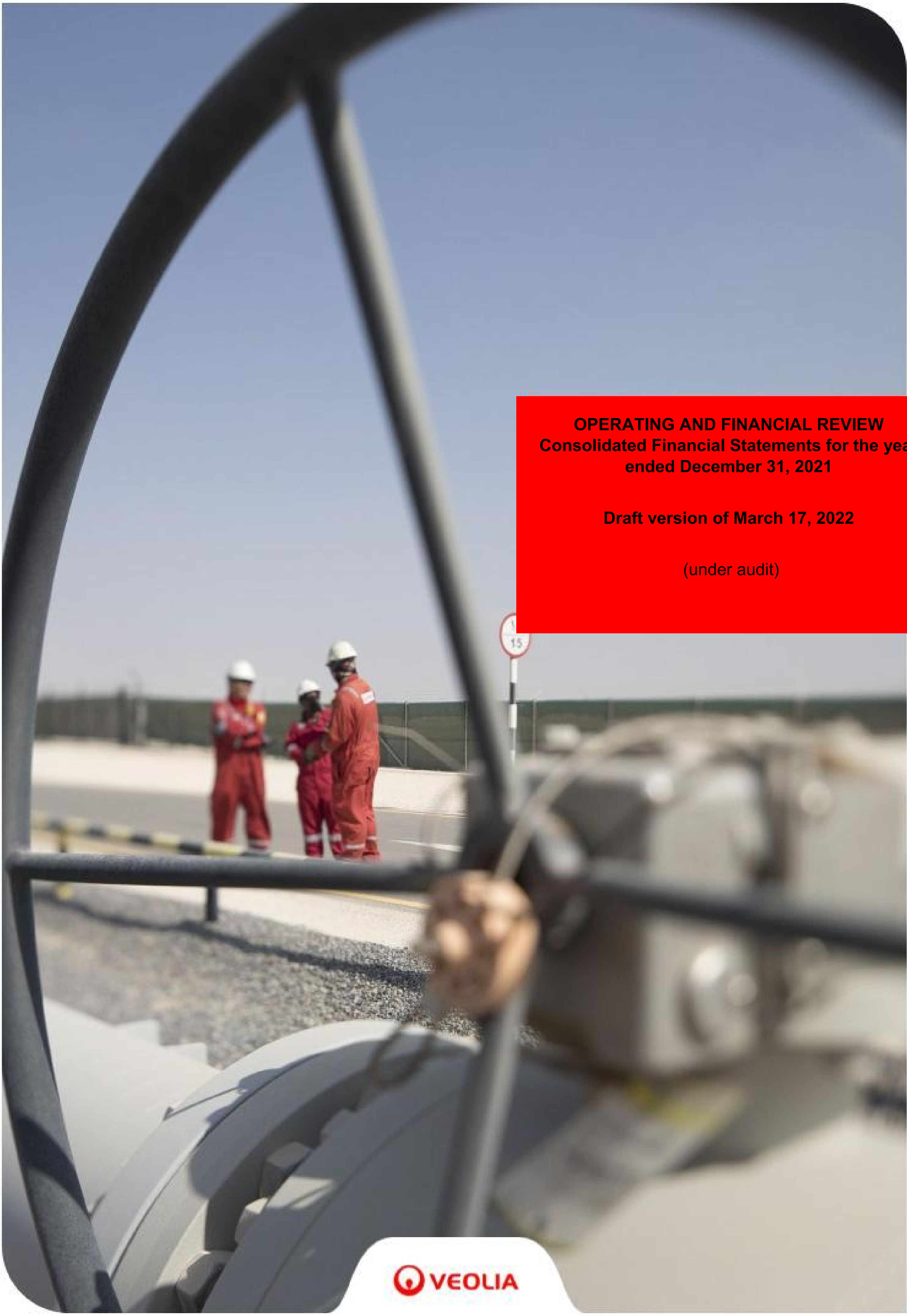


OPERATING AND FINANCIAL REVIEW
Consolidated Financial Statements for the year ended December 31, 2021

Draft version of March 17, 2022

(under audit)

VEOLIA

CONTENTS

VEOLIA ENVIRONNEMENT

OPERATING AND FINANCIAL REVIEW

Consolidated Financial Statements
for the year ended December 31, 2021

2021

Draft under review by the statutory auditors

Chairman’s message

Antoine Frérot, Veolia’s Chairman & CEO commented*: « 2021 year ended on the same strong note as in the first nine month, achieving record results. Revenue growth remained strong throughout the year, both in terms of volumes (up 3%) and in value, thanks to the tariff indexation mechanisms in the majority of our contracts enabling to offset cost inflation. Moreover, the continued improvement of our efficiency has substantially amplified this increase of revenue. Our record results demonstrate the strength and the sound execution of our strategic program Impact 2023, particularly the new growth opportunities for international development and innovative offerings. It is these foundations that enable our Group to be resilient today in the face of the conflict in Eastern Europe, as in previous crises. Veolia therefore starts 2022 in good conditions, just as we begin to integrate the activities we bought from Suez through the tender offer. Close to 10 billion euros of revenue will complement our 2021 revenue of 28 billion €, an increase of more than 30% which will notably strengthen our international footprint, and accelerate innovation. This growth, in addition to the expected synergies, will enable our current net income to grow by more than 20% in 2022 and will enhance our earning per share by around 40% in 2024. The creation of the undisputed world champion of ecological transformation is underway and on track.»*

1

SUEZ COMBINATION

1.1 Suez combination

SUMMARY OF THE MAIN COMBINATION STAGES

Key dates in 2021

- **February 8, 2021:** publication by the AMF of the notice of filing for Veolia's Public Tender Offer for the Suez share capital
- **April 12, 2021: agreement in principal between Suez and Veolia** notably setting the price of the Public Tender Office at €20.50 per Suez share (coupon attached) and creation of New Suez to be sold to the "Consortium" (Meridiam, Caisse des dépôts et consignations, CNP Assurances and Global Infrastructure Partners)
- **May 14, 2021:**
  - **Combination agreement** between Suez and Veolia setting the terms and conditions of the Public Tender Offer ("the Offer") and the general principles for the creation of New Suez
  - **Memorandum of Understanding** between Veolia and the Consortium for the acquisition of New Suez: Water and Waste activities (excluding hazardous waste) in France and certain international activities
- **June 27, 2021: presentation by the Consortium of a firm offer for the New Suez scope:**
  - Scope concerned:
    i. Suez's Water and Waste operations (excluding hazardous waste) in France,
    ii. Suez's Smart & Environmental Solutions global business unit (excluding "SES Spain", "SES Aguas Andinas" and part of "SES Colombia"),
    iii. Suez's Municipal Water operations in Italy, as well as its stake in ACEA,
    iv. Suez's Municipal Water operations in the Czech Republic,
    v. Suez's Municipal Water and Waste (except hazardous waste) activities in Africa, as well as its stake in Lydec,
    vi. Suez's Municipal Water activities in India, Bangladesh and Sri Lanka,
    vii. Suez's Municipal Water, Industrial Water and Infrastructure Design and Construction activities in China as well as all of the activities of the Suyu group and two industrial incinerators in Shanghai and Suzhou,
    viii. Suez's Municipal Water activities in Australia,
    ix. Suez's activities in Uzbekistan, Azerbaijan, Turkmenistan and Kazakhstan
  - Conditional on certain reorganizations of the scope sold, the transfer to the Consortium of at least 90% of the revenues of the scope sold and the settlement delivery of the Public Tender Offer
- **July 20, 2021:** AMF notice of compliance on the draft Offer
- **July 29, 2021**: opening of the Offer at a price of €19.85 per share following the ex-dividend date for the €0.65 dividend per share approved by the Suez General Shareholders' Meeting of June 30, 2021
- **December 14, 2021:** approval by the European Commission of the proposed acquisition of Suez by Veolia, accompanied by certain remedies in addition to the sale of municipal water and non-hazardous waste activities in France to New Suez already planned and covering industrial water, mobile water solutions and special industrial waste.

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

- **January 10, 2022:** closing of the Public Tender Offer at €19.85 (distribution rights attached) per share
  - 551,451,261 Suez shares held by Veolia, representing 86.22% of the share capital and voting rights of Suez.
- **January 12-17, 2022:** reopening of the offer enabling shareholders who have not tendered their shares to do so under unchanged conditions

  - 613,682,445 Suez shares held by Veolia, representing 95.95% of the share capital and voting rights of Suez.
  - Squeeze-out procedure for Suez shares on February 18, 2022.
- **January 31, 2022:** sale by Veolia to the Consortium of New Suez in accordance with the terms of the purchase agreement dated October 22, 2021, for an unchanged enterprise value.
- **February 18, 2022:** delisting of the Suez shares from Euronext after market closing.

MERGER CONTROL AUTHORIZATIONS

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

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

TRANSACTION FINANCING

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

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

Tender offer

The Public Tender Offer filed by Veolia concerned 451,892,781 shares not yet held by Veolia, at a price of €19.85, representing a maximum amount of €8.97 billion. The Offer was financed by a €9 billion bridge loan with a banking syndicate, as detailed in Financing commitments received. This loan was refinanced in part by the proceeds from the sale of "New Suez" received on January 31, 2022 and the share capital increase with preferential subscription rights finalized in October 2021 for €2.5 billion (see Chapter 2.3.2, Share capital increase). The financing plan aimed to maintain an investment grade credit rating for the enlarged group and to keep the net financial debt/EBITDA ratio below 3.0x in the medium term, in line with the Group's objectives.

IMPACT IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 OF THE INVESTMENT IN SUEZ

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

Due to the merger control procedure still ongoing in the United Kingdom as of December 31, 2021, rights attached to the Suez shares acquired on October 6, 2020 do not allow Veolia:

- to have a representative on the Suez Board of Directors;
- to freely use its voting rights to influence Suez policies (excluding specific situations and derogations).

Accordingly, as of December 31, 2021, Veolia management considers it cannot participate in Suez's financial and operating policy decisions within the meaning of IAS 28.

In the absence of significant influence, the 29.9% stake in Suez is recognized in the Consolidated Statement of Financial Position in "non-consolidated investments".

In accordance with IFRS 9, the shares are valued at fair value. In practice, the closing share price is used. In accordance with the Group accounting policy, all fair value gains and losses are recognized directly in other comprehensive income.

Accordingly, the Suez shares are valued at €3,721 million as of December 31, 2021. +€295.8 million has been recognized in other comprehensive income since October 6, 2020.

Top-up right in favor of Engie

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

Veolia reviewed the mechanisms for activating this clause. It entered into effect (payment of the top-up) if, and only if, the Tender Offer was effectively launched and successful, that is if Veolia obtained control of Suez.

The top-up right clause meets the criteria of a debt that is part of the "Business Combination" within the meaning of IFRS 3R, as this right represents consideration for the takeover, a component of the exchange for the acquisition and, accordingly, is an integral component of the consideration paid on the allocation of assets acquired and liabilities assumed.

As of December 31, 2021, the financial commitment relating to this clause was assessed to constitute a liability (of €347.4 million). IAS 32, paragraph 19 states that a liability must be recognized where there is no "*unconditional right to avoid delivering cash to settle the obligation*". The AMF's approval of the combination in July 2021 followed by the European Commission's approval created the conditions necessary for the recognition of this right in the accounts at the end of December 2021.

FINANCIAL INFORMATION ON THE TAKEOVER OF SUEZ

On January 18, 2022, following the Public Tender Offer, Veolia acquired control of Suez. The Group now holds the entire share capital of Suez, following completion of the squeeze-out procedure on February 18, 2022. The acquisition aims to enable Veolia to acquire the strategic assets necessary to its plan to create a global champion of ecological transformation, benefiting from increased scale and improved profitability.

Due to the proximity of the date of acquisition of control with the accounting year end of December 31, 2021, work on the initial recognition of the business combination was not completed at the date of publication of the Group consolidated financial statements. Accordingly, certain financial information required by IFRS 3 on business combinations performed between the reporting date and the date of approval of the financial statements (such as the fair value of assets acquired and liabilities assumed at the acquisition date and the expected amount of goodwill resulting from the transaction) is not communicated in these financial statements; it will be included in subsequent financial publications.

The estimated amount of the counterparty transferred by Veolia (including the impact of the acquisition of Suez shares from Engie) is € 9,318 million. Transaction costs incurred by the Group total €152.1 million, including €149.6 million expensed in the 2021 Consolidated Income Statement (see Note 6.2 to the consolidated financial statements).

The acquired scope (after the sale of "New Suez" to the Consortium) generated revenue of €9,902 million and net income of €287 million in 2021.

The remedies demanded to date by the Competition Authorities that have approved the combination, in addition to those already provided in the context of New Suez, are not material.

2

MAJOR EVENTS OF THE PERIOD

2.1 Business and income trends

Strong growth in 2021 results

2021 results are up significantly on 2020 as well as 2019, prior to the health crisis. They reflect both activity growth, robust operating performance and a solid financial position.

Variation à change constant M€	Décembre 2019	Décembre 2020	Décembre 2021	variation vs Décembre 2020	variation vs Décembre 2019
Chiffre d'affaires	27 189	26 010	28 508	+9,6%	+6,5%
EBITDA	4 022	3 641	4 234	+16,0%	+6,9%
Taux de marge	*14,8%*	*14,0%*	*14,9%*		

2021 performance was marked by a strong recovery in activity following the health crisis, a favorable environment for recyclate and energy prices and the accelerated growth of strategic activities such as hazardous waste processing.

Annual revenue growth was driven by an upturn in waste volumes (revenue up +15.5% compared with 2020 at constant exchange rates) and robust energy activities (revenue up +19.9% compared with 2020 at constant exchange rates) both in heat production and distribution and energy services for buildings, as well as resilient water businesses.

All activities benefited from a positive price effect due to contractual indexation mechanisms and reflecting cost inflation in production factors. In waste, significantly higher recyclate prices in 2021 (paper, plastic, ferrous and non-ferrous metals) positively impacted revenue and EBITDA. The increase in energy prices also favorably impacted energy revenues. Practically all energy purchases benefit from hedging mechanisms limiting the increase in the price of electricity, gas and CO2 compared with the market.

All Group geographies contributed to this growth and restrictions related to the pandemic, which continued in certain countries in 2021, had a limited impact on operations. In Europe excluding France, growth of +15.6% at constant exchange rates on 2020 benefited from a surge in waste activities in the United Kingdom and Germany and energy activities in Central and Eastern Europe. In France, revenue rose +8.9% on 2020 mainly due to favorable volume and price effects in waste. In the Rest of the world, revenue growth (+5.4% compared with 2020 at constant exchange rates) was underpinned by good activity volume in Latin America and Africa and the Middle East and the development of our strategic hazardous waste activities China.

Growth was accompanied by higher Group profitability, with EBITDA of €4,234 million for the year ended December 31, 2021, up +16.0% compared with 2020 and +6.9% compared with 2019 at constant exchange rates. At 14.9% of revenue, the EBITDA margin is 0.9 points higher than last year and 0.1 points higher than 2019, which was untouched by the health crisis. Profitability benefited from the strengthening of efficiency programs, which generated gains of €382 million in 2021.

Other financial items also increased significantly compared with 2020:

- **Current EBIT** totaled €1,766 million, up +41.7% at constant exchange rates compared with end-December 2020, re-presented[1]
- **Current net income - Group Share** of **€896 million** is up +132.9% at constant exchange rates on end-December 2020 re-presented**Erreur ! Signet non défini.**, favorably impacted by higher profitability and a decrease in the Group's cost of net financial debt in 2021
- **Net income - Group share** is €404 million, up +350.8% at constant exchange rates[2]
- **Net free cash flow** before financial investments and dividends is **€1,341 million** (compared with €508 million at end-December 2020), including Suez dividends of €122 million. The Group substantially improved its operating working capital requirements and exercised tight discipline over net industrial investments which totaled €2,212 million.

Net financial debt fell significantly in 2021 to **€9.5 billion** (from €13.2 billion at end-December 2020), favorably impacted by net free cash flow generation during the period, the €2.5 billion share capital increase performed in October 2021 as part of the financing of the Suez acquisition and the hybrid debt issue in November for €497 million (net of issue costs).

2.2 Changes in Group structure – Strategic Program

2.2.1 INNOVATIONS AND COMMERCIAL DEVELOPMENTS

In line with the Impact 2023 program, the Group's commercial innovations and developments continued during 2021, confirming the Group's ability to renew its offers and services.

Developments in hazardous waste and soil remediation and decontamination

On November 30, 2022, the Group announced the creation of Waste2Glass, a 50/50 joint venture with EDF, to develop innovative solutions for the processing of complex radioactive waste, through their respective subsidiaries, Cyclife and Asteralis. This joint venture will be dedicated to developing solutions for the decommissioning of graphite-gas reactors using the Group's GeoMelt® vitrification technology. This technology has already been used to process 26,000 metric tons of radioactive and hazardous waste, particularly in the USA. The creation of the joint venture is planned for early 2022.

In Saudi Arabia, Veolia became the exclusive partner of Saudi Aramco for the processing of its industrial and non-hazardous waste. Estimated at 200,000 metric tons per year, this volume will be in addition to the 120,000 metric tons of hazardous waste that will soon be processed in Jubail, where Veolia is finalizing the construction of an incinerator for Sadara Chemical Company and other nearby industrial companies.

Development of circular economy activities to reduce the carbon footprint

In Brazil, Veolia has brought on stream three new thermoelectric power plants in three of its landfills operated in the provinces of Sao Paulo and Santa Catarina. These units will produce 12,400 kW of renewable electricity from biogas produced by the decomposition of organic waste, meeting the electricity and heating needs of a city of around 42,000 inhabitants in Brazil. In this way, by the end of 2021, biogas capture at Veolia's landfills in

[1] Current EBIT and Current net income - Group share include the IFRS 2 "share-based payment" impact in current items. See Section 6.1.

Brazil enables 45,000 metric tons of methane emissions into the atmosphere to be avoided, representing approximately 1.26 million metric tons of CO_2 equivalent.

In Peru, Veolia signed an agreement with Petroperu on April 13 to operate and maintain the sulfuric acid production facility at its new refinery in Talara, a port city in the north-west of the country. This 10-year agreement aims to process 560 metric tons/day of 98%-grade sulfuric acid produced by acid gas processing activities at the refinery and represents close to €96 million. Operation commenced at the end of 2021.

On December 8, 2021, Veolia and L'Oréal joined forces to reduce the carbon footprint of cosmetic packaging in a circular economy approach. Veolia will supply high-quality recycled plastic for L'Oréal's packaging worldwide, enabling between 50% to 70% of CO_2 emissions to be avoided compared to standard packaging. In order to meet international certifications, Veolia has adopted an innovative pelletisation technology based on a system for the elimination of organic compounds to obtain plastic equivalent to that of virgin plastic.

Development of energy services with municipal and industrial customers

The Group continues to innovate in the management of resources for its industrial customers. Using an innovative collaborative approach, Veolia, through its Finish subsidiary, STEP, 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 Veolia's Impact 2023 strategic plan.

In Italy, the Group also entered into several energy services contracts, including a contract with Parma University (15-year agreement worth €145 million), a 7-year extension to the agreement with Milan (worth €163 million) and a contract with Parma hospital (7-year agreement worth €37 million).

On September 29, 2021, the City of Tachkent (Uzbekistan) awarded Veolia a 30-year concession contract for the operation, maintenance and management of its district heating system, worth cumulative revenue of €13.4 billion. It is the first contract awarded to the Group in the country. It is in line with Veolia's strategy, which intends, both in France and abroad, to offer local communities its vast array of expertise and solutions to support them in their sustainable development and ecological transformation.

Water management solutions

On December 4, 2021, the Saudi Arabia National Water Company awarded Veolia the management contract for water and wastewater services in the capital Riyadh and 22 outlying municipalities, covering a population of nearly 9 million people. The 7-year contract represents revenues of €82.6 million and covers the management of a 30,000 km drinking water network and a 10,000 km wastewater network. In addition, Veolia signed a strategic partnership agreement with the Ministry of Investment and Water Transmission and Technologies Company to support the Kingdom in improving the operational, energy and commercial performance of the water sector throughout the country. This cooperation will focus on the deployment of innovative solutions, including digital solutions, and on building skills in the operation and maintenance of facilities.

In Japan, a consortium led by the Group and including METAWATER Co LTD and eight other local partners signed a framework agreement for the management, operation and modernization of drinking water installations in the Miyagi Prefecture. This 20-year concession agreement comprises the maintenance and modernization of eight treatment plants in Miyagi, aimed at reaching a total treatment capacity of over 900,000 m^3 per day. The agreement represents total revenue for the Group of close to €800 million.

In France, in 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 €77 million), and for the Colmar agglomeration (4.5-year contract worth an estimated €14 million). Furthermore, the Group renewed its contracts for the Lens Liévin agglomeration (7-year contract worth an estimated €83 million) and the Grand Montauban agglomeration (15-year contract worth an estimated €135 million).

2.2.2 CHANGES IN GROUP STRUCTURE

In 2021, the Group continued with discipline its asset rotation policy in line with the objectives set in the Impact 2023 strategic plan. Following the sale of heating assets in the United States (2019) and reinvestment in municipal energy businesses in Central Europe in 2020, the main transactions in 2021 focused on Global Businesses, Northern Europe and Asia.

Significant acquisitions

OSIS (Global businesses)

On May 18, 2021, through its subsidiary SARP, the Group acquired SUEZ RV OSIS, a specialist in the maintenance of sanitation networks and structures, and in industrial maintenance and cleaning services, for an amount of €348 million (including IFRS 16 debt). The merger of SARP and OSIS will enable the Veolia Group to position itself as a major player in this area, and to propose - due to their complementary nature - new, high added value services to their public, tertiary and industrial customers, covering the whole of France.

In accordance with the initial plan and in line with competition authority requests, the divestiture process for the Ile de France branches was ongoing at the year end. A purchase commitment was signed at the end of July 2021 and the transaction closed in early January 2022 for a divestiture price of €32.3 million. These activities are recorded in assets and liabilities classified as held for sale as of December 31, 2021.

Significant Divestitures

Shenzhen Water Concession (China)

On May 18, 2021, the Group sold its investment in the Shenzhen water concession in China. The transaction was completed for €403 million and the divestiture price was settled in full in 2021.

Divestiture of activities in Northern Europe

The Group sold its industrial services, infrastructure management and maintenance activities and recycling solutions in Norway and Sweden through three transactions. On June 30, the Group sold its industrial services assets in Norway and Sweden for €70 million. On September 30, the Group completed a divestiture of infrastructure and equipment management activities including maintenance in Sweden for €20 million. On November 30, the Group sold its Recycling Solutions and Industrial Services activities in Norway and Sweden for €145 million.

2.3 Group financing

2.3.1 BOND ISSUES

On January 11, 2021, Veolia successfully issued at par a €700 million bond maturing in January 2027 (i.e. 6 years) and bearing a coupon of 0.00%. The proceeds of this issuance are intended to be used for corporate financing purposes. The high subscription rate, the quality of the investor base, their diversification and the good conditions which were achieved are signals that Veolia's signature is viewed very favorably and of its financial strength.

Following the €2.5 billion share capital increase with preferential subscription rights, and its settlement-delivery on October 8, 2021 (see Chapter 2.3.2, Share capital increase), the Chairman and Chief Executive Officer, pursuant to the delegation of authority granted by the Board of Directors, adjusted notably the rights of holders of OCEANE bonds to preserve their rights in accordance with applicable legal and contractual provisions, with effect from October 8, 2021. The number of Veolia shares (Conversion/Exchange Ratio) that may be obtained by the conversion and/or exchange of each OCEANE bond was increased from 1 Veolia share to 1.031 Veolia shares.

On December 10, 2021, the Group performed the annual update to its €16 billion EMTN debt instrument program.

2.3.2 SHARE CAPITAL INCREASE

On September 16, 2021, in the context of the Veolia and Suez combination, the Group announced the launch of a share capital increase for cash, with shareholders' preferential subscription rights, of €2.5 billion (including issue premiums). On October 6, 2021, the Group announced the issue's success. Following the subscription period, which ended on October 1, 2021, total demand amounted to more than 193 million shares, for an amount close to € 4.4 billion, leading to a well oversubscribed transaction with a take-up rate of approximately 175.4%. The final gross proceeds of the share capital increase with shareholders' preferential subscription rights totaled €2,506,007,269.20 corresponding to the issuance of 110,396,796 new shares at a subscription price of €22.70. The success of this share capital increase and the support from our existing shareholders, as evidenced by the strong take-up rate, confirm the powerful rationale that underpins the combination with Suez.

2.3.3 HYBRID BOND ISSUE

On November 8, 2021, Veolia Environnement issued deeply subordinated perpetual hybrid notes in euros for €500 million, bearing a coupon of 2% until the first reset date in February 2028. The high subscription rate (the order book reached €3.4 billion), enabled Veolia to materially improve the pricing of the issuance and thereby reach a negative new issue premium.

The proceeds of the issuance will be used for corporate financing purposes.

2.3.4 Confirmation of the credit outlook

On February 1, 2022, 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/Baa1 with a stable outlook on January 11, 2022.

2.3.5 Liquidity contract

As of December 31, 2021, under the liquidity contract signed by Veolia Environnement with Kepler Cheuvreux, 1,041 purchase transactions and 1,001 sales transactions were conducted during the second half of the year. It is recalled that on the last balance sheet date at June 30, 2021, 791 purchase transactions and 1,464 sales transactions had been performed.

The liquidity contract is implemented in accordance with AMF Decision no. 2018-01 of July 2, 2018, establishing equity security liquidity contracts as accepted market practice.

2.3.6 DIVIDEND PAYMENT

The Combined General Meeting of April 22, 2021 approved payment of a dividend of €0.70 per share for fiscal year 2020. The dividend therefore amounted to €397 million and was paid from May 12, 2021.

2.4 Performance share plan and Group savings

2.4.1 Performance shares

Amendments to the Performance Share Plan

At the recommendation of the Compensation Committee, the Board of Directors decided on March 9, 2021 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 recalled 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.

In the exceptional context tied to the Covid-19 epidemic, the results for fiscal year 2020 are not representative of the Group's overall performance during the reference period of the plans.

Accordingly, 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 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.

These plans were adjusted following the approval of the Combined General Meeting of April 22, 2021.

Implementation of the 2021 Performance Share Plan

In accordance with the Group's compensation policy and the authorization granted by the Combined General Meeting, the Board of Directors decided on May 4, 2021, at the recommendation of the Compensation Committee, to grant 937,182 performance shares (representing 0.2% of the share capital at that date and therefore complying with the General Shareholders' Meeting authorization of 0.5%), to approximately 450 beneficiaries, including top executives, high potential employees and key contributors of the Group. The detailed features and performance conditions of this performance share plan are presented in Section 3.4.3 of this Universal Registration Document.

Impact of the share capital increase with preferential subscription rights on Performance Share plans

Following the €2.5 billion share capital increase with preferential subscription rights and its settlement-delivery on October 8, 2021, the Chairman and Chief Executive Officer, pursuant to the delegation of authority granted by the Board of Directors, adjusted notably the rights of beneficiaries under the Performance Share Grant Plans in order to preserve their rights in accordance with applicable legal and contractual provisions, with effect from October 8, 2021.

2.4.2 Group Savings Plan

In addition, during the Veolia Environnement Combined General Meeting of April 22, 2021, the Company reaffirmed its wish to associate employees with the Group's development and performance by launching a new employee share ownership program. The main characteristics were decided by the Board of Directors on May 4, 2021.

On September 7, 2021, the Group announced the launch of a new share ownership plan for Group employees, through two separate offers: a secure leveraged offer (total investment guaranteed including the employer's contribution, with a multiple of the potential increase in the share price) and a conventional offer. This transaction, open to around 147,000 Group employees, sought to give them a vested interest in the development and performance of Veolia. The overall subscription rate was 40%, resulting in a €216 million share capital increase bringing the Veolia Environnement share capital to €3,498,626,330 million. Settlement-delivery of the new shares issued was performed on December 8, 2021.

2.5 Changes in governance

The Combined General Meeting of Veolia Environnement on April 22, 2021 renewed the terms of office as director of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse and Mrs. Marion Guillou and appointed Mr. Pierre-André de Chalendar as a director 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, 2024.

In addition, Mr. Jacques Aschenbroich resigned as a director from May 28, 2021.

As of December 31, 2021, the Veolia Environnement Board of Directors had twelve directors, including eight independent directors and two directors representing employees[1] comprising five women:

- Mr. Antoine Frérot, *Chairman and Chief Executive Officer*;
- Mr. Louis Schweitzer, *Vice-Chairman*;
- Mrs. Maryse Aulagnon, *Senior Independent Director*;
- Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse;
- Mr. Pierre-André de Chalendar;
- Mrs. Isabelle Courville;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mr. Franck Le Roux, *Director representing employees* [1];
- Mr. Pavel Páša, *Director representing employees* [1];
- Mrs. Nathalie Rachou;
- Mr. Guillaume Texier.

The four Board Committees are comprised as follows:

- Accounts and Audit Committee: Mrs. Nathalie Rachou (Chairman), Mrs. Isabelle Courville, Mr. Franck Le Roux (Director representing employees), Mr. Olivier Mareuse (representing Caisse des dépôts et consignations) 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 (Chairman), Mrs. Marion Guillou, Mr. Franck Le Roux (Director representing employees) and Mr. Louis Schweitzer;
- Research, Innovation and Sustainable Development Committee: Mrs. Isabelle Courville (Chairman), Mrs. Clara Gaymard, Mrs. Marion Guillou, Mr. Pavel Páša (Director representing employees) and Mr. Guillaume Texier.

At its meeting of January 10, 2022, the Veolia Environnement Board of Directors decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer from July 1, 2022. The directors will ask shareholders to renew the term of office as director of Mr. Antoine Frérot during the General Meeting of June 15, 2022, in order to continue as Chairman of the Board of Directors. At the recommendation of the Nominations Committee, the Board of Directors also decided that Mrs. Estelle Brachlianoff, Chief Operating Officer, will succeed Mr. Antoine Frérot as the Chief Executive Officer of Veolia from July 1, 2022. Shareholders will be asked to appoint her to the Board of Directors.

In addition, the Veolia Environnement Board of Directors’ meeting of March 16, 2022 took due note of the resignation of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, as a director and member of the Accounts and Audit Committee from January 31, 2022.

(1) Director representing employees, not taken into account when calculating independence percentages pursuant to Article 9.3 of the AFEP-MEDEF2 Code

3

ACCOUNTING AND FINANCIAL INFORMATION

3.1 Key figures

Group key figures for the year ended December 31, 2021 are presented below. Comparative figures for the year ended December 31, 2020 re-presented[1] include IFRS 2 share-based payment impacts in current net income. A reconciliation of published and re-presented indicators is presented in the Appendices (Section 6.1).

			Change 2020 / 2021		
(€ million)	***Year ended December 31, 2020 re-presented***	***Year ended December 31, 2021***	***Δ***	***Δ at constant exchange rates***	***Δ at constant scope and exchange rates***
Revenue	**26,009.9**	**28,508.1**	**9.6%**	**9.6%**	**8.7%**
EBITDA[1]	**3,640.8**	**4,233.8**	**16.3%**	**16.0%**	**13.9%**
EBITDA margin	14.0%	14.9%			
Current EBIT[2]	**1,242.0**	**1,765.7**	**42.2%**	**41.7%**	**40.5%**
Current net income - Group Share[2]	381.8	895.8	134.6%	132.9%	135.9%
Net income - Group share	88.8	404.3	355.8%	350.8%	
Current net income - Group share, per share[2] (Basic)	0.75	1.51			
Current net income - Group share, per share (Diluted)	0.72	1.45			
Dividend per share paid during the fiscal year [3]	0.70	1.00			
Net industrial investments	(2,151.5)	(2,211.5)			
Net free cash flow [2]	507.5	1,340.5			
Net financial debt	**(13,217.0)**	**(9,532.2)**			

(1) The indicators are defined in Section 6.3.2 below.
(2) Including the share of current net income of joint ventures and associates viewed as core Company activities.
(3) Subject to approval at the General Shareholders' Meeting of June 15, 2022

The main foreign exchange impacts on revenue were as follows:

FX impacts for the year ended December 31, 2021 *(vs December 31, 2020 re-presented*	%	(€ million)
Revenue	0.0%	(4)
EBITDA	0.2%	9
Current EBIT	0.4%	5
Current net income	1.7%	6
Net financial debt	2.2%	298

[1] See Section 6.1 for more information on this restatement

3.2 Group revenue

3.2.1 REVENUE BY OPERATING SEGMENT

With the post-health crisis upturn in revenue, felt from the second half of 2020, all segments reported growth in 2021.

			Change 2020 / 2021		
(€ million)	*Year ended December 31, 2020*	*Year ended December 31, 2021*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
France	5,389.9	5,868.2	8.9%	8.9%	8.9%
Europe excluding France	9,411.4	10,941.9	16.3%	15.6%	12.4%
Rest of the world	6,759.7	7,067.3	4.5%	5.4%	5.0%
Global businesses	4,443.9	4,629.0	4.2%	4.4%	6.5%
Other	5.0	1.7	-	-	-
Group	**26,009.9**	**28,508.1**	**9.6%**	**9.6%**	**8.7%**

Revenue increased 8.9% in **France** compared with the year ended December 31, 2020:

- Water revenue is up +1.2% year-on-year boosted by increased construction activities which returned to 2019 levels and the positive impact of tariff reviews (+0.9%) which offset lower water volumes (-1.3%) mainly due to a wet summer.
- Waste revenue rose +18.1% year-on-year continuing the first-half recovery, with higher volumes, favorable recyclate price trends, notably paper and the positive impact of tariff reviews.

Europe excluding France revenue grew 15.6% at constant exchange rates compared with the year ended December 31, 2020, benefiting from higher recyclate and energy prices and a positive weather effect in energy in the first quarter. These items combined with the ramp-up of new activities integrated in Central and Eastern Europe and a strong recovery in activity in the United Kingdom and Germany.

- In **Central and Eastern Europe**, including Germany, revenue increased +19.6% at constant exchange rates year-on-year to €6,260 million. This growth was mainly driven by:
    - o organic growth in all activities (+13.1% at constant scope and exchange rates) chiefly underpinned by higher tariff indexation in energy (in Poland and Hungary) and water (in the Czech Republic, Bulgaria and Romania) and a positive weather effect of €79 million (Czech Republic and Poland);
    - o a scope impact of €339 million, with primarily 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);
    - o Germany, thanks to the surge in recyclate prices (€168 million, including €126 million for paper), higher energy prices and the good recovery in commercial waste volumes.
    - In **Northern Europe**, revenue grew +7.6% at constant exchange rates year-on-year to €3,276 million. This increase is mainly driven by the **United Kingdom and Ireland**, which recorded a 8.5% increase in revenue at constant exchange rates to €2,423 million due to higher recyclate prices (paper and metal), a recovery in industrial waste and landfill volumes to almost pre-health crisis levels and excellent incinerator performance (facility availability rate of 94.9% in 2021 compared with 94.1% in 2020)

Revenue increased +5.4% in the **Rest of the world** at constant exchange rates year-on-year, with growth in all geographies:

- Revenue in **Latin America** increased +14.1% at constant exchange rates, driven notably by favorable tariff indexation in Argentina (local inflation), Colombia and Mexico, growth in hazardous waste activities in Chile and Argentina, good water activity levels in Ecuador and commercial wins, notably in waste in Colombia.
- In **Africa/Middle East,** revenue grew +12.3% at constant exchange rates following new contract wins, chiefly in energy services in the Middle East, increased water volumes in Morocco and business growth in Western Africa (Ivory Coast).
- In **North America**, revenue increased +5.2% at constant exchange rates year-on-year to €1,784 million. Hazardous waste contributed to this growth with higher volumes and a favorable price effect partially offset by the impacts of the bitterly cold weather in Texas in the first quarter and hurricane Ida in September which led to the temporary shut-down of certain sites.
- Revenue in **Asia** increased +1.1% at constant exchange rates, with the unfavorable effect of lower waste activities tied to the end of a contract in China (Laogang in 2020) partially offset by strong growth in India, Japan and Taiwan. The Group also continued hazardous waste development projects in China.
- Revenue increased +1.0% at constant exchange rates in the **Pacific** zone, thanks to an upturn in waste volumes in a context of reduced health restrictions since the fall and good water activities. Energy activities were impacted by the divestiture of an industrial asset (revenue impact of -€36 million).

Global businesses revenue increased +4.4% at constant exchange rates compared with the year ended December 31, 2020, despite the sale of the Sade Telecom business at the end of 2020. At constant scope and exchange rates, segment revenue increased +6.5%:

- **Hazardous waste activities in Europe** increased significantly by +29.5% at constant exchange rates, with good volume and price levels and commercial development in sanitation and industrial maintenance activities which returned to pre-health crisis levels. Activity also benefited from the positive scope impact tied to the acquisition of the Suez RV OSIS in May 2021 (revenue of €198 million).
- **Veolia Water Technologies** revenue increased +0.6% at constant scope and exchange rates with increased technological distribution activities in Europe, the ramp-up of Mobile Unit solutions and the development of municipal projects in France. VWT bookings totaled €1,268 million as of December 31, 2021, compared with €1,409 million one year earlier.
- **SADE,** which sold its Telecom activity at the end of 2020 (scope impact of -€302 million), reported a fall of -19% at constant exchange rates and an increase of +5.5% at constant scope and exchange rates, driven by dynamic commercial activity in France, particularly in the public market.

3.2.2 Revenue by Business

The Group's activity by business in 2021 is marked by:

- resilient **Water** activities, with growth to end-December 2021 of +2.1% at constant scope and exchange rates year-on-year
- a recovery in **Waste** activities, with growth of +15.5% at constant exchange rates due to increased volumes processed, higher recyclate prices and favorable tariff reviews

- **Energy** growth of +19.9% at constant exchange rates, underpinned by higher energy prices (electricity and heat), the favorable impact of tariff reviews and a positive weather effect.

			Change 2020 / 2021		
(€ million)	*Year ended December 31, 2020*	*Year ended December 31, 2021*	Δ	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*
Water	10,900.0	10,788.3	-1.0%	-0,7%	2,1%
of which Water Operations	8,151.8	8,284.4	1.6%	1.9%	1.9%
of which Technology and Construction	2,748.2	2,503.9	-8.9%	-8.6%	2.8%
Waste	9,672.9	11,227.7	16.1%	15.5%	14.2%
Energy	5,437.0	6,492.1	19.4%	19.9%	12.3%
Group	**26,009.9**	**28,508.1**	**9.6%**	**9.6%**	**8.7%**

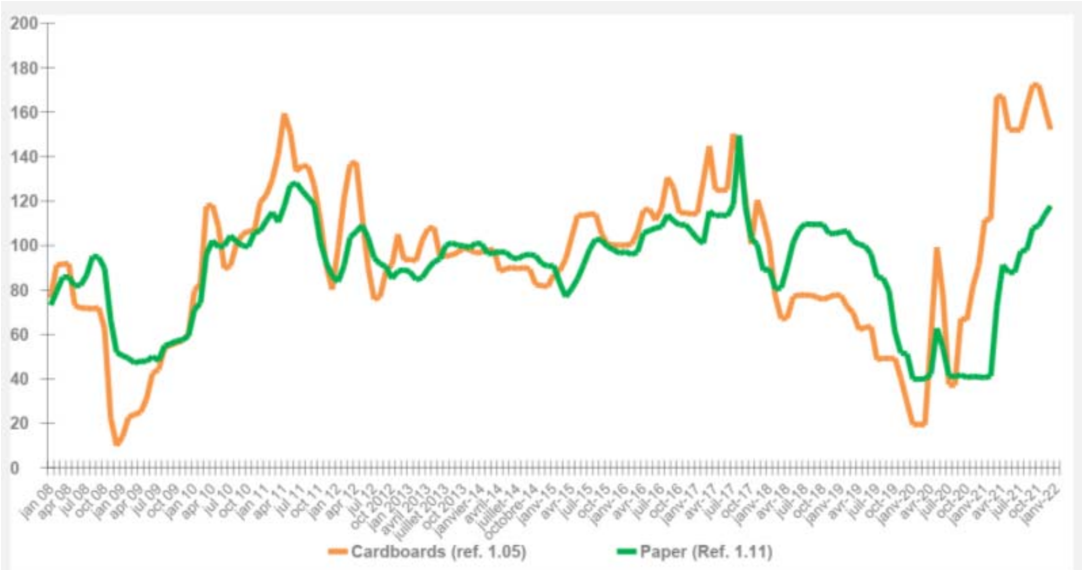
Water revenue

Water Operations revenue increased +1.9% at constant scope and exchange rates year-on-year confirming the activity's resilience driven by an upturn in construction activity and achieved despite lower water volumes in France due to reduced consumption linked to a wet summer in 2021.
Technology and Construction revenue is up +2.8% at constant scope and exchange rates compared with December 31, 2020. This increase is mainly driven by VWT, with growth reported by Westgarth (a subsidiary specializing in the Oil & Gas sector) and increased construction activity for municipalities in France and the United States.

Waste revenue

Revenue increased +14.2% in the **Waste** business at constant scope and exchange rates compared with the year ended December 31, 2020, benefiting from ongoing high recyclate prices (+5.2%), volume growth (+5.3%) and positive tariff increases (+2.7%).
The increase in recyclate prices and particularly paper prices continued throughout 2021 and was particularly strong in the first half of the year.

Paper-cardboard recyclate price trends In France



Source : Copacel

Overall, volumes have returned to pre-health crisis levels, except for commercial and industrial waste which remain down on 2019 in certain geographies.

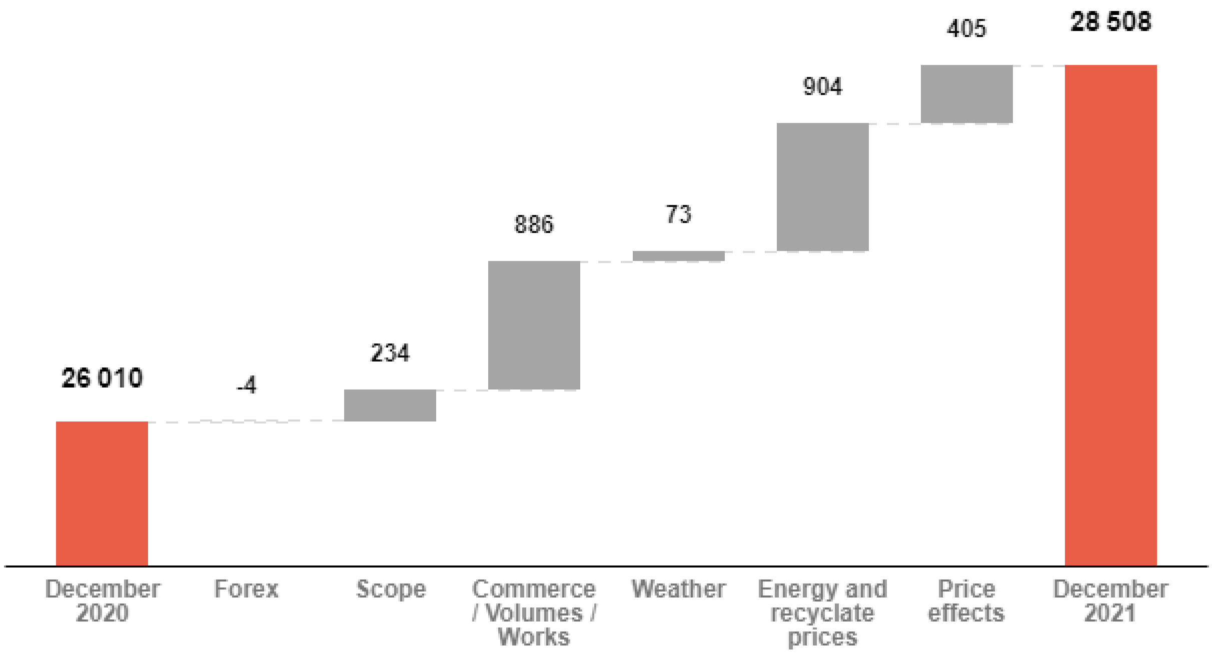
Energy revenue

Energy revenue grew +19.9% at constant exchange rates compared with the year ended December 31, 2020 and +12.3% organically, restated for the scope effects of integrating Prague Right Bank heating network activities and cogeneration installations in Budapest (+€398 million in revenue).

The strong activity growth is supported by a favorable weather impact at the beginning of the year and in the fourth quarter (+1.6%), notably in Central and Eastern Europe, an increased price effect (+6.8%) driven by tariff rises in Poland and Hungary and strong commercial development (+1.9%) in Europe and particularly Italy.

3.2.3 Analysis of the change in Group revenue

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



The **foreign exchange impact** of -€4 million mainly reflects fluctuations in American (-€94 million) and Asian (-€22 million) currencies, partially offset by an improvement in the Australian (+€51 million) and UK (+€75 million) currencies [1].

The **consolidation scope impact** of €234 million mainly concerns in Central Europe the impact of integrating the Budapest cogeneration installations (€235 million) and the Prague Right Bank urban heating network (€163 million) in 2020. In the Global businesses segment, the sale of SADE's Telecom network activities in 2020 (-€302 million) was partially offset by the integration of OSIS in May 2021 (€198 million).

The **Commerce / Volumes / Works** impact is +€886 million, driven for more than half by higher waste volumes and excellent commercial momentum.

The **Weather impact** is +€73 million and mainly concerns Central Europe where the Energy business benefited from a severe winter in the first and fourth quarters, offset in the third quarter by the impact of a wet summer on the Water activity in France.

Energy and recyclate prices had an impact of +€904 million, driven by a strong increase in recyclate prices (+€499 million, including €319 million for paper, €63 million for plastic and €60 million for metal) and the positive impact of energy prices in Europe and notably in Central Europe, which benefited from higher heating tariffs in Poland, and in Germany with favorable impacts on electricity sales.

Favorable price effects (+€405 million) are mainly tied to tariff reviews estimated at +2.7% in waste and +1% in water.

[1] Main foreign exchange impacts by currency: US dollar (-€75 million), Argentine peso (-€20 million), Japanese yen (-€36 million), Polish zloty (-€37 million), Brazilian real (-€9 million), Hong Kong dollar (-€9 million), pound sterling (+€82 million), Australian dollar (+€52 million), Czech koruna (+€34 million).

3.3 Group EBITDA

Group consolidated EBITDA for the year ended December 31, 2021 was €4,234 million, up +16% at constant exchange rates year-on-year. The margin rate is 14.9% at December 31, 2021, compared with 14% at December 31, 2020. The increase in current EBITDA by operating segment is as follows:

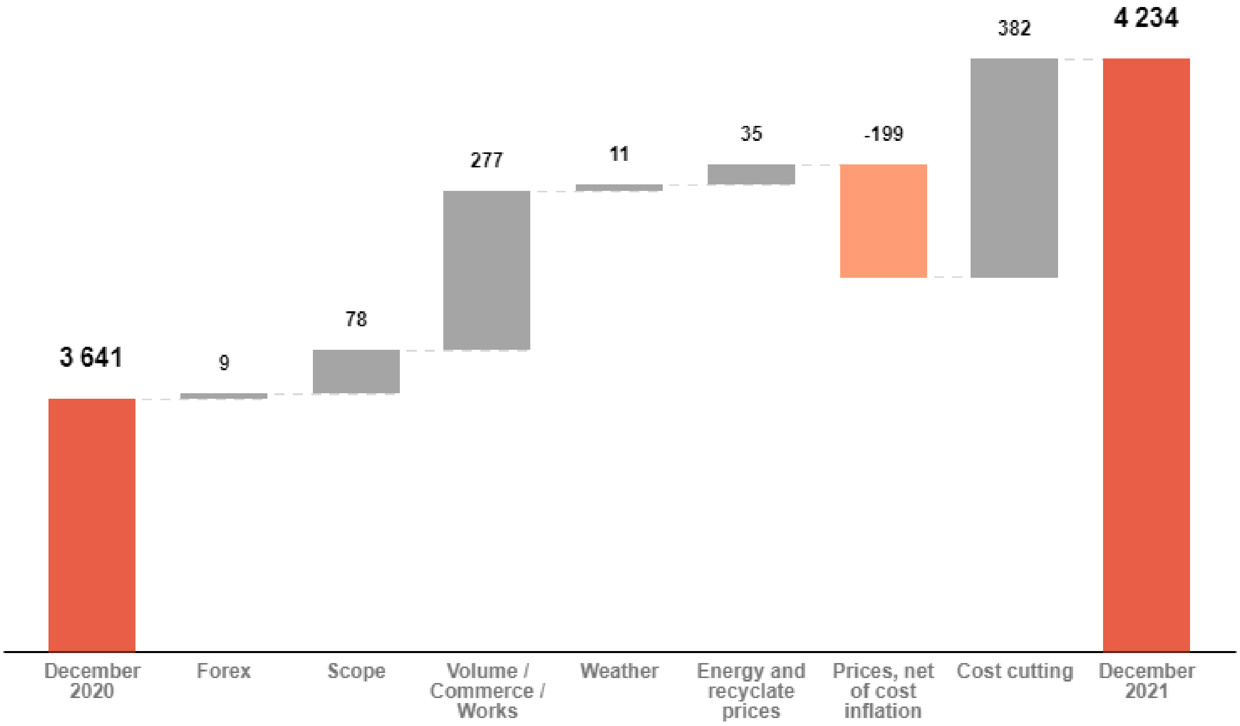
			Change 2020 / 2021			EBITDA margin	
(€ million)	*Year ended December 31, 2020*	*Year ended December 31, 2021*	*Δ*	*Δ at constant exchange rates*	*Δ at constant scope and exchange rates*	*Year ended December 31, 2020*	*Year ended December 31, 2021*
France	847.7	1,074.8	26.8%	26.8%	26.8%	15.7%	18.3%
Europe excluding France	1,403.7	1,729.9	23.2%	22.3%	16.9%	14.9%	15.8%
Rest of the world	941.6	1,001.5	6.4%	6.9%	7.3%	13.9%	14.2%
Global businesses	324.4	426.3	31.4%	31.4%	29.3%	7.3%	9.2%
Other	123.4	1.3					
Group	**3,640.8**	**4,233.8**	**16.3%**	**16.0%**	**13.9%**	**14.0%**	**14.9%**

In France, EBITDA increased by +26.8% year-on-year. In the Water business, the increase in EBITDA was mainly due to the restart of construction work as we exit the health crisis and efficiency gains which offset the negative impact of the wet summer on volume. In Waste, the higher EBITDA was driven by increased recyclate prices, particularly for paper, the post-health crisis activity recovery and the contribution of efficiency plans. EBITDA also benefited from an OFA disposal relating to a waste incinerator in France in the third quarter of 2021 for €86 million.

In Europe excluding France, EBITDA increased +22.3% at constant exchange rates year-on-year, benefiting from higher recyclate prices (paper, plastic and metal), particularly in Germany and the United Kingdom, a positive weather effect, higher electricity and heat prices in Central Europe and hedges set-up with respect to the increased cost of CO_2 certificates and favorable prices for water distribution contracts.

In the Rest of world, EBITDA rose +6.9% at constant exchange rates, with the increase particularly marked in Latin America, North America and the Middle East.
In the **Global businesses** segment, EBITDA surged +29.3% at constant scope and exchange rates, underpinned particularly by the performance of hazardous waste activities, the upturn in construction activities and the improved operating performance of industrial maintenance businesses.

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



The **foreign exchange** impact on EBITDA was +€9 million and mainly reflects the improvement in the Australian and UK currencies, partially offset by unfavorable movements in American currencies (-€14 million)[1].

The **consolidation scope impact** of +€78 million mainly reflects the impact of the acquisition of the Prague Right Bank urban heating network and the Budapest cogeneration installations in 2020.

Commerce and volume impacts are +€277 million. This increase was driven by higher waste volumes, mainly in France and Europe, and strong construction activities in Water in France and in Global businesses (VWT).

The favorable **weather impact** in Energy (+€11 million), mainly in Central Europe, offset by the impact of severe weather in the United States and a wet summer in France (-€23 million).

Energy and recyclate prices had a favorable impact on EBITDA of +€35 million (vs. +€28 million at December 31, 2020), including +€113 million in recyclates and -€78 million in energy costs including CO_2 certificates.

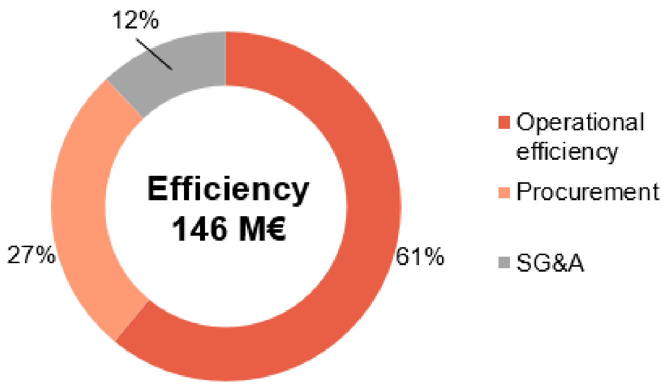
The impact of **prices net of cost inflation** is -€199 million.

Cost-savings plans contributed +€382 million at the end of December, above the €350 million annual objective and include:

- the efficiency plan for €280 million, mainly concerning operating efficiency (61%) and purchasing (27%) across all geographic zones: France (24%), Europe excluding France (36%), Rest of the world (26%) and Global businesses (13%);
- post-health crisis additional savings efforts under the Recover & Adapt plan for €102 million.

[1] Foreign exchange impacts by currency: US dollar (-€8 million), Argentine peso (-€3 million), Colombian peso (-€2 million), Polish zloty (-€6 million), United Arab Emirates dirham (-€1 million), Hungarian forint (-€2 million), Brazilian real (-€1 million), Australian dollar (+€7 million), Czech koruna (+€9 million), pound sterling (+€14 million).

Cost-savings plan (including Recover & Adapt)		
EBITDA impact *(€ million)*	**2021 Objective**	**2021 Actual**
Gross cost savings	**350**	**382**



3.4 Other income statement items

3.4.1 Current EBIT

Group consolidated **current EBIT** for the year ended December 31, 2021 was €1,766 million, up significantly by 41.7% at constant exchange rates compared with the year ended December 31, 2020 represented[1].

EBITDA reconciles with Current EBIT compared with the year ended December 31, 2020 re-presented**Erreur ! Signet non défini.** as follows:

(€ million)	Year ended December 31, 2020 re-presented***Erreur ! Signet non défini.***	***Year ended December 31, 2021***
EBITDA	**3,640.8**	**4,233.8**
Renewal expenses	(275.4)	(291.9)
Depreciation and amortization[2]	(2,189.7)	(2,348.9)
Provisions, fair value adjustments & other	(44.2)	67.9
Share of current net income of joint ventures and associates	110.5	104.8
Current EBIT	**1,242.0**	**1,765.7**

The significant +€518 million increase in Current EBIT at constant exchange rates compared with December 31, 2020 re-presented[1] is mainly due to:

- a marked improvement in EBITDA (+€584 million at constant exchange rates)
- a slight increase in depreciation and amortization, net of the impact of principal payments on operating financial assets, following 2020 scope entries
- a favorable difference in provisions and other, including higher capital gains on industrial divestitures (+€58 million at constant exchange rates) mainly relating to asset rotation transactions in Sweden, Norway and France.

[1] See Section 6.1 for more information on this restatement
[2] Including principal payments on operating financial assets.

The foreign exchange impact on Current EBIT of +€5 million mainly reflects fluctuations in the UK (+€7 million) and Asian (+€4 million) currencies, partially offset by a downturn in Latin American (-€4 million) and North American (-€3 million) currencies.

The change in current EBIT by operating segment is as follows:

(€ million)	Year ended December 31, 2020 re-presented[1]	Year ended December 31, 2021	Change 2020 / 2021	
			∆	∆ at constant exchange rates
France	28.2	233.5	728.2%	728.2%
Europe excluding France	602.6	918.9	52.5%	51.4%
Rest of the world	492.7	506.4	2.8%	3.3%
Global businesses	111.9	222.9	99.2%	98.3%
Other	6.6	(116.0)	N/A	N/A
Group	**1,242.0**	**1,765.7**	**42.2%**	**41.7%**

3.4.2 NET FINANCIAL EXPENSE

(€ million)	Year ended December 31, 2020	Year ended December 31, 2021
Cost of net financial debt (1)	**(414.4)**	**(342.6)**
Net gains / losses on loans and receivables	12.6	8.0
Dividends received	2.8	124.3
Assets and liabilities at fair value through profit or loss	0.1	0.4
Foreign exchange gains and losses	(12.9)	7.9
Unwinding of the discount on provisions	(23.5)	(20.9)
Interest on concession liabilities	(79.8)	(76.5)
Interest on IFRS 16 lease debt	(32.2)	(28.2)
Other	(32.9)	(38.4)
Other current financial income and expenses (2)	**(165.8)**	**(23.4)**
Gains (losses) on financial divestitures (3)	**26.1**	**(15.8)**
Current net financial expense (1)+(2)+(3)	**(554.1)**	**(381.8)**
Other non-current financial income and expenses	-	(35.0)
Net financial expense	**(554.1)**	**(416.8)**

[1] See Section 6.1 for more information on this restatement

The net financial expense for the year ended December 31, 2021 is -€382 million, compared with -€554 million for the year ended December 31, 2020. This improvement is mainly due to dividends received on the Group's investment in Suez in respect of 2020 of +€122 million and a marked decrease in the net finance cost.

The non-current net financial expense for the year ended December 31, 2021 of -€35 million includes costs relating to the Suez acquisition financing.

Cost of net financial debt

The cost of net financial debt totaled -€343 million for the year ended December 31, 2021, compared with -€414 million for the year ended December 31, 2020. This €71 million decrease in the Group's cost of net financial debt is due to favorable bond issue refinancing costs, lower foreign currency interest rates and the positive impact of the cancellation of the interest rate hedging portfolio (pre-hedge swaps) set-up in 2020 for €20 million.

The Group's financing rate (excluding IFRS 16 impacts) was therefore 2.98% at December 31, 2021, compared with 4.02% at December 31, 2020 (2.85% vs. 3.74% including IFRS 16 impacts).

Other financial income and expenses

Other current financial income and expenses totaled -€23.4 million for the year ended December 31, 2021, compared with -€165.8 million for the year ended December 31, 2020.

They include dividends received on the Group's investment in Suez (€122 million) for the shares purchased in October 2020 (29.9%) as well as interest on concession liabilities (IFRIC 12) of -€76.5 million and the unwinding of discounts on provisions for -€20.9 million.

In 2021, capital losses on disposals of financial assets total -€15.8 million and mainly comprise the capital loss on the divestiture of activities in Namibia (VWT) of -€7.1 million and the capital loss on the liquidation of a non-consolidated company, VIGIE 2, of -€7.5 million, offset by a provision reversal of €7.5 million.

Gains on financial divestitures totaled +€26.1 million in 2020.

3.4.3 CURRENT INCOME TAX EXPENSE

The current income tax expense for the year ended December 31, 2021 amounted to -€329.7 million, compared with -€159.6 million for the year ended December 31, 2020 re-presented[1].
The current income tax rate for the year ended December 31, 2021 is 25.8%, versus 27.6% for the year ended December 31, 2020 re-presented[2].

[1] See Section 6.1 for more information on this restatement
[2] *26.1% for the year ended December 31, 2020 published*

(€ million)	*Year ended December 31, 2020 re-presented*[1]	*Year ended December 31, 2021*
Current income before tax (a)	**687.9**	**1,383.9**
of which share of net income of joint ventures & associates (b)	110.5	104.8
Re-presented current income before tax: (c)= (a)-(b)	**577.4**	**1,279.1**
Re-presented tax expense (d)	**(159.6)**	**(329.7)**
Re-presented tax rate on current income (d)/(c)	**27.6%**	**25.8%**

3.4.4 Current net income

Current net income attributable to owners of the Company was €896 million for the year ended December 31, 2021, compared with €382 million for the year ended December 31, 2020 re-presented**Erreur ! Signet non défini.**. Excluding capital gains and losses on financial divestitures net of tax and minority interests, current net income attributable to owners of the Company increased 150.5% at constant exchange rates to €915 million from €363 million for the year ended December 31, 2020 re-presented**Erreur ! Signet non défini.**.

3.4.5 Other income statement items

Selling, general and administrative expenses

Selling, general and administrative expenses impacting Current EBIT increased from €2,739 million for the year ended December 31, 2020 re-presented[1] to €2,944 million for the year ended December 31, 2021, representing an increase of 7.5% at current scope and exchange rates (+7.7% at constant exchange rates and +6.8% at constant scope and exchange rates). The ratio of selling, general and administrative expenses to revenue is 10.3% for 2021, down on the previous year re-presented**Erreur ! Signet non défini.** (10.5%).

Current net income (loss)/ Net income (loss) attributable to owners of the company

The share of net income attributable to non-controlling interests totaled €150.6 million for the year ended December 31, 2021, compared with €119.7 million for the year ended December 31, 2020.

Net income attributable to owners of the Company was €404.3 million for the year ended December 31, 2021, compared with €88.8 million for the year ended December 31, 2020.

Current net income attributable to owners of the Company was €895.8 million for the year ended December 31, 2021, compared with €381.8 million for the year ended December 31, 2020 re-presented**Erreur ! Signet non défini.**.

[1] See Section 6.1 for more information on this restatement

Based on a weighted average number of outstanding shares of 592.9 million (basic), and 617.9 million (diluted) for the year ended December 31, 2021, compared with 554.9 million (basic) and 579.9 million (diluted) for the year ended December 31, 2020, the net income attributable to owners of the Company per share for the year ended December 31, 2021 was €0.68 (basic) and €0.65 (diluted), compared with €0.16 (basic) and €0.15 (diluted) for the year ended December 31, 2020. Current net income attributable to owners of the Company per share was €1.51 (basic) and €1.45 (diluted) for the year ended December 31, 2021, compared with €0.75 (basic) and €0.72 (diluted) for the year ended December 31, 2020.
The dilutive effect taken into account in the above earnings per share calculations concerns the OCEANE bonds convertible into and/or exchangeable for new and/or existing shares issued in September 2019 and maturing on January 1, 2025 and the Performance Share Grant Plans set-up on April 30, 2019 and maturing in April 2022, on May 5, 2020 and maturing in May 2023 and on May 4, 2021 and maturing in May 2024.

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2021** breaks down as follows:

(€ million)	*Current*	*Non-Current*	*Total*
EBIT	1,765.7	(448.2)	1,317.5
Cost of net financial debt	(342.6)	-	(342.6)
Other financial income and expenses	(39.2)	(35.0)	(74.2)
Pre-tax net income (loss)	**1,383.9**	**(483.2)**	**900.7**
Income tax expense	(329.7)	(16.1)	(345.8)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	-	-
Net (income) loss attributable to non-controlling interests	(158.4)	7.8	(150.6)
Net income (loss) attributable to owners of the Company	**895.8**	**(491.5)**	**404.3**

Net income (loss) attributable to owners of the Company for the year ended **December 31, 2020 re-presented**[1] breaks down as follows:

(€ million)	*Current*	*Non-Current*	*Total*
EBIT	1,242.0	(322.5)	919.5
Cost of net financial debt	(414.4)	-	(414.4)
Other financial income and expenses	(139.7)	-	(139.7)
Pre-tax net income (loss)	**687.9**	**(322.5)**	**365.4**
Income tax expense	(159.6)	22.6	(137.0)
Net income (loss) of other equity-accounted entities	-	-	-
Net income (loss) from discontinued operations	-	(19.9)	(19.9)
Net (income) loss attributable to non-controlling interests	(146.5)	26.8	(119.7)
Net income (loss) attributable to owners of the Company	**381.8**	**(293.0)**	**88.8**

Net income (loss) from discontinued operations to the end of December 2020 corresponds to the impact of costs incurred on the discontinuation of Veolia Water Technologies' EPC international activities of -€19.9 million.

[1] See Section 6.1 for more information on this restatement

Current EBIT reconciles with operating income, detailing the non-current items of net income, as follows:

(€ million)	*Year ended December 31, 2020 re-presented*[1]	*Year ended December 31, 2021*
Current EBIT	**1,242.0**	**1,765.7**
Impairment losses on goodwill and negative goodwill	(44.1)	10.8
Net charges to non-current provisions	13.5	(0.9)
Restructuring costs	(106.6)	(68.2)
Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other	(155.9)	(234.0)
Share acquisition costs, with or without acquisition of control	(29.4)	(155.9)
Total non-current items	**(322.5)**	**(448.2)**
Operating income after share of net income (loss) of equity-accounted entities	**919.5**	**1,317.5**

Restructuring costs for the year ended December 31, 2021 mainly concern the waste activity in France for -€22 million.

Non-current provisions and impairment of property, plant and equipment, intangible assets, operating financial assets and other non-current expenses for the year ended December 31, 2021 primarily concern:

- Specific costs dedicated to the health crisis beyond the usual costs of employee equipment and individual protection (-€59 million);
- Non-current asset impairment, notably in Central and Eastern Europe for -€47 million in respect of the industrial asset decarbonization program (Czech Republic, Poland) and in Romania, as well as in Asia for -€41 million.
- Share acquisition costs mainly comprise costs incurred in the context of the Suez combination.

[1] See Section 6.1 for more information on this restatement

4

FINANCING

4.1 Change in Free Cash Flow and Net Financial Debt

The following table summarizes the change in net financial debt and net free cash flow:

(€ million)	*Year ended December 31, 2020*	*Year ended December 31, 2021*
EBITDA	**3,640.8**	**4,233.8**
Net industrial investments	(2,151.5)	(2,211.5)
Change in operating WCR	233.4	382.5
Dividends received	75.3	223.1
Renewal expenses	(260.5)	(291.9)
Other non-current expenses and restructuring charges	(230.0)	(236.5)
Interest on concession liabilities (IFRIC 12)	(79.8)	(76.5)
Interest on IFRS 16 lease liabilities	(32.2)	(28.2)
Financial items (current interest paid and operating cash flow from financing activities)	(429.7)	(368.7)
Taxes paid	(258.3)	(285.6)
Net free cash flow before dividend payment, financial investments and financial divestitures	**507.5**	**1,340.5**
Dividends paid	(425.6)	(558.2)
Net financial investments	(4,898.0)	64.1
Change in receivables and other financial assets	(31.8)	111.0
Issue / repayment of deeply subordinated securities	1,987.1	497.5
Proceeds on issue of shares	139.0	2,692.3
Free cash flow	**(2,721.9)**	**4,147.2**
Effect of foreign exchange rate movements and other	185.3	(462.4)
Change	**(2,536.6)**	**3,684.8**
Opening net financial debt	(10,680.4)	(13,217.0)
Closing net financial debt	**(13,217.0)**	**(9,532.2)**

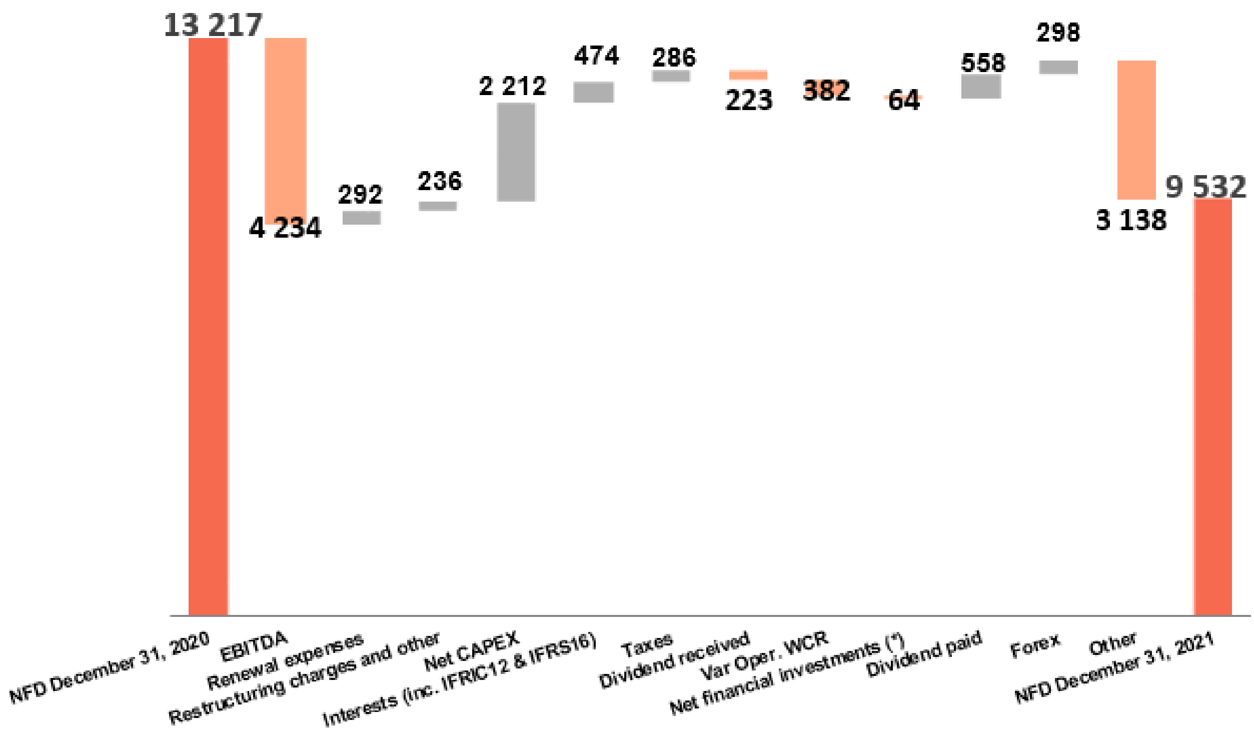
Net free cash flow reflects excellent performance during the year and is €1,340.5 million for the year ended December 31, 2021, compared with €507.5 million for the year ended December 31, 2020.

The change in net free cash flow compared with the year ended December 31, 2020 reflects:
- the increase in EBITDA driven by activity growth and the intensification of commercial and operating efficiency efforts;
- net industrial investments of €2,211.5 million, up 2.8% at current exchange rates (+2.9% at constant exchange rates):
  - maintenance investments of €1,273 million (4% of revenue),
  - growth investments in the current portfolio of €876 million (€691 million in the year ended December 31, 2020),
  - discretionary investments of €456 million, up +€21 million compared with 2020;
  - industrial divestitures of €317 million as part of the Group's ongoing asset rotation strategy in accordance with the objectives set in the Impact 2023 strategic plan.

- a marked improvement in the change in operating working capital requirements to €383 million, compared with €233 million for the year ended December 31, 2020 thanks to ongoing debt recovery efforts.
- the receipt of Suez dividends of €122 million on July 8, 2021 on the shares acquired in October 2020 (29.9% non-consolidated investment).

Overall**, net financial debt** amounted to €9,532 million, compared with €13,217 million as of December 31, 2020.

Compared with December 31, 2020, the decrease in **net financial debt** is mainly due to:
- net free cash flow generation of +€1,341 million for the year;
- the payment of the dividends voted by the Combined Shareholders' Meeting of April 22, 2021 (-€397 million);
- net financial investments of €64 million (including acquisition costs and net financial debt of new entities) and mainly comprising the impact of the acquisition of OSIS and an organic fertilizer facility in France and the divestiture of industrial services and recycling solution activities in Sweden and Norway and of the Shenzhen water concession in China.
- the share capital increase performed as part of the Suez acquisition financing for €2.5 billion (excluding issue costs)
- the subordinated debt issue for €497 million (excluding issue costs)
- the share capital increase performed under the Sequoia 2021 employee share ownership plan for €204 million net



(*) Financial acquisitions of -€476 million net of financial divestitures of +€540 million.
(**) Primarily the share capital increase for +€2.5 billion (net of issue costs), the Sequoia employee share ownership plan for +€204 million net, the hybrid debt issue for +€497 million (net of issue costs) and the repayment of loans to joint ventures.

Net financial debt was also impacted by negative exchange rate fluctuations of -€298 million as of December 31, 2021[1] compared with a positive fluctuations of +€273 million as of December 31, 2020.

4.2 Industrial and financial investments

4.2.1 INDUSTRIAL INVESTMENTS

Total Group gross industrial investments, including new operating financial assets, amounted to €2,528 million for the year ended December 31, 2021, compared with €2,387 million for the year ended December 31, 2020. Industrial investments, excluding discontinued operations, break down by segment as follows:

Year ended December 31, 2021 (€ million)	*Maintenance and contractual requirements*[2]	*Discretionary growth*	***Total gross industrial investments*** [3]	*Industrial divestitures*	***Total net industrial investments***
France	471	37	**508**	(88)	**420**
Europe excluding France	795	172	**967**	(132)	**835**
Rest of the world	500	196	**696**	(35)	**661**
Global businesses	233	51	**284**	(47)	**237**
Other	73	0	**73**	(14)	**59**
Group	**2,072**	**456**	**2,528**	**(316)**	**2,212**

Year ended December 31, 2020 (€ million)	*Maintenance and contractual requirements*[4]	*Discretionary growth*	***Total gross industrial investments*** [5]	*Industrial divestitures*	***Total net industrial investments***
France	447	34	**481**	(63)	**418**
Europe excluding France	742	167	**910**	(102)	**808**
Rest of the world	514	198	**711**	(27)	**684**
Global businesses	225	36	**261**	(43)	**217**
Other	24	0	**24**	0	**24**
Group	**1,952**	**435**	**2,387**	**(236)**	**2,151**

At constant exchange rates, net industrial investments are up slightly (+2.8%) year-on-year. Impacted by the health crisis, an increased budget was allocated to maintenance investments. In line with the strategic choices of the Impact 2023 program, investments mainly include:

[1] Mainly driven by negative impacts on the US dollar (-€86 million), Chinese renminbi yuan (-€65 million), pound sterling (-€60 million), Czech koruna (-€39 million), Hong King dollar (-€14 million) and Russian ruble (-€14 million).

[2] Including maintenance investments of €1,273 million, and contractual requirements of €876 million in 2021.

[3] Including new operational financial assets of €169 million in 2021.

[4] Including maintenance investments of €1,261 million, and contractual requirements of €691 million in 2020.

[5] Including new operational financial assets of €160 million in 2020.

- in the Rest of the world, investments of €73 million including hazardous waste processing development projects (construction of incinerators in Saudi Arabia, China and Singapore) and €34 million in the plastics circular economy (recycling plants in Japan and Singapore).
- in Europe excluding France, €115 million in the energy loop sector, mainly comprising decarbonization investment at our heat production sites (Germany, Czech Republic and Poland).

4.2.2 FINANCIAL INVESTMENTS AND DIVESTITURES

Net financial investments totaled +€64 million in 2021, compared with -€4,898 million in 2020.

Financial investments totaled -€476 million in the year ended December 31, 2021 (including acquisition costs and net financial debt of new entities) and mainly included the impacts of the acquisition of Osis in France (€348 million including IFRS 16 debt) and an organic fertilizer facility in France (€20 million).

In 2020, excluding the acquisition of Suez Environnement shares (€3,422 million including acquisition costs), financial investments totaled -€1,649 million (including acquisition costs and net financial debt of new entities) and mainly comprised the acquisition of the Prague Right Bank urban heating network in the Czech Republic (€710 million), heat production assets in Budapest, Hungary (€294 million), the Alcoa hazardous waste processing site in the United States (€231 million) and the MAG waste processing group in Russia (€125 million) and the buyout of the minority partner in the Nagpur water contract in India (€113 million).

Financial divestitures totaled €540 million in 2021 (including disposal costs) and mainly included the divestiture of the stake in the Shenzhen water concession in China (€249 million)[1], as well as the divestiture of industrial services and recycling services activities in Sweden and Norway (€111 million)[2].

In 2020, financial divestitures totaled €174 million (including disposal costs) and mainly comprised the sale of SADE's Telecom branch (€52 million), the sale of assets in Germany (€31 million), the sale of the investment in the Liuzhou water concession in China (€47 million) and the sale of Campus X in Italy (€20 million), as well as the share capital increase by Southa in Hong Kong subscribed by minority shareholders for €14 million.

4.3 Operating working capital

The change in operating working capital requirements (excluding discontinued operations) was €382 million for the year ended December 31, 2021, compared with €233 million for the year ended December 31, 2020.

This change reflects the regular monitoring and improvement of the collection and billing processes in a context of increased vigilance and denotes the resilience of the Group's municipal and industrial customers.

The net WCR position on the balance sheet as of December 31, 2021 is a resource of €1,854 million compared to €1,511 million as of December 31, 2020, a change of €342 million including -€41 million relating to changes in consolidation scope and €0.4 million relating to foreign exchange impacts.

See Note 6.3.1 to the consolidated financial statements for the year ended December 31, 2021.

[1] *Total transaction amount of €394 million including the repayment of the shareholder loan (€105 million) and the payment of dividends (€40 million)*
[2] Total transaction amount of €235 million, including the divestiture of industrial assets

4.4 External Financing

4.4.1 Structure of net financial debt

(€ million)	*Note to the Consolidated Financial Statements*	*As of December 31, 2020*	*As of December 31, 2021*
Non-current financial liabilities	9.1.1	12,133	11,761
Current financial liabilities	9.1.1	7,599	9,033
Bank overdrafts and other cash position items	9.1.3	218	242
Sub-total financial debt		**19,949**	**21,036**
Cash and cash equivalents	9.1.3	(5,840)	(10,519)
Allocation of the fair value of hedging instruments	9.3.1	(57)	(13)
Liquid assets and financing financial assets	9.1.2	(835)	(972)
Net financial debt		**13,217**	**9,532**

As of December 31, 2021, net financial debt after hedging is entirely at fixed rates.

The average maturity of net financial debt was 7.8 years as of December 31, 2021 (6 years excluding the impact of the share capital increase and the hybrid bond issue) compared with 6.2 years as of December 31, 2020.

4.4.2 Group liquidity position

Following the appearance of the health crisis in 2020, Veolia made liquidity monitoring a priority. This led to the monitoring of weekly cash flow forecasts over a five-week horizon, through the regular review of the functioning of the Finance back office (invoicing, collections, payments, suppliers) and a daily update on the situation of the financial markets at Group level.

The Group has therefore pursued a prudent and resilient financing policy, with pooled cash invested in liquid monetary assets (monetary UCITS or liquid bank deposits).
The Group's gross liquidity position at December 31, 2021 stood at €15.5 billion and mainly consists of:

- €11.5 billion in cash or cash equivalents (centralized cash mainly invested in liquid monetary assets for €10.3 billion and cash available in subsidiaries for €1.2 billion);
- €4 billion of undrawn and available credit lines and bilateral credit lines.

The Group's net liquidity as of December 31, 2021 was €6.2 billion, including current debt and bank overdrafts and other cash position items reducing gross liquidity by €9.3 billion. Current debt and bank overdrafts and other cash position items notably include €5.9 billion of commercial paper with an average maturity of 2.5 months, currently being refinanced.

Liquid assets of the Group as of December 31, 2021 break down as follows:

(€ million)	*As of December 31, 2020*	***As of December 31, 2021***
Veolia Environnement		
Undrawn syndicated loan facility	3,000.0	3,000.0
Undrawn MT bilateral credit lines	1,000.0	1,000.0
Undrawn ST bilateral credit lines	-	-
Letters of credit facility	21.6	22.9
Cash and cash equivalents[1]	5,542.2	10,333.7
Subsidiaries:		
Cash and cash equivalents	1,132.9	1,156.7
Total liquid assets	**10,696.7**	**15,513.3**
Current debt and bank overdrafts and other cash position items		
Current debt	7,599.6	9,034.9
Bank overdrafts and other cash position items	217.6	241.9
Total current debt and bank overdrafts and other cash position items	**7,817.2**	**9,276.8**
Total liquid assets net of current debt and bank overdrafts and other cash position items[2]	**2,879.5**	**6,236.5**

The increase in net liquid assets compared to December 31, 2020 mainly reflects the proceeds from the €2.5 billion share capital increase on October 8, 2021 and the €0.5 billion hybrid debt issue on November 8, 2021, as well as the subscription of two short-term loans totaling €0.7 billion.

The multi-currency syndicated loan facility is undrawn as of December 31, 2021. Initially secured on November 2, 2015 for an amount of €3 billion and with a maturity of 2022, it was extended to 2024. In addition, Veolia Environnement has bilateral credit lines for a total undrawn amount of €1 billion as of December 31, 2021. Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

As of December 31, 2021, the US dollar bilateral letters of credit facility drawable in cash totaled US$25.9 million (€22.9 million euro-equivalent) and is not used to date. It is included in the above liquidity table.

4.4.3 Bank covenants

See Notes 3 and 9.3.2 to the consolidated financial statements for the year ended December 31, 2021.

[1] Including liquid assets and financing financial assets included in Net financial debt.
[2] Including cash equivalents from GIE Placements

5

OTHER ITEMS

5.1 Return on Capital Employed (ROCE)

Current EBIT after tax is calculated as follows:

(€ million)	*Year ended December 31, 2020 re-presented*[1]	***Year ended December 31, 2021***
Current EBIT[2]	**1,242**	**1,766**
- Current income tax expense	(160)	(330)
Current EBIT after tax	**1,082**	**1,436**

The table below presents the calculation of Capital Employed:

(€ million)	As of December 31, 2020 re-presented***Erreur ! Signet non défini.***	***As of December 31, 2021***
Intangible assets and Property, plant and equipment, net	13,086	13,687
Right of use	1,530	1,562
Goodwill, net of impairment	5,935	6,251
Investments in joint ventures and associates	1,375	1,594
Operating financial assets	1,371	1,320
Operating and non-operating working capital requirements, net	(3,555)	(4,557)
Net derivative and other instruments	(40)	69
Provisions	(2,260)	(2,345)
Capital employed	**17,442**	**17,581**
Impact of discontinued operations and other restatements[3]	(284)	362
Capital employed	**17,158**	**17,943**

The Group's post-tax return on capital employed (ROCE) is as follows:

(€ million)	**Current EBIT after tax**	**Average capital employed**	**Post-tax ROCE**

[1] See Section 6.1 for more information on this restatement
[2] Including the share of net income (loss) of joint ventures and associates
[3] 2021 restatements mainly concern the add-back of the capital employed of activities sold in Norway and Sweden and the prorating of the capital employed of OSIS acquired in 2021. 2020 restatements concern the prorating of the value of securities acquired in the last quarter of 2020 (Prague Right Bank and Bert Hungary), and the add-back of the capital employed of the Shenzhen water concession which gave rise to a restatement in assets and liabilities held for sale as of December 31, 2020.

2020 (incl. IFRS 16) re-presented**Erreur ! Signet non défini.**	1,082	17,535	6.2%
2021 (incl. IFRS 16)	1,436	17,550	8.2%

5.2 Statutory Auditors' fees

	KPMG SA				Ernst & Young			
	Amount		Percentage		Amount		Percentage	
(€ million)	2021	2020	2021	2020	2021	2020	2021	2020
Certification of individual and consolidated accounts and limited annual review								
Veolia Environnement	1.5	1.5	11.1%	11.5%	1.7	1.7	11.7%	11.2%
Controlled entities	9.6	9.7	70.6%	75.0%	11.2	10.4	77.2%	68.6%
Sub-total (a)	11.1	11.2	81.7%	86.5%	12.9	12.1	89.0%	79.7%
Non-audit services required by legal and regulatory texts								
Veolia Environnement	0.3	0.2	2.5%	1.4%	0.0	0.0	0.0%	0.0%
Controlled entities	0.0	0.3	0.1%	2.6%	0.0	0.5	0.0%	3.5%
Sub-total (b)	0.3	0.5	2.6%	4.0%	0.0	0.5	0.0%	3.3%
Non-audit services provided at the request of the entity								
Veolia Environnement	0.4	0.2	3.1%	1.5%	0.5	0.3	3.4%	1.9%
Controlled entities	1.7	1.0	12.6%	8.1%	1.1	2.3	7.6%	14.8%
Sub-total (c)	2.1	1.2	15.7%	9.5%	1.6	2.6	11.0%	16.6%
Non-audit services[1]								
Sub-total (d) = (b) + (c)	2.5	1.7	18.3%	13.5%	1.6	3.1	11.0%	20.3%
TOTAL (e) = (a) + (d)	13.6	12.8	100.0%	100.0%	14.5	15.3	100.0%	100.0%

5.3 Related-party transactions

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures (see Note 14 to the consolidated financial statements).

5.4 Subsequent events

Regarding the combination with Suez, the closing of the tender offer and the sale of the New Suez to the consortium took place in January 2022, see Chapter 1.1 Suez Combination for more Details.

Following the emergence of the conflict in Eastern Europe, the Group is closely monitoring the development of the situation.

[1] Non-audit services include services provided at the request of the consolidating entity or controlled entities (contractual audits, attestations, agreed procedures, accounting consultations, review of current or planned information systems, acquisition and disposal due diligence procedures, report on social, environmental and societal information and tax services that do not affect the independence of the Statutory Auditors).

The Group provides essential services for local populations in Ukraine and Russia, with the health and safety of its employees and the reduction of their risks as a priority. These activities represent, in 2021, 0.3% of the Group's revenue and 0.8% of the capital employed.

Veolia remains attentive on a daily basis to the evolution of the conflict in Eastern Europe as well as its impact on the economic environment and on energy supplies.

5.5 Risk factors

The main risk factors the Group could face are set out in Chapter 2 of the 2021 Universal Registration Document.

5.6 Outlook

2022 Prospects*

The year 2022 starts in an inflationary environment in which Veolia's business are well protected thanks to the contractual model of price indexation which applies to around 70% of the Group's revenue, and thanks to its energy purchases hedging policy.

Besides, the Group's exposure to Russia and Ukraine is very limited with a total revenue of c. €120 million (0.3% of the Group's revenue) and €130 million of capital employed (less than 0.5% of the combined Veolia-Suez)
In view of the continued favorable underlying trends of our businesses, without extension of the conflict beyond the Ukrainian territory and without significant change in the energy supply conditions in Europe, the Group's 2022 prospects, which include for the 1st time the Suez acquired activities (since January 18th), are the following :

- Solid organic revenue growth
- Efficiency gains above €350M complemented by €100M of synergies coming from the 1st year of integration of Suez
- Organic growth of EBITDA between +4% and +6%
- Current net income group share around €1.1bn, a growth of more than 20%, confirming the earning per share accretion of around 10%**
- Confirmed 2024 EPS accretion of around 40%**
- Leverage ratio around 3x
- Dividend growth in line with current EPS growth

** At constant forex*

*** Current net income per share after hybrid costs and before PPA*

APPENDICES

6.1 Reconciliation of data published in 2020 and 2019 with data re-presented in 2021

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.

In accordance with ESMA guidance on changes in the definition of non-GAAP indicators, the 2019 and 2020 indicators were restated.

Reconciliation of aggregate indicators for the years ended December 31, 2020 and 2019

Impact du reclassement en courant des frais de personnels - paiements en actions (IFRS2) - clôture du 31 décembre

(en millions d'euros)	*31 décembre 2019 publié*	*Retraitement IFRS 2*	***31 décembre 2019 retraité***	*31 décembre 2020 publié*	*Retraitement IFRS 2*	***31 décembre 2020 retraité***
Chiffre d'Affaires	**27 189**		**27 189**	**26 010**		**26 010**
EBITDA	**4 022**		**4 022**	**3 641**		**3 641**
Marge d'EBITDA	14,8%		14,8%	14,0%		14,0%
Frais de personnel - paiements en action		-21	-21		-33	-33
EBIT Courant	**1 730**	**-21**	**1 709**	**1 275**	**-33**	**1 242**
Résultat Net Courant Part du Groupe	**760**	**-21**	**738**	**415**	**-33**	**382**
Résultat Net Courant Part du Groupe hors PMV de cessions financières	**734**	**-21**	**713**	**396**	**-33**	**363**
Resultat Opérationnel	**1 465**	**0**	**1 465**	**920**	**0**	**920**
Résultat Net Part du Groupe	**625**	**0**	**625**	**89**	**0**	**89**
Investissements industriels nets	-2 201		-2 201	-2 151		-2 151
Free cash flow net	868		868	508		508
Endettement financier Net à l'ouverture	**-11 564**		**-11 564**	**-10 680**		**-10 680**
Endettement financier Net à la clôture	**-10 680**		**-10 680**	**-13 217**		**-13 217**

This adjustment does not impact Net income attributable to owners of the Company in so far as it involves a reclassification between current and non-current items in Net income attributable to owners of the Company.

The reconciliation of Current EBIT with operating income, as shown in the income statement, is presented in Section 3.4.5. Likewise, the reconciliation of current net income with net income attributable to owners of the Company, as shown in the income statement, is presented in Section 3.4.5.

6.2 Reconciliation of GAAP indicators and the indicators used by the Group

6.2.1 EBITDA

The reconciliation of Operating cash flow before change in working capital with EBITDA is as follows:

(€ million)	*Year ended December 31, 2020*	***Year ended December 31, 2021***
Operating cash flow before changes in working capital	**2,892.8**	**3,213.2**
o/w Operating cash flow from financing activities	(20.8)	(70.1)
o/w Adjusted operating cash flow	2,913.5	3,283.3
Less:		
Renewal expenses	260.5	291.9
Cash restructuring charges	116.4	77.0
Share acquisition and disposal costs	37.6	170.7
Other non-current expenses	113.6	159.5
Plus:		
Principal payments on operating financial assets	199.2	251.4
EBITDA	**3,640.8**	**4,233.8**

6.2.2 NET FREE CASH FLOW

The reconciliation of Net cash from operating activities of continuing operations (included in the Consolidated Cash Flow Statement) with net free cash flow is as follows:

(€ million)	**Notes**	*Year ended December 31, 2020*	***Year ended December 31, 2021***
Net cash from operating activities of continuing operations		***2,737.7***	***3,163.8***
Plus:			
Industrial investments, net of grants		(1,608.6)	(1,728.8)
Proceeds on disposal of industrial assets		235.9	316.4
New operating financial assets		(160.0)	(166.6)
Principal payments on operating financial assets		199.2	251.4
New finance lease debt		(488.7)	(483.8)
Dividends received		75.3	223.1
Net financial interest		(516.8)	(462.1)
Less:			
Share acquisition and disposal costs		33.5	227.1
Net free cash flow		**507.5**	**1,340.5**

6.2.3 INDUSTRIAL INVESTMENTS

The reconciliation of Industrial investments, net of grants (included in the Consolidated Cash Flow Statement) with industrial investments is as follows:

(€ million)	*Year ended December 31, 2020*	***Year ended December 31, 2021***
Industrial investments, net of grants	**(1,608.6)**	**(1,728.8)**
New finance lease debt	(488.7)	(483.8)
Change in concession working capital requirements	(130.0)	(146.3)
New operating financial assets	(160.0)	(169.0)
Gross industrial investments	**(2,387.3)**	**(2,528.2)**

6.3 Definitions

6.3.1 Strictly accounting indicators (GAAP: IFRS)

Cost of net financial debt is equal to the cost of gross debt excluding IFRS 16 financial interest presented as other financial expenses and including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Operating cash flow before changes in working capital, as presented in the Consolidated Cash Flow Statement, is comprised of three components: operating cash flow from operating activities (referred to as "adjusted operating cash flow" and known in French as "*capacité d autofinancement opérationnelle*") consisting of operating income and expenses received and paid ("cash"), operating cash flow from financing activities including cash financial items relating to other financial income and expenses and operating cash flow from discontinued operations composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

6.3.2 Non-strictly accounting indicators (non GAAP)

The term **"change at constant exchange rates"** represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.

The municipal sector encompasses services in the Water, Waste and Energy business lines aimed at users, performed under contracts with municipal governments, groups of municipal governments, or regional or national governments.

The industrial sector covers Water, Waste and Energy management services, offered to industrial or service sector customers.

EBITDA comprises the sum of all operating income and expenses received and paid (excluding restructuring charges, non-current WCR impairments, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

The EBITDA margin is defined as the ratio of EBITDA to revenue.

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

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

Current net income attributable to owners of the Company is defined as the sum of the following items:
- current EBIT;
- current net finance expenses, including the current cost of net financial debt and other current financial income and expenses, including capital gains or losses on financial divestitures (including gains or losses included in the share of net income of equity-accounted entities);
- current tax items ;
- minority interests (excluding the portion of minority interests relative to non-current items in the income statement).

Current net income attributable to owners of the Company per share is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.

Net industrial investments, as presented in the statement of changes in net financial debt, include industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

The Group identifies three categories of investment:
- maintenance investments which reflect the replacement of equipment and installations used by the Group;
- growth investments which include investments in new equipment and installations embedded in existing contracts or in line with contractual requirements;
- discretionary growth investments which reflect investments in new equipment and installations linked to new projects, contract wins or significant new developments and extensions to existing projects or contracts.

The last two categories are defined as growth investments.

Net financial investments as presented in the statement of changes in net financial debt include financial investments, net of financial divestitures.

Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.

Financial divestitures include disposals of financial assets including the net financial debt of companies leaving the scope of consolidation, and partial divestitures resulting from transactions with shareholders where there is no change in control, as well as share capital issues subscribed by non-controlling interests.

Net free cash flow corresponds to free cash flow from continuing operations, and is equal to the sum of EBITDA, dividends received, changes in operating working capital and operating cash flow from financing activities, less net interest expenses, net industrial investments, taxes paid, renewal expenses, restructuring charges and other non-current expenses.

Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items) which includes IFRS 16 lease debt, net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets composed of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.
The leverage ratio is the ratio of closing net financial debt including IFRS 16 to EBITDA including IFRS 16.

The financing rate is defined as the ratio of the cost of net financial debt (excluding IFRS 16 lease debt and fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt excluding IFRS 16 lease debt for the period, including the cost of net financial debt of discontinued operations.

The post-tax return on capital employed (ROCE) is defined as the ratio of:

- current EBIT, including the share of net income or loss of equity-accounted entities, after tax. It is calculated by subtracting the current tax expense from current EBIT, including the share of net income or loss of equity-accounted entities. The current tax expense is the tax expense in the income statement re-presented for tax effects on non-current items;
- average capital employed in the year, including operating financial assets and investments in joint ventures and associates. Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

Resourcing the world

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